

# DEPARTMENT OF HEALTH CARE SERVICES

Final Review Report

## OPIOID RESPONSE MEDIA ~~CAMPAIGN~~

*May 1, 2017, through December 31, 2023*



MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

September 2025



## **STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS**

Post Office Box 942850 | Sacramento, CA 94250

Sacramento Office: 3301 C Street, Suite 700 | Sacramento, CA 95816 | 916-324-8907

Monterey Park Office: 901 Corporate Center Drive, Suite 200 | Monterey Park, CA 91754 | 323-981-6802

[www.sco.ca.gov](http://www.sco.ca.gov)



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

September 11, 2025

Ms. Michelle Baass, Director  
Department of Health Care Services  
P.O. Box 997413  
Sacramento, CA 95899

Dear Director Baass:

The State Controller's Office reviewed the Department of Health Care Services' (DHCS) contracts with M&M Media Solutions (MMM) for DHCS' Opioid Response media campaign. The review period was May 1, 2017, through December 31, 2023.

Our review found the following issues:

- DHCS did not adequately monitor MMM to ensure that it complied with contract requirements. In addition, contract deliverables were not clearly described such that DHCS could measure performance or ensure that services were sufficiently completed.
- DHCS did not maintain adequate controls over the review and approval of MMM payments, resulting in \$80,166 in improper payments.
- The contract scope and deliverables were in compliance with the Substance Abuse and Mental Health Services Administration's State Opioid Response grant objectives. However, DHCS expended State Targeted Response funds on the Opioid Response media campaign; this expenditure of funds was not specified in the approved State Targeted Response grant application's project or budget narrative. DHCS did not request prior approval for the change in project scope or objective.

Ms. Michelle Baass

September 11, 2025

Page 2 of 2

If you have any questions regarding this report, please contact Ella Finau, Chief, Special Audits Bureau, by telephone at 916-322-7699. Thank you.

Sincerely,

*Original signed by*

Kimberly A. Tarvin, CPA

Chief, Division of Audits

Copy: Waheeda Sabah, Chief

Federal Grants Branch

Community Services Division

California Department of Health Care Services

Justin Whitcomb, Contracts and Fiscal Section Chief

Federal Grants Branch

Community Services Division

California Department of Health Care Services

Stephanie Williams, Program and Policy Section Chief

Federal Grants Branch

Community Services Division

California Department of Health Care Services

Wendy Griffe, Chief

Internal Audits

California Department of Health Care Services

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## SUMMARY

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The State Controller's Office (SCO) reviewed the Department of Health Care Services' (DHCS) contracts with M&M Media Solutions (MMM) for DHCS' Opioid Response media campaign for the period of May 1, 2017, through December 31, 2023.

Our review found the following issues:

- DHCS did not adequately monitor MMM to ensure that it complied with contract requirements. In addition, contract deliverables were not clearly described such that DHCS could measure performance or ensure that deliverables were sufficiently completed.
- DHCS did not maintain adequate controls over the review and approval of MMM payments, resulting in \$80,166 in improper payments.
- The contract scope and deliverables were in compliance with the Substance Abuse and Mental Health Services Administration's (SAMHSA) State Opioid Response (SOR) grant objectives. However, DHCS expended State Targeted Response (STR) funds on the Opioid Response media campaign; this expenditure of funds was not specified in the approved STR grant application's project or budget narrative. DHCS did not request prior approval for the change in project scope or objective.

## BACKGROUND

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To address the ongoing opioid crisis, DHCS created the California Medication-Assisted Treatment Expansion project in 2017, which was later renamed DHCS Opioid Response. Several projects under DHCS Opioid Response have received funding from the SOR grant program under the SAMHSA to address the opioid overdose crisis and help reduce unmet treatment needs and opioid-related overdose deaths.

During the review period, DHCS received the following federally funded opioid response grants:

- STR Grant of \$89,499,542 for the project period of May 1, 2017, through April 30, 2020;
- SOR I Grant of \$176,140,210 for the project period of September 30, 2018, through September 29, 2020;
- SOR II Grant of \$211,729,156 for the project period of September 30, 2020, through September 29, 2023; and
- SOR III Grant of \$217,861,311 for the project period of September 30, 2022, through September 29, 2024.

To implement prevention and education services, DHCS budgeted grant funds for a media campaign to raise public awareness of how to access medication-assisted treatment in California. DHCS awarded the media contract to MMM and continued to use its services for all SOR grants. MMM was awarded the following three contracts:

- SOR I Grant – \$10,000,000 for the period of January 1, 2019, through September 29, 2019;
- SOR II Grant – \$10,000,000 for the period of September 30, 2020, through September 29, 2022; and
- SOR III Grant – \$20,500,000 for the period of September 30, 2022, through June 30, 2024.

The Federal Grants Branch of DHCS's Community Services Division works with MMM to execute the services in the contracts and performs administrative duties related to the media campaign.

## REVIEW AUTHORITY

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Authority for this review is provided by Government Code (GC) section 12410, which states:

The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.

## OBJECTIVES, SCOPE, AND METHODOLOGY

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Our review objectives were to determine whether:

- The contracts with MMM were procured in accordance with state procurement rules and policies;
- The contract scope and deliverables were in compliance with SAMHSA's SOR grant objectives, as well as the State's goals of improving access to opioid treatment; reducing unmet treatment needs; and reducing opioid-related overdose deaths through prevention, treatment, and recovery activities;
- DHCS adequately monitored MMM to ensure that it complied with contract requirements and that deliverables were completed sufficiently and in a timely manner; and
- DHCS had adequate controls in place for the review and approval of payments to MMM, and that payments were adequately supported.

The review period was May 1, 2017, through December 31, 2023.

To achieve our review objectives, we performed the following procedures:

- We gained an understanding of applicable laws, rules, regulations, and DHCS policies and procedures applicable to Opioid Response media campaign expenditures.



- We conducted walkthroughs and interviewed DHCS staff members to gain an understanding of applicable activities and processes for the Opioid Response media campaign.
- We reviewed contracts awarded during the review period and determined whether DHCS had complied with state procurement policies and whether contract deliverables and scope were in compliance with SAMHSA grant objectives.
- We reviewed media plans, project reports, and reports on media campaign performance.
- Upon gaining an understanding of internal controls over the review and approval of MMM payments, we reviewed all contract expenditures made during the review period to determine whether DHCS funds had been expended in accordance with the approved terms of the contract, applicable laws, rules, regulations, and DHCS policies and procedures. We tested the following:
  - SOR I Contract – all 10 payments, totaling \$10,000,000;
  - SOR II Contract – all nine payments, totaling \$10,000,000; and
  - SOR III Contract – all six payments, totaling \$16,504,534.

We did not review DHCS's financial statements. We limited our review scope to planning and performing review procedures necessary to achieve our review objectives. Our consideration of internal control was limited to gaining an understanding of the transaction flows and financial management system, and determining the review procedures that were appropriate under the circumstances for the purpose of providing a conclusion based on our review objectives.

## CONCLUSION

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Our review found the following issues:

- DHCS did not adequately monitor MMM to ensure that it complied with contract requirements. In addition, contract deliverables were not clearly described such that DHCS could measure performance or ensure that services were sufficiently completed (see Finding 1). We found that:
  - DHCS did not obtain Media Buy Documentation (MBD) as required by the contracts;
  - DHCS did not verify that data elements provided by MMM were complete and accurate; and
  - Contract deliverables for the media campaigns were not clearly described such that DHCS could measure performance or clearly identify the services and products that would be received in exchange for the amount paid.
- DHCS did not maintain adequate controls over the review and approval of payments to MMM (see Finding 2). We found that:
  - DHCS's inadequate payment review resulted in \$80,166 in improper payments; and
  - DHCS did not request supporting documentation to verify that expenditures were actually incurred and properly billed.
- The contract scope and deliverables were in compliance with SAMHSA's SOR grant objectives. However, DHCS expended STR funds on the Opioid Response media campaign; this expenditure of funds was not specified in the approved STR grant application's project or budget narrative. DHCS did not request prior approval for the change in project scope or objective (see Finding 3).

## VIEWS OF RESPONSIBLE OFFICIALS

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We issued a draft review report on June 25, 2025. DHCS' representative responded by letter dated July 7, 2025, agreeing with the review results. This final review report includes DHCS' response as an attachment.

## RESTRICTED USE

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This report is solely for the information and use of DHCS and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this review report, which is a matter of public record and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

Kimberly A. Tarvin, CPA

Chief, Division of Audits

September 11, 2025

## FINDINGS AND RECOMMENDATIONS

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### Finding 1—Contract Noncompliance and Lack of Adequate Monitoring and Oversight

DHCS did not adequately monitor MMM to ensure that all services were performed sufficiently per the contract's scope of work (SOW). In addition, contract deliverables were not clearly described such that DHCS could measure performance or clearly identify the services and products that would be received in exchange for the amount paid.

#### **Department of Health Care Services did not obtain Media Buy Documentation as required by the contracts**

The SOW for SOR I and SOR II contracts required MMM to submit monthly MBD. MBD consists of progress reports with which DHCS identifies completed tasks and monthly activities performed, such as specific “media buys” purchased. A media buy is the purchase of advertisement space that includes television, radio, out-of-home, digital, and print media. The contracts require that itemized invoices be accompanied by MBD for payment processing. We requested that DHCS provide all MBD during the review period. DHCS responded that it had not requested any MBD from MMM, and that MMM was to maintain all backup documentation for requested payments. DHCS stated that it requests supporting documentation only when it notes discrepancies or needs additional information.

DHCS stated that it received media summary and media plan flowcharts from MMM prior to each executed media phase instead of requesting MBD. After each phase was completed, MMM provided a phase report summarizing the results. DHCS considered such documentation and meetings with MMM sufficient for payment processing. However, the phase reports did not identify the specific media buys purchased or the actual cost of each media buy.

Because it did not request and review MBD, DHCS failed to follow contract requirements and could not demonstrate that it had adequately monitored the progress of the work being

performed. DHCS was not aware of what specific media buys were purchased, their actual costs, or whether purchases corresponded with the approved media plan. For example, per the SOR I Final Phase report, total net media expenditures were \$8,257,119; however, per itemized invoices, the total media expenditure billed and approved was \$8,341,351. DHCS could not explain the \$84,232 difference.

In addition, the MBD requirement language was removed from the SOR III contract. Not requiring MMM to provide supporting documentation for its media buys decreases DHCS' oversight over the contract.

**Department of Health Care Services did not ensure that M&M Media Solutions project reports were complete, accurate, and submitted on time in accordance with contract requirements**

DHCS did not implement a process to ensure that MMM submitted timely, accurate project reports containing the required data elements. We identified missing project reports and variances between data elements presented in project reports and the data elements reported on the University of California, Los Angeles (UCLA) data portal.

The contracts between DHCS and MMM required MMM to submit quarterly project reports to DHCS that would include specific data and performance measurements. We requested all quarterly project reports submitted during the review period. We noted that the project reports did not correspond with each quarter during the review period, and we inquired as to the reason. DHCS responded that report submission intervals were based on media phases instead of quarters because media phases did not always coincide with quarterly reporting periods.

The project reports included consumer impression data for each media source and website views. We asked DHCS whether the information provided in the project reports had been verified, and DHCS stated that it had not been verified. We selected the SOR II Phase One project report in order to verify the accuracy of the information provided. We obtained supporting documentation from MMM and identified a variance in the reported impressions

for radio coverage. An “impression” is an instance in which an advertisement could have been seen or heard. Specifically, the SOR II Phase One project report indicated 289,970,781 impressions from Total Traffic & Weather Network (TTWN). However, the supporting documentation provided by MMM indicated only 95,861,480 TTWN impressions, resulting in an overstatement of 194,109,301 TTWN impressions. Overstated impressions could lead DHCS to draw incorrect conclusions about the media buys, mislead DHCS as to the amount of public outreach during the reporting period, and could potentially have a negative impact on DHCS’s future media buy decisions.

In addition, we noted that the impressions per media buy did not reconcile with the total impressions presented in the project reports. For example, the SOR III Phase Three project report indicates that 254,510,398 total impressions had been delivered. However, when we totaled the impressions tracked by media type—radio, television, digital display, social media, and over-the-top media—elsewhere in the project report, we reached a total of 274,618,935 impressions; this is a difference of over 20 million impressions.

MMM was also required to report data elements to UCLA through a data portal. We noted that MMM reported additional data elements to UCLA that it did not report to DHCS, and that DHCS did not review the data submitted to UCLA for completeness and accuracy. We compared SOR III consumer impressions and website views reported to UCLA and DHCS, and noted variances in both elements. For example, MMM reported 753,477,042 SOR III Phase Four consumer impressions to DHCS, but reported 469,818,631 impressions to UCLA. For the same phase, MMM reported 314,654 website views to DHCS, but reported 314,028 website views to UCLA. We noted that data from Google Analytics for the same period indicated 318,283 views. DHCS could not explain the variance in reported impressions and views.

Without adequately monitoring the data and information provided by contractors, DHCS cannot ensure that services and deliverables are being sufficiently completed.

**Lack of metrics and identification of services and products**

DHCS transitioned to deliverable-based contracts for SOR II and SOR III media campaigns. However, the deliverable description in the contract did not clearly indicate the expected results to be achieved in exchange for the amount paid. Therefore, DHCS could not measure whether the provided services and products had been sufficiently completed.

MMM's labor costs were embedded in the budgeted amount for deliverables in SOR II and SOR III contracts. The contracts did not clearly identify a budget for media expenditures, separate from labor costs, that would ensure that grant expenditures were adequately monitored and deliverables were completed. We asked DHCS how the allocation of labor and media expenditures had been determined, and DHCS stated that budget allocations were agreed to prior to contract execution. However, the budget allocations were not specified in the contract, and DHCS did not adequately document or maintain this information for our review.

In addition, SOR III itemized invoices submitted by MMM did not classify the labor and media costs associated with each deliverable. For example, one deliverable—referred to as “Deliverable D2” in Attachment 1, “Budget for Year 1 (9/30/2022 – 6/30/2023)” to Exhibit B of the SOR III contract—with a budgeted amount of \$6,471,593 was described as follows:

- Outreach via radio, television, digital outdoor, print, and other mediums;
- Development of creative elements;
- Include messaging targeted to OUD [Opioid Use Disorder] and SUD [Substance Use Disorder] in English, Spanish & Chinese; and
- Impression estimates will be included in the Outreach and Marketing Plan.

The deliverable description does not provide a clear correlation between what services DHCS was to receive for the amount it paid. We could not determine what the expected media buys were for the deliverable; what MMM's labor costs were, if any; or how the deliverables would be measured for completeness. Therefore, DHCS could not demonstrate that it had

adequately monitored the allocation of funds for labor and media expenditures for the media deliverables.

## **Criteria**

GC sections 13400 through 13407 require state agencies to establish and maintain internal controls, including a system of policies and procedures adequate to ensure compliance with applicable laws and other requirements, and an effective system of internal review.

Title 45, Code of Federal Regulations, part 75.342(a), "Monitoring by the Non-Federal Entity," states, in part:

The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. . . .

Agreement Number 18-95411 (SOR I Contract), Exhibit A, Section 6.D.1, Item 1, "Monthly Progress Reports (Task 8)," states, in part:

Contractor must submit monthly, Media Buy Documentation (MBD), by the 15<sup>th</sup> of the following month to the DHCS Project Representative. The MBD and itemized invoice shall correspond with the approved media plan. The MBD shall clearly identify completed tasks and provide information related to monthly activities, such as specific media buys purchased. The DHCS Project Representative may request that additional details be included in the MBD. The monthly itemized invoice must accompany the MBD to process for payment. Itemized invoices will not be processed until the MBD has been received and approved by the DHCS Project Representative.



Agreement Number 20-10324 (SOR II Contract), Exhibit A, Section 6.D.1, Item 1, “Monthly Progress Reports (Task 8),” states, in part:

Contractor must submit monthly, Media Buy Documentation (MBD), by the 15<sup>th</sup> of the following month to the DHCS Project Representative. The MBD and itemized invoice shall correspond with the approved media plan. The MBD shall clearly identify completed tasks and provide information related to monthly activities, such as specific media buys purchased. The DHCS Project Representative may request that additional details be included in the MBD. The monthly itemized invoice must accompany the MBD to process for payment. Itemized invoices will not be processed until the MBD has been received and approved by the DHCS Project Representative.

SOR II Contract, Exhibit A, Section 6.C., “Data Collection and Performance Measures,” states, in part:

1. The Contractor shall collect all data elements identified below. These data elements shall be reported by the Contractor to UCLA. Reporting will occur on the dates set forth in Section D Reports and Policies. Data elements will be reported cumulatively and by reporting period.
  - a. Number of ads developed
  - b. Number of impressions from media sources
  - c. Number of resources developed and target audience
  - d. Number of materials distributed
  - e. Number of website views

SOR II Contract, Exhibit A, Section 6.D., “Reports and Policies,” states, in part:

1. The Contractor shall submit quarterly reports to DHCS. The reports shall consist of data outlined in Section 6[C.1] and performance measures outlined in Section 6[C.2]. . . .

Agreement Number 22-20408 (SOR III Contract), Exhibit A, Section 5.G., “Data Collection and Performance Measures,” states, in part:

- ...4. The Contractor shall submit project data to UCLA based quarterly reporting schedule outlined within this contract and via the UCLA online data portal. The Contractor shall collect all data elements identified below. Reporting will occur on the dates set forth in Section H. Reports and Policies. Data elements will be reported cumulatively and by reporting period. Data elements shall include, but not be limited to:
  - a. Number of ads developed
  - b. Number of impressions from media sources
  - c. Number of resources developed and target audience
  - d. Number of materials distributed
  - e. Number of website views

SOR III Contract, Exhibit A, Section 5.H., “Reports and Policies,” states, in part:

1. The Contractor shall submit quarterly reports to DHCS and UCLA. Reports shall include qualitative and quantitative data and performance measures as agreed upon by DHCS, the Contractor, and UCLA. . . .

## Recommendation

We recommend that DHCS:

- Improve its monitoring of MMM to ensure that all work outlined in the contract is being performed;
- Perform verification procedures to ensure that media buys are in accordance with DHCS's approved media plans, and that data elements provided are accurate and complete; and
- Ensure that deliverables in the contract are clearly described and measurable such that a correlation can be made between the amounts paid for and services and products received.

## Finding 2—Inadequate Controls Over Review and Approval of Payments

DHCS lacked a review process adequate to ensure that payments were adequately supported. DHCS approved itemized invoices without reviewing contract terms, deliverables, or supporting documentation to ensure that expenditures were actually incurred and properly billed. The lack of an adequate review process resulted in \$80,166 in improper payments.

### **SOR I Contract – Incorrect and inconsistent labor rates**

Contractor labor rates were inconsistent between Budget Year One and Budget Year Two. In addition, the Budget Year Two labor cost calculation for full-time equivalents (FTE) contained mathematical errors, resulting in incorrect total budgeted amounts. DHCS approved payment for services billed in Budget Year One for services billed in Budget Year Two. The contractor rates for each budget year outlined in the SOR I contract, are displayed in the tables on the next page.

**Budget Year One (January 1, 2019, through June 30, 2019)**

Title	Monthly Salary	FTE Percentage	Monthly Cost (Monthly Salary × FTE Percentage)	Budget Year Cost (6 months)
Project Manager	\$30,933	20%	\$6,187	\$37,120
Media Director	28,675	50%	14,338	86,025
Director of Client Services	27,530	50%	13,765	82,590
Senior Account Executive	20,622	40%	8,249	49,493
Media Buyer	16,497	50%	8,249	49,491
Junior Media Buyer	14,435	50%	7,218	43,305
Accounting Manager	12,954	40%	5,182	31,090
Media Coordinator	11,341	60%	6,805	40,828
<b>Subtotal</b>			<b>\$69,993</b>	<b>\$419,942</b>
Fringe Benefits 21%			14,699	88,188
Indirect Costs 8.9%			6,229	37,375
<b>Total Personnel</b>			<b>\$90,921</b>	<b>\$545,505</b>

**Budget Year Two (July 1, 2019, through September 29, 2019)**

Title	Monthly Salary	FTE Percentage	Monthly Cost (Monthly Salary × FTE Percentage)	Budget Year Cost (6 months)
Project Manager	\$11,600	20%	\$2,320	\$13,920
Media Director	6,767	50%	3,384	20,301
Director of Client Services	6,496	50%	3,248	19,488
Senior Account Executive	7,733	40%	3,093	18,559
Media Buyer	6,187	50%	3,094	18,561
Junior Media Buyer	5,413	50%	2,707	16,239
Accounting Manager	4,060	40%	1,624	9,744
Media Coordinator	4,253	60%	2,552	15,311
<b>Subtotal</b>			<b>\$22,022</b>	<b>\$132,123</b>
Fringe Benefits 20%			4,404	26,425
Indirect Costs 8.8%			1,938	11,627
<b>Total Personnel</b>			<b>\$28,364</b>	<b>\$170,175</b>

The approved budgeted personnel cost calculation for Budget Year Two did not correspond with the monthly cost for each classification. For example, the total cost for a project manager during the three months of Budget Year Two should have been \$6,960 (\$2,320 × three months), not \$13,920. It appears that DHCS incorrectly used six months (the Budget Year One period) instead of three months (the Budget Year Two period) to calculate the project manager's costs for Budget Year Two.

We inquired with DHCS regarding the salaries and the miscalculation. DHCS stated that the monthly salary and FTE percentages had inadvertently been written incorrectly in the contract. DHCS provided the following corrected salaries and FTE percentages for Budget Year Two:

***DHCS Revised Personnel Calculation – Budget Year Two***

Title	Monthly Salary	FTE Percentage	Monthly Cost (Budget Year Cost ÷ 3 Months)	Budget Year Cost
Project Manager	\$30,933	15%	\$4,640	\$13,920
Media Director	28,675	24%	6,767	20,301
Director of Client Services	27,530	24%	6,496	19,488
Senior Account Executive	20,622	30%	6,186	18,559
Media Buyer	16,497	38%	6,187	18,561
Junior Media Buyer	14,435	37%	5,413	16,239
Accounting Manager	12,954	25%	3,248	9,744
Media Coordinator	11,341	45%	5,104	15,311
<b>Subtotal</b>			<b>\$44,041</b>	<b>\$132,123</b>
Fringe Benefits 20%			8,808	26,425
Indirect Costs 8.8%			3,876	11,627
<b>Total Personnel</b>			<b>\$56,725</b>	<b>\$170,175</b>

In the revised data provided by DHCS, monthly salaries remained the same in Budget Year Two as for Budget Year One. However, it appears that DHCS calculated FTE percentages by dividing the budget year cost by three months (Budget Year Two) to obtain the monthly cost, and then divided monthly cost by monthly salary. By this method, FTE percentages would not be whole numbers as presented by DHCS, as using whole percentages would result in

different monthly costs. For example, using the provided monthly salary and FTE percentage for the Media Director would result in \$6,882 instead of \$6,767 in monthly costs.

Whether it applied revised rates or contract-provided rates, DHCS did not use the personnel costs that were billed for July 2019 (Budget Year Two). DHCS approved \$90,921 in personnel costs for July 2019; this is the same amount that DHCS approved for total personnel costs in Budget Year One. However, if contract-provided rates had been used, total personnel costs for July 2019 would have totaled \$28,364; and if DHCS's corrected rates had been used, the costs would have totaled \$56,725.

DHCS did not detect the mathematical error in the contract or the incorrect billing amounts during its review and approval of itemized invoices. As a result, we could not determine the amount that should have been billed for Budget Year Two.

### **SOR I Contract – Inconsistent billing periods and amounts on approved final invoices**

We obtained itemized invoices from both DHCS and MMM for the review period. The final itemized invoice provided by MMM for August 2019 totaled \$1,053,152. However, in our review of the approved itemized invoices provided by DHCS, we noted that the invoice had been split to charge \$1,002,631 for June 2019 and \$50,521 for August 2019. The amount reported for June 2019 was the exact amount unspent for SOR I Budget Year One, which ended June 2019.

We inquired with DHCS as to the reason for the different billing periods. DHCS did not explain why the August 2019 invoice had been split. We could not verify whether the approved amounts were actual expenditures because DHCS did not have any supporting documentation for our review, and MMM's record-retention period had ended.

Although DHCS did not have records available to provide an explanation, it appeared that the billing period had been split in order to ensure that the maximum budgeted amount was charged to each cost category for each budget period. Expenses reflected on the final billing invoice changed for certain expense categories. We noted that \$84,232 in expenses on

the August 2019 invoice provided by MMM were allocated to different cost categories on DHCS' approved invoices.

For example, the invoice provided by MMM indicated that net media expenditures totaled \$920,401. However, the version of the invoice provided to us by DHCS indicated \$991,021. Travel, creative, and marketing-supply expenses also increased to the maximum budgeted amount, while expenses for personnel and operating costs were reduced.

### **SOR II Contract – Improper payments for uncompleted project reports**

The SOR II contract required MMM to submit eight project reports, seven quarterly project reports, and one final comprehensive report. We requested that DHCS provide all project reports for the SOR II contract. DHCS stated that it had received only five of the eight required reports. Because DHCS paid the full amount even though it did not receive all the required reports, it overpaid the contract by \$80,166.

Exhibit B, Attachments I, II, and III of the SOR II contract delineate the deliverables for each of the three budget years for the contract, as shown in "Attachment – Excerpt from Agreement 20-10324 Between DHCS and MMM" attached to this report. Included in the list of deliverables includes a description of each deliverable, an amount budgeted for each deliverable, and a delivery date. Included in the deliverables are the following:

- For Budget Year One, deliverables "D6," "D7," and "D9" are for the first, second, and third project reports. All three deliverables have the amount of \$23,000 allocated to each of the deliverables, with a differing delivery date (December 2020, March 2021, and June 2021, respectively).
- For Budget Year Two, deliverables "D14," "D15," "D17," and "D18" are for the fourth through seventh project reports. All four deliverables have the amount of \$23,000 allocated to each of the deliverables, with a differing delivery date (September 2021, December 2021, March 2022, and June 2022, respectively).

- For Budget Year Three, deliverable “D20” is the final comprehensive report. The amount allocated for the deliverable is \$34,166, with a delivery date of August 2022.

DHCS acknowledged that MMM had not submitted all eight reports. As the contract required seven quarterly reports and DHCS received and accepted only five quarterly reports, DHCS overpaid MMM \$46,000 for two quarterly reports that it did not receive.

In addition, MMM was paid \$34,166 for the final comprehensive report that was to summarize the data elements for the entire media campaign; however, this report was not provided. Therefore, DHCS also overpaid MMM \$34,166 for a final report that it did not receive.

### **Lack of adequate supporting documentation**

DHCS required MMM to submit only the DHCS-templated, itemized invoice for review and approval for payment. DHCS did not require or review supporting documentation before approving \$36,504,534 in payments made to MMM during the review period. Therefore, DHCS could not demonstrate that the expenditures were incurred or properly billed prior to approval for payment. DHCS did not request supporting documentation to ensure that expenditures were actually incurred and properly billed.

The contract required MMM to maintain all financial records, in the event that an audit was deemed necessary. We requested supporting documentation from MMM for invoices that included media expenditures. MMM could not provide source documents for SOR I contract expenses, as its record retention period had ended. We were able to obtain supporting documentation for SOR II and SOR III contract expenses, including MMM's own templated invoices addressed to DHCS for payment. Although MMM maintained the invoices that provided line-item detail of costs, DHCS did not require MMM to submit them.

For SOR II and SOR III contracts, we noted that MMM requested payment prior to completing a majority of the media campaign deliverables. For example, the SOR II Phase Four media campaign ran from June 27, 2022, through August 14, 2022. However, MMM submitted the invoice for SOR II Phase Four payment on December 1, 2021, over six months before the phase began. In addition, MMM's own templated invoices indicated credited amounts from



payments already received. Therefore, DHCS did not ensure that costs claimed by MMM were paid on a reimbursement basis as required by the contract.

In addition, the SOR III contract itemized invoices approved and retained by DHCS did not distinguish between labor and media costs such that DHCS could identify actual net media expenditures. For example, the first SOR III media campaign deliverable (“Deliverable D2”) with a budgeted amount of \$6,471,593, was described only as “Media” in Exhibit B of the SOR III Contract. MMM billed DHCS \$6,471,593 for an item described on the invoice only as “Media.” Based on close review of supporting documentation provided by MMM, we were able to identify \$1,000,000 of the \$6,471,593 as MMM labor costs. DHCS could not demonstrate that it was aware how the \$6,471,593 had been allocated between media expenditures and MMM labor costs prior to invoice approval.

## Criteria

GC sections 13400 through 13407 require state agencies to establish and maintain effective systems of internal control to minimize fraud, errors, abuse and waste of government funds, and ensure that state resources are adequately safeguarded, monitored, and administered.

SOR I Contract, Exhibit B, Section 1, “Invoicing and Payment,” states, in part:

- A. For services satisfactorily rendered, and upon receipt and approval of the invoices, DHCS agrees to compensate the Contractor for actual expenditures incurred in accordance with the budget(s) attached hereto.

SOR I Contract, Exhibit B, Section 4, “Amounts Payable,” states:

- A. The amounts payable under this Agreement shall not exceed:
  - 1) \$8,058,292 for the budget period of 01/01/19 through 06/30/19
  - 2) \$1,941,708 for the budget period of 07/01/19 through 09/29/19

- B. Reimbursement shall be made for allowable expenses up to the annually encumbered commensurate with the state fiscal year in which services are performed and/or goods are received.
- C. The Contractor must maintain records reflecting actual expenditures for each state fiscal year covered by the term of this Agreement.

SOR II Contract, Exhibit A, Section 6.D., “Reports and Policies,” states, in part:

- 1. The Contractor shall submit quarterly reports to DHCS. The reports shall consist of data outlined in Section 6[C.1] and performance measures outlined in Section 6[C.2]. The Contractor shall submit quarterly reports via email to DHCS on the following dates:

Quarter	Period	Due Date to DHCS
1st quarter	09/01/2020 – 11/30/2020	12/31/2020
2nd quarter	12/01/2020 – 2/28/2021	3/31/2021
3rd quarter	03/01/2021 – 05/31/2021	6/30/2021
4th quarter	06/01/2021 – 08/31/2021	9/30/2021
5th quarter	09/01/2021 – 11/30/2021	12/31/2021
6th quarter	12/01/2021 – 2/28/2022	3/31/2022
7th quarter	03/01/2022 – 05/31/2022	6/30/2022
8th quarter	06/01/2022 – 08/31/2022	9/30/2022

SOR II Contract, Exhibit A, Section 6.D., “Progress Reports,” states:

- 1. Monthly Progress Reports (Task 8)
  - a. Contractor must submit monthly, Media Buy Documentation (MBD), by the 15<sup>th</sup> of the following month to the DHCS Project Representative. The MBD and itemized invoice shall correspond with the approved media plan. The MBD shall clearly identify completed tasks and provide information related to monthly activities, such as specific media buys purchased. The DHCS Project Representative may request additional details be included in the MBD. The monthly itemized invoice

must accompany the MBD to process for payment itemized invoices will not be processed until the MBD has been received and approved by the DHCS Project Representative.

## 2. Final Report (Task 8.1)

a. By September 30, 2022, the Contractor shall provide a comprehensive final report that includes (but not limited to) the following information:

- i. Post-buy analysis
- ii. Number of spots per week per station
- iii. Target audience demographics
- iv. Estimated number of impressions per person
- v. Reach and Frequency (R&F) and Daily Effective Circulation (DEC)
- vi. Multicultural Media
- vii. Dollars spent/Dollar Value
- viii. Bonus Media
- ix. Examples of placement— tearsheets from print publications
- x. Added value

SOR II Contract, Exhibit B, Section 4, “Amounts Payable,” states, in part:

...B. Reimbursement shall be made for allowable expenses up to the amount annually encumbered commensurate with the state fiscal year in which services are performed and/or goods are received.

SOR III Contract, Exhibit B, Section 4, “Amounts Payable,” states, in part:

...B. Reimbursement shall be made for allowable expenses up to the amount annually encumbered commensurate with the state fiscal year in which services are performed and/or goods are received.

Attachment 1, “Budget for Year 1 (09/30/2022 – 06/30/2023),” to Exhibit B of the SOR III Contract states, in part:

Deliverable	Deliverable Description	Amount	Delivery
D2	<p><b>Media:</b></p> <ul style="list-style-type: none"> <li>• Outreach via radio, television, digital outdoor, print, and other mediums</li> <li>• Development of creative elements</li> <li>• Include messaging targeted to OUD and SUD in English, Spanish, &amp; Chinese</li> <li>• Impression estimates will be included in the Outreach and Marketing Plan</li> </ul> <p>Campaign 1: 9/30/22-12/25/22</p>	\$6,471,593	October 2022

## Recommendation

We recommend that DHCS:

- Implement procedures to enhance contract monitoring processes to ensure that contract deliverables and project reports are complete, accurate, and submitted on time;
- Implement internal controls to enhance the contract invoice review and approval processes to ensure that payments are adequately supported, properly recorded, and comply with contract requirements; and
- Recover \$80,166 from MMM for the project reports that DHCS paid for but did not receive.

## Finding 3—Lack of Prior Approval for Grant Budget and Scope Revisions

DHCS expended State Targeted Response (STR) funds on the Opioid Response media campaign; however, this expenditure was not specified in the approved STR grant application's project or budget narrative. DHCS did not request prior approval for the change in project scope or objective. Therefore, \$5,941,708 of STR funds paid to MMM for the Opioid Response media campaign are unallowable.

On September 19, 2018, DHCS received a Notice of Award from SAMHSA approving the SOR I grant, which included a \$10 million budget for the Opioid Response media campaign. A \$10 million contract with MMM (Agreement Number 18-95411) for the media campaign was executed for the period of January 1, 2019, through September 29, 2019, to be funded by the SOR I grant.

While reviewing the payments associated with this contract, we noted that \$5,941,708 in costs was funded by the STR grant instead of the SOR I grant. The project and budget narrative of the STR grant application did not indicate that grant funds would be used for a statewide media campaign. We inquired with DHCS whether a budget revision was submitted prior to

expending STR funds for the media campaign. DHCS stated that an official STR budget revision had not been completed. Therefore, STR grant funds were not expended in accordance with the terms and conditions of the STR grant.

## Criteria

GC sections 13400 through 13407 require state agencies to establish and maintain effective systems of internal control to minimize fraud, errors, abuse and waste of government funds, and ensure that state resources are adequately safeguarded, monitored, and administered.

Title 45, Code of Federal Regulations, part 75.308, states, in part:

- (a) The approved budget for the Federal award summarizes the financial aspects of the project or program as approved during the Federal award process. It may include either the Federal and non-Federal share or only the Federal share, depending upon HHS [U.S. Department of Health and Human Services] awarding agency requirements. It must be related to performance for program evaluation purposes whenever appropriate.
- (b) Recipients are required to report deviations from budget or project scope or objective, and requires prior approvals from HHS awarding agencies for budget and program plan revisions, in accordance with this section.
- (c) [The published regulation does not include language in section (c)]
  - (1) For non-construction Federal awards, recipients must request prior approvals from HHS awarding agencies for one or more of the following program or budget-related reasons:
    - (i) Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval). . . .

### Recommendation

We recommend that DHCS:

- Implement internal controls to ensure that grant funds are properly expended in accordance with the terms and conditions of the grant; and
- Coordinate with the federal awarding agency on a remedy for the unallowable use of \$5,941,708 of STR funds.

## APPENDIX—SOR II CONTRACT, EXHIBIT B, ATTACHMENTS I THROUGH III

The following information is cited from Exhibit B, Attachments I through III of the SOR II Contract, and has been reformatted to comply with Web Content Accessibility Guidelines.

### Exhibit B – Attachment I

#### Budget for Year 1 (09/30/2020 – 06/30/2021)

Deliverable	Deliverable Description	Amount	Delivery
D1	<b>Outreach and Marketing Plan: Flight 1</b> <ul style="list-style-type: none"> <li>Conduct research on target audience and geographic areas</li> <li>Develop Outreach and Marketing Plan for DHCS review</li> <li>Update Outreach and Marketing plan with feedback from DHCS and send for final approval</li> <li>Outreach and Marketing Plan created</li> <li>Initiate Outreach and Marketing</li> </ul> <b>Campaign Dates: 11/30/20 – 1/17/21</b>	\$3,096,120	September 2020



<b>Deliverable</b>	<b>Deliverable Description</b>	<b>Amount</b>	<b>Delivery</b>
D2	<b>Media:</b> <ul style="list-style-type: none"> <li>• Outreach via radio, television, digital outdoor, print, and other mediums</li> <li>• Development of creative elements <ul style="list-style-type: none"> <li>○ Include messaging targeted to OUD and Stimulant abuse in both English and Spanish</li> </ul> </li> <li>• Impression estimates will be included in the Outreach and Marketing Plan</li> </ul>	\$550,390	September 2020
D3	<b>Website Development:</b> <ul style="list-style-type: none"> <li>• Development of additional websites (English and Spanish) where visitors can either learn about Opioid Use Disorder and Medication Assisted Treatment or.</li> </ul>	\$38,820	September 2020
D4	<b>Website Updates</b> <ul style="list-style-type: none"> <li>• Refresh content on ChooseMAT.org and ElijeTAM.org</li> </ul>	\$29,240	September 2020

<b>Deliverable</b>	<b>Deliverable Description</b>	<b>Amount</b>	<b>Delivery</b>
D5	<b>Website Maintenance</b> <ul style="list-style-type: none"> <li>10 Months of maintenance for all campaign websites</li> </ul>	\$66,200	September 2020
D6	<b>1<sup>st</sup> Project Report to DHCS (09/01/20 – 11/30/20):</b> <ul style="list-style-type: none"> <li>Prepare and Submit to DHCS 1<sup>st</sup> Project Report <ul style="list-style-type: none"> <li>Outreach and Marketing Plan</li> <li>Media</li> <li>Website Development</li> </ul> </li> <li>Data collection and performance measure will include all requested information per the SOW</li> </ul>	\$23,000	December 2020

Deliverable	Deliverable Description	Amount	Delivery
D7	<p><b>2<sup>nd</sup> Project Report to DHCS (12/01/20 – 2/28/21):</b></p> <ul style="list-style-type: none"><li>• Prepare and Submit to DHCS 2<sup>nd</sup> Project Report<ul style="list-style-type: none"><li>○ Outreach and Marketing Plan</li><li>○ Media</li><li>○ Website Development</li></ul></li><li>• Data collection and performance measure will include all requested information per the SOW</li></ul>	\$23,000	March 2021

Deliverable	Deliverable Description	Amount	Delivery
D8	<p><b>Outreach and Marketing Plan: Flight 2</b></p> <ul style="list-style-type: none"><li>• Conduct research on target audience and geographic areas</li><li>• Develop Outreach and Marketing Plan for DHCS review</li><li>• Update Outreach and Marketing plan with feedback from DHCS and send for final approval</li><li>• Outreach and Marketing Plan created</li><li>• Initiate Outreach and Marketing</li></ul> <p><b>Campaign Dates: 3/29/21 – 5/30/21</b></p>	\$1,150,230	March 2021

<b>Deliverable</b>	<b>Deliverable Description</b>	<b>Amount</b>	<b>Delivery</b>
D9	<b>3<sup>rd</sup> Project Report to DHCS (03/01/21 – 05/31/21):</b> <ul style="list-style-type: none"> <li>• Prepare and Submit to DHCS 3<sup>rd</sup> Project Report <ul style="list-style-type: none"> <li>○ Outreach and Marketing Plan</li> <li>○ Media</li> <li>○ Website Development</li> </ul> </li> <li>• Data collection and performance measure will include all requested information per the SOW</li> </ul>	\$23,000	June 2021
<b>Total Year 1</b>		\$5,000,000	

**Exhibit B – Attachment II****Budget for Year 2 (07/01/2021 – 06/30/2022)**

<b>Deliverable</b>	<b>Deliverable Description</b>	<b>Amount</b>	<b>Delivery</b>
D10	<b>Outreach and Marketing Plan: Flight 3</b> <ul style="list-style-type: none"> <li>• Conduct research on target audience and geographic areas</li> <li>• Develop Outreach and Marketing Plan for DHCS review</li> <li>• Update Outreach and Marketing plan with feedback from DHCS and send for final approval</li> <li>• Outreach and Marketing Plan created</li> <li>• Initiate Outreach and Marketing</li> </ul> <b>Campaign Dates: 8/9/21 – 9/26/21</b>	\$3,094,680	August 2021

<b>Deliverable</b>	<b>Deliverable Description</b>	<b>Amount</b>	<b>Delivery</b>
D11	<p><b>Media:</b></p> <ul style="list-style-type: none"> <li>• Outreach via radio, television, digital outdoor, print, and other mediums</li> <li>• Development of creative elements <ul style="list-style-type: none"> <li>○ Include messaging targeted to OUD and Stimulant abuse in both English and Spanish</li> </ul> </li> </ul> <p>Impression estimates will be included in the Outreach and Marketing Plan</p>	\$519,930	August 2021
D12	<p><b>Website Updates:</b></p> <ul style="list-style-type: none"> <li>• Refresh content all campaign websites</li> </ul>	\$43,480	September 2021
D13	<p><b>Website Maintenance:</b></p> <ul style="list-style-type: none"> <li>• 12 Months of maintenance for all campaign websites</li> </ul>	\$80,440	September 2021

Deliverable	Deliverable Description	Amount	Delivery
D14	<p><b>4<sup>th</sup> Project Report to DHCS (06/01/21 – 08/31/21):</b></p> <ul style="list-style-type: none"><li>• Prepare and Submit to DHCS 4<sup>th</sup> Project Report<ul style="list-style-type: none"><li>○ Outreach and Marketing Plan</li><li>○ Media</li><li>○ Website Development</li></ul></li><li>• Data collection and performance measure will include all requested information per the SOW</li></ul>	\$23,000	September 2021



Deliverable	Deliverable Description	Amount	Delivery
D15	<p><b>5<sup>th</sup> Project Report to DHCS (09/01/21 – 11/30/21):</b></p> <ul style="list-style-type: none"><li>• Prepare and Submit to DHCS 5<sup>th</sup> Project Report<ul style="list-style-type: none"><li>○ Outreach and Marketing Plan</li><li>○ Media</li><li>○ Website Development</li></ul></li><li>• Data collection and performance measure will include all requested information per the SOW</li></ul>	\$23,000	December 2021

<b>Deliverable</b>	<b>Deliverable Description</b>	<b>Amount</b>	<b>Delivery</b>
D16	<p><b>Outreach and Marketing Plan: Flight 4</b></p> <ul style="list-style-type: none"><li>• Conduct research on target audience and geographic areas</li><li>• Develop Outreach and Marketing Plan for DHCS review</li><li>• Update Outreach and Marketing plan with feedback from DHCS and send for final approval</li><li>• Outreach and Marketing Plan created</li><li>• Initiate Outreach and Marketing</li></ul> <p><b>Campaign Dates: 11/29/21 – 1/30/22</b></p>	\$1,120,230	December 2021

Deliverable	Deliverable Description	Amount	Delivery
D17	<p><b>6<sup>th</sup> Project Report to DHCS (12/01/22 – 02/28/22):</b></p> <ul style="list-style-type: none"><li>• Prepare and Submit to DHCS 6<sup>th</sup> Project Report<ul style="list-style-type: none"><li>○ Outreach and Marketing Plan</li><li>○ Media</li><li>○ Website Development</li></ul></li><li>• Data collection and performance measure will include all requested information per the SOW</li></ul>	\$23,000	March 2022

<b>Deliverable</b>	<b>Deliverable Description</b>	<b>Amount</b>	<b>Delivery</b>
D18	<b>7<sup>th</sup> Project Report to DHCS (03/01/22 – 05/31/22):</b> <ul style="list-style-type: none"><li>• Prepare and Submit to DHCS 7<sup>th</sup> Project Report<ul style="list-style-type: none"><li>○ Outreach and Marketing Plan</li><li>○ Media</li><li>○ Website Development</li></ul></li><li>• Data collection and performance measure will include all requested information per the SOW</li></ul>	\$23,000	June 2022
<b>Total Year 2</b>		\$4,950,760	

**Exhibit B – Attachment III****Budget for Year 3 (07/01/2022 – 09/29/2022)**

<b>Deliverable</b>	<b>Deliverable Description</b>	<b>Amount</b>	<b>Delivery</b>
D19	<b>Website Maintenance</b>  2 Months of maintenance for all campaign websites	\$15,074	August 2022
D20	<b>Final Report to DHCS (06/01/22 – 08/31/22):</b> <ul style="list-style-type: none"> <li>• Prepare and Submit to DHCS Final Project Report               <ul style="list-style-type: none"> <li>○ Outreach and Marketing Plan</li> <li>○ Media</li> <li>○ Website Development</li> </ul> </li> <li>• Data collection and performance measures will include all requested information per the SOW.</li> </ul>	\$34,166	August 2022
<b>Total Year 3</b>		\$49,240	
<b>Grand Total</b>		<b>\$10,000,000</b>	

## ATTACHMENT—DEPARTMENT OF HEALTH CARE SERVICES' RESPONSE TO DRAFT REPORT

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July 7, 2025

*THIS LETTER SENT VIA EMAIL*

Kimberly A. Tarvin, CPA, Chief  
Division of Audits  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250

DHCS' RESPONSE TO SCO'S DRAFT REVIEW REPORT S24-SAB-9001

Dear Ms. Tarvin:

The Department of Health Care Services (DHCS) hereby submits its enclosed response to the California State Controller's Office (SCO) Draft Review Report Number S24-SAB-9001, titled "Department of Health Care Services: Opioid Response Media Campaign."

In the above draft review report, SCO issued eight recommendations for DHCS. DHCS has reviewed all of SCO's recommendations and has prepared a response describing the nature of the corrective actions already taken or planned.

DHCS appreciates the work performed by SCO and the opportunity to respond to the draft review report. DHCS has taken this opportunity to evaluate its contract and grant administration and oversight efforts and believes that these corrective actions will strengthen these areas.

If you have any questions, please contact the DHCS Office of Compliance, Internal Audits at (916) 261-0346.

Sincerely,

A handwritten signature in blue ink that reads 'Michelle Baass'.

Michelle Baass  
Director

Enclosure

cc: See Next Page



Ms. Tarvin  
Page 2  
July 7, 2025

cc:

Erika Sperbeck  
Chief Deputy Director  
Policy and Program Support  
Department of Health Care  
Services  
[Erika.Sperbeck@dhcs.ca.gov](mailto:Erika.Sperbeck@dhcs.ca.gov)

Tyler Sadwith  
State Medicaid Director and  
Chief Deputy Director  
Health Care Program  
Department of Health Care  
Services  
[Tyler.Sadwith@dhcs.ca.gov](mailto:Tyler.Sadwith@dhcs.ca.gov)

Lindy Harrington  
Assistant State Medicaid Director  
Department of Health Care  
Services  
[Lindy.Harrington@dhcs.ca.gov](mailto:Lindy.Harrington@dhcs.ca.gov)

Saralyn Ang-Olson, JD, MPP  
Chief Compliance Officer  
Office of Compliance  
Department of Health Care  
Services  
[Saralyn.Ang-Olson@dhcs.ca.gov](mailto:Saralyn.Ang-Olson@dhcs.ca.gov)

Wendy Rasmussen, MPA  
Chief  
Internal Audits  
Department of Health Care  
Services  
[Wendy.Rasmussen@dhcs.ca.gov](mailto:Wendy.Rasmussen@dhcs.ca.gov)

Paula Wilhelm  
Deputy Director  
Behavioral Health  
Department of Health Care  
Services  
[Paula.Wilhelm@dhcs.ca.gov](mailto:Paula.Wilhelm@dhcs.ca.gov)



## Department of Health Care Services

**Report:** "Department of Health Care Services: Opioid Response Media Campaign"

**External Entity:** State Controller's Office

**Report Number:** S24-SAB-9001 (24-11) (Opioid Media Campaign Review)

**Response Type:** DHCS' Response to SCO's Draft Review Report

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### **Finding 1** Contract Noncompliance and Lack of Adequate Monitoring and Oversight

#### **Recommendation 1**

We recommend that DHCS improve its monitoring of M&M Media Solutions (MMM) to ensure that all work outlined in the contract is being performed.

#### **What is DHCS' Response to the Recommendation? Concurrence**

##### **DHCS' Response:**

As of February 28, 2025, DHCS has taken the following steps to address Recommendation 1:

1. DHCS cross-checks invoices with the contract deliverables to ensure the contractors' work has been completed. Invoices are verified using supporting documentation such as quarterly reports, deliverables-related documents, media buys, google analytics, etc., to ensure charges are legitimate and reflect the work done.
2. DHCS developed a deliverables tracker to better monitor contractors' status and ensure deliverables are completed in a timely and thorough manner. This tracker will help monitor progress and identify any delays, allowing for corrective actions when necessary.
3. DHCS established a more robust, standardized quarterly reporting for the contractor to improve consistency and ensure that key data points, such as progress, completion of deliverables, timelines, and challenges faced, will be clearly communicated to DHCS. This will help compare progress against the deliverables and milestones outlined in the contract, ensuring alignment with DHCS' agreed-upon expectations.
4. DHCS has monthly mandatory calls with the contractor to discuss progress, challenges, and deviations from the contract. These calls focus on key issues that may affect timelines, progress, and costs. DHCS tracks action items from each call and follow-up to ensure issues are addressed promptly.



**Finding 1 Contract Noncompliance and Lack of Adequate Monitoring and Oversight**

**Recommendation 2**

Perform verification procedures to ensure that media buys are in accordance with DHCS's approved media plans, and that data elements provided are accurate and complete.

**What is DHCS' Response to the Recommendation? Concurrence**

**DHCS' Response:**

As of February 28, 2025, DHCS has taken the following steps to address Recommendation 2:

1. DHCS established a verification protocol to ensure that all media buys are received and aligned with DHCS' approved media plans. This will include:
  - a. Cross-referencing each media buy against the approved media plan.
  - b. Documenting any adjustments or deviations from the plan, along with their justification.
2. DHCS thoroughly reviews all data elements related to media buys to ensure accuracy and completeness, verifying that key metrics such as impressions, reach, and other relevant data accurately reflect the work performed.
3. DHCS requires the contractor to submit new standardized quarterly reports that include more detailed information than previously required to ensure the accurate and complete compilation of contractor data.

**Finding 1 Contract Noncompliance and Lack of Adequate Monitoring and Oversight**

**Recommendation 3**

Ensure that deliverables in the contract are clearly described and measurable, such that a correlation can be made between amounts paid and services and products received.

**What is DHCS' Response to the Recommendation? Concurrence**

**DHCS' Response:**

As of February 28, 2025, DHCS has taken the following steps to address Recommendation 3:

1. DHCS updated the contract language in the Scope of Work and Budget documents to clearly define and measure each deliverable. Additionally, DHCS documented information from the development phase to confirm that each deliverable aligns with the negotiated terms, including amount paid.
2. DHCS implemented a deliverables tracker based on the budget to monitor all progress during the contract term and ensure payments are directly tied to the measurable deliverables. This will ensure each payment aligns with the services provided and products received.

**Finding 2 Inadequate Controls Over Review and Approval of Payments**

**Recommendation 4**

Implement procedures to enhance contract monitoring processes to ensure that contract deliverables and project reports are complete, accurate, and timely submitted.

**What is DHCS' Response to the Recommendation? Concurrence**

**DHCS' Response:**

As of February 28, 2025, DHCS has taken the following steps to address Recommendation 4:

1. DHCS implemented an invoice review process to ensure that each invoice is fully supported by the necessary documentation before proceeding with approval of payments. The process will ensure that invoices are being verified to match the contract budget, quarterly reports, and completed deliverables.
2. DHCS implemented a streamlined process to accurately save and record invoices in both DHCS's filing system and fiscal systems in a timely manner to reduce errors.

**Finding 2 Inadequate Controls Over Review and Approval of Payments**

**Recommendation 5**

Implement internal controls to enhance the contract invoice review and approval processes to ensure that payments are adequately supported, properly recorded, and comply with contract requirements.

**What is DHCS' Response to the Recommendation? Concurrence**

**DHCS' Response:**

As of February 28, 2025, DHCS has taken the following steps to address Recommendation 5:

1. DHCS requires standardized quarterly reporting from contractors, including progress updates, completed deliverables, and supporting documentation. These reports and documents will allow DHCS to cross-reference with associated invoices to ensure payment aligns with the reported deliverables.
2. DHCS developed a deliverables tracker to help staff monitor contract progress and verify that the contractor meets all contract requirements. This tracker will support staff in reviewing and approving invoices by clearly showing which deliverables have been completed, enabling efficient and accurate decisions on invoice approval or denial.

**Finding 2 Inadequate Controls Over Review and Approval of Payments**

**Recommendation 6**

Recover \$80,166 from MMM for the project reports that DHCS paid for but did not receive.

**What is DHCS' Response to the Recommendation? Concurrence**

**DHCS' Response:**

By October 31, 2025, DHCS will take the following step to address Recommendation 6:

DHCS will work with MMM to present the findings and recover the \$80,166 for the project reports that were paid for but not provided.

**Finding 3 Lack of Prior Approval for Grant Budget and Scope Revisions**

**Recommendation 7**

Implement internal controls to ensure that grant funds are properly expended in accordance with the terms and conditions of the grant.

**What is DHCS' Response to the Recommendation? Concurrence**

**DHCS' Response:**

Effective November 29, 2024, DHCS has completed the following steps to address Recommendation 7:

1. DHCS reviews all proposed spending thoroughly against the SAMHSA application and grant guidelines before incurring any expenditures, and verifies each expense is allowable within the terms and conditions of the grant.
2. If DHCS identifies any new projects, activities, or expenditures that are not originally included in the grant's budget or scope, DHCS will submit amendments to SAMHSA for approval before proceeding.

**Finding 3 Lack of Prior Approval for Grant Budget and Scope Revisions**

**Recommendation 8**

Coordinate with the federal awarding agency on a remedy for the unallowable use of \$5,941,708 of STR funds.

**What is DHCS' Response to the Recommendation? Concurrence**

**DHCS' Response:**

By October 31, 2025, DHCS will take the following steps to address Recommendation 8:

DHCS will coordinate with the federal awarding agency to review any records of prior approval for the use of the \$5,941,708 in STR funds to determine whether these funds need to be returned. Additionally, DHCS will collaborate with the federal agency to determine the best course of action and implement the necessary remedy in accordance with their guidance.