

***CHILDREN'S SERVICES ACT  
PROGRAM AUDIT***

***Chesapeake Interagency Consortium***

***Audit Report No. 07-2020  
March 04, 2020***



**Office of Children's Services**  
Empowering communities to serve youth

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## EXECUTIVE SUMMARY

The Office of Children's Services has completed an audit of the City of Chesapeake Interagency Consortium (CIC). The CIC provided services and/or funding to 162 eligible youth and families in fiscal year (FY) 2019. The audit included review and evaluation of management oversight, operational, and fiscal practices. Based upon established statewide Children's Services Act (CSA) performance measures reported as of FY 2018, significant achievements for the CIC program were:

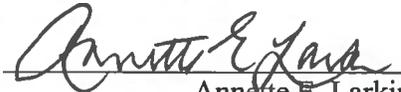
- Eighty-five percent (85%) of youth are in a family-based placement, which is approximately 5% above the statewide average and equivalent to the established statewide target.
- Sixty-two percent (62%) of youth served received community-based services out of all the youth served in the City of Chesapeake, which exceeds the statewide target by 12% and the statewide average by 9%.
- Fifty percent (50%) of youth had a decrease in the Child and Adolescent Needs and Strengths (CANS) school domain, which is approximately 4% above the statewide average. Decreases in CANS score are indicative of improved functioning.

However, there are additional opportunities to effect quality improvement in other areas of the CSA program. The audit concluded that there were deficiencies in compliance and internal controls particularly in reference to governance and fiscal practices. Conditions were identified that could affect the effectiveness and efficient use of resources and compliance with statutory requirements. The following significant issues were identified:

- Non-public members serving on FAPT did not complete the Statement of Economic Interest (SOEI) forms. The non-public member on the CPMT completed the financial disclosure form (short form) instead of the long form per the guidance provided by OCS in Administrative Memo 18-02. This observation was identified in the prior audit report issued August 15, 2017.
- The CIC Office is not consistently assessing, collecting and reporting refunds (parent copays and child support payments) in the Local Expenditure and Data Reimbursement System (LEDRS). The payments received are used to offset the costs incurred for CSA pool funded services for eligible youth and families.
- State pool funds expended as a result of an overpayment error have not been refunded timely. The error totaled \$1,570 of which \$986.75 represents the state share.



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## INTRODUCTION

The Office of Children's Services has completed a financial/compliance audit of the Chesapeake Interagency Consortium (CIC). The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (Standards). The standards require planning and performance of the audit pursuant to stated audit objectives in order to provide a reasonable basis for audit observations, recommendations, and conclusions. The audit was completed on March 04, 2020 and covered the period October 1, 2018 - through September 30, 2019.

The objectives of the audit were:

- To determine whether adequate internal controls have been established and implemented over CSA expenditures.
- To determine the adequacy of training and technical assistance by assessing local government CSA staff knowledge and proficiency in implementing local CSA programs.
- To assess whether operations have maintained high standards for sound fiscal accountability and ensured responsible use of taxpayer funds by evaluating fiscal activities of the local CSA program.
- To assess the level of coordination among local government CSA stakeholders and efforts to improve CSA performance by evaluating the local CSA program's operational and utilization review practices.
- Assess implementation of quality improvement plans addressing prior audit observations reported by OCS and/or identified in the prior self-assessment evaluation completed by the CIC. The audit report dates were October 28, 2013 and August 15, 2017.

The scope of the audit included youth and their families who received CSA funded services during the audit period. Audit procedures included reviews of relevant laws, policies, procedures, and regulations; interviews with various CSA stakeholders; flowcharts of operational and fiscal processes; various tests and examination of records; and other audit procedures deemed necessary to meet the audit objectives.

## BACKGROUND

Located in the southeastern part of the Commonwealth of Virginia, the City of Chesapeake was established in 1963 by the merger of Norfolk County and the City of South Norfolk. Through this merger, Chesapeake became the second largest city within the Commonwealth. It borders the cities of Norfolk, Portsmouth, Virginia Beach, and Suffolk. According to the U.S. Census Bureau Quick Facts, the estimated population in 2018 was 242,834 and the median household income from 2013-2017 was \$72,214.

The Children’s Services Act (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for eligible youth and their families. The state funds, combined with local community funds, are managed by a local interagency team, referred to as the Community Policy and Management Team (CPMT) that plans and oversees services to youth. The Chesapeake CPMT is supported by four (4) Family Assessment and Planning Teams (FAPT) responsible for recommending appropriate services to eligible children and families. Administrative services are managed through the CIC office staffed by a CSA Coordinator, FAPT Coordinator, utilization review specialist, accountant, account technician and a part-time temporary clerical assistant. It is to be noted that during the review period the CIC office was not operating at full staff. The UR specialist, FAPT Coordinator and accountant positions were vacant. Expenditure demographics for fiscal 2017 to 2019 are depicted below.

Source: CSA Continuous Quality Improvement (ICQ) Dashboard

### At-A-Glance

<u><b>FY 2017</b></u>	<u><b>FY 2018</b></u>	<u><b>FY 2019</b></u>
<b>159</b>	<b>159</b>	<b>162</b>
Distinct Child Count	Distinct Child Count	Distinct Child Count
<b>3.9M</b>	<b>4.6M</b>	<b>4.9M</b>
Gross Expenditures	Gross Expenditures	Gross Expenditures
<b>3.9M</b>	<b>4.5M</b>	<b>4.9M</b>
Net Expenditures	Net Expenditures	Net Expenditures
<b>\$24,266</b>	<b>\$28,501</b>	<b>\$29,987</b>
Average Expenditure	Average Expenditure	Average Expenditure
<b>0.3715</b>	<b>0.3715</b>	<b>0.3715</b>
Base Match Rate	Base Match Rates	Base Match Rates
<b>0.3575</b>	<b>0.3604</b>	<b>0.3583</b>
Effective Match Rate	Effective Match Rate	Effective Match Rate

**SECTION 1  
OBSERVATIONS AND RECOMMENDATIONS**

**A) CPMT GOVERNANCE**

**Observation #1:**

**Criteria:** **Compliance and Internal Control- Repeat Observation**

Non-public members serving on Family Assessment and Planning Team (FAPT) did not complete the Statement of Economic Interest (SOEI) form as required by Code of Virginia Section 2.2-5207. In addition and contrary to guidance provided in the Office of Children Services (OCS) Administrative Memo 18-02, the Financial Disclosure form (short form) was completed in lieu of the SOEI by the non-public member of the Community Policy and Management Team (CPMT). The effectiveness of the controls to ensure accountability and appropriate use of CSA pool funds are significantly reduced based on the increased possibility that personal interest were not appropriately disclosed by required parties.

This observation was identified in the prior audit report issued August 15, 2017. The CPMT submitted a revised quality improvement plan (QIP) with a target completion date of January 1, 2020 and completed required forms as planned.

**Recommendations:**

The CPMT should immediately ensure all parties required pursuant to COV 2.2-5205 and 2.2-5207 that do not represent a public agency complete the SOEI form upon appointment and maintain filing in accordance with the OCS Administrative Memo 18-02 dated January 16, 2018.

**Client Comment:**

“Corrective action has been taken and statement of economic interest form has been forward to OCS.”

**Observation #2:**

**Criteria:** **Compliance and Internal Control**

FAPT membership does not consistently meet the requirements established by COV 2.2-5205. In April 2019, the CPMT successfully recruited a parent representative to serve on two (2) of the four (4) established FAPTs. However, a parent representative has not been appointed to the two (2) remaining FAPTs. Subsequent CPMT meeting minutes did not document any further recruitment efforts to fill the vacant positions, although efforts to secure private provider representatives to serve on the FAPT and CPMT were recorded. Service planning is contingent upon participation by all members. The absence of the parent representative from the team responsible for service planning could potentially impede the achievement of the highest degree of multi-disciplinary collaboration ensuring family advocacy.

**Recommendations:**

The CPMT should actively and continuously perform recruitment activities when vacancies occur and document their recruitment efforts in the CPMT meeting minutes.

**Client Comment:**

“Procedures have been put in place to address this moving forward and will be reflective in CPMT minutes.”

**Observation #3:**

**Criteria:**

**Internal Control**

Written policies and procedures are not consistent with State statutes, established state CSA guidance, and/or best practices, which direct the CPMT to ensure that procedures are established to govern local CSA programs. A review of the CIC policies and procedures manual noted the following opportunities for improvement:

1. Section 14.12 Regular Maintenance Foster Children and IV-E Eligibility of the CIC policies and procedures manual states the following services are exempted from FAPT review:
  - a. Medical expenses not covered by Medicaid up to \$2000
  - b. Respite Care up to 30-days/fiscal year
  - c. Urine screens\* (can be paid by CSA once LDSS Reunification funds are depleted or are no longer available beyond youth’s initial 15-months in care)

Based on the federal definition of foster care maintenance as documented in Virginia Department of Social Services (VDSS) Foster Care Manual Section 18.1.1, medical expenses, respite, and urine screens are not included in the definition of maintenance. They represent non-reimbursable cost for Title IV-E under the provision of maintenance, as they are services. The CIC local policy manual establishes provisions for FAPT exemption and funding for services that extends beyond the federal definition of foster care maintenance and the FAPT exemption allowed by COV §2.2-5209.

2. CIC policies and procedure manual allows the FAPT to obligate City funding up to \$10,000 for an individual annual expenditure without additional review or authorization from the CPMT. In addition, the CPMT has delegated its funding authority to the CSA Coordinator to approve individual annual expenditures that do not exceed \$25,000. Per COV § 2.2-5206 item 9 and § 2.2-5208 item 8 respectively, the CPMT is responsible for the authorization of expenditures based upon recommendations from the FAPT. As written, the policy contradicts the intent of the COV to establish separation of duties. In addition, delegating funding approval to the CSA Coordinator without any additional oversight by the CPMT is not a good business practice as it increases the opportunity for fraud or mismanagement within the program. As a best practice, the CSA Coordinator should provide a monthly report of expenses approved by the Coordinator to the CPMT for greater transparency and accountability.

**Recommendations:**

1. The CPMT should conduct an immediate review of all policies and procedures to ensure alignment with State statutes, established state CSA guidance, and/or best practices.
2. The revised, approved policy should be distributed to all CSA stakeholders.

**Client Comment:**

“A review of policies and procedures has begun and changes reflective of the above (noted in section 14.12 and 16.2) are being made. Once policies and procedures are revised and ratified by the CPMT, copies will be forwarded to all stakeholders.”

**B) FISCAL ACTIVITIES**

**Observation #4:**

**Criteria:**

**Compliance and Internal Control**

Adequate measures were not always consistently applied to ensure effective and efficient use of financial resources that could be used to offset the costs incurred for CSA pool funded services and/or to meet the needs of the children and families. Due to significant vacancies within the CIC Office, specifically with the accountant position, the collection and/or reporting of refunds were significantly affected.

1. Parental co-pay assessments were not consistently performed and collections were not actively pursued as evidenced in the five (5) eligible cases examined. In two (2) of the five (5) cases a parental co-pay assessment had not been completed. In the three (3) remaining cases, an assessment had been completed but no efforts had been made to collect the contributions from the family. COV § 2.2-5206 item 3 and COV § 2.2-5208 item 6, empowers the CPMT and FAPT with the responsibility to enact and carry out policies to assess the ability of parents or legal guardians to contribute financially to the cost of services to be provided, when not specifically prohibited by federal or state law or regulation.
2. SEC policy 4.5.2 Pool Fund Reimbursement requires localities to report at least quarterly all CSA eligible expenditures and applicable refunds in accordance with appropriate expenditure-reporting categories and refund classification. The CIC Office did not report any child support collections in FY 19, as has been consistently reported in previous years. OCS utilization reports showed child support collections averaging approximately \$7,000 per year for FY 17 and FY 18.

**Recommendations:**

1. The CPMT should ensure that parental co-pay assessments are completed to assess the families' ability to contribute to the cost of CSA funded services for all cases that are not prohibited by federal law or state regulation.

2. The CPMT should ensure that the CIC office is actively pursuing collection of assessed parental co-payments and the reporting all applicable refunds in the Local Expenditure, Data and Reimbursement System (LEDRS)
3. In accordance with SEC Policy 4.5.2, the CPMT should determine if there were any child support collections in FY 19 and report the refund in LEDRS with their next pool reimbursement.

**Client Comment:**

“As noted above, the accountant position was vacant during the review period. A consortium accountant has thus since been hired and has received training to work with the treasurer’s office to invoice for assessed parental copays and work with DSS to obtain data for child support collections both for the FY19 and moving forward. All of which is to be included with monthly LEDRS uploads. The Consortium will work with CDSS to obtain data related to child support collections for FY 19 so that the information can be included with the following month’s LEDRS pool reimbursement report.”

**Observation #5:**

**Criteria:** Internal Control

State pool funds expended as a result of an over-payment error have not been refunded timely. In December 2018, a provider of educational services was overpaid \$1,575.00 of which \$986.75 represents the state share. The overpayment was due to an error in the unit cost/rate listed on the purchase order and invoice. The provider was formally notified of the overpayment, including a request for refund, in a letter dated October 28, 2019. The table below depicts details of the overpayment.

Correct Unit Cost	Incorrect Unit Cost	Dec 2018 Service Hours Provided	Amount Paid	Actual Cost	Overpayment	Questioned Cost State Share
\$ 60.00	\$ 100.00	39.25	\$ 3,925.00	\$ 2,355.00	\$ 1,570.00	\$ 986.75

**Recommendations:**

1. The CIC Office should ensure that the unit price reflected on all Harmony system generated purchase orders and invoices reflect the correct unit price. When errors are detected, the purchase order should be cancelled and reissued with the correct amount to avoid payment errors.
2. The CPMT should submit a quality improvement plan, for review by the OCS Finance Office, including whether the CPMT agrees with the observations regarding questioned costs. Upon review and recommendations presented by OCS Finance staff, the CPMT will be notified of the final determination made by the Executive Director based on SEC approved Policy 4.7 Response to Audit Findings of whether the identified actions are acceptable or any additional actions that may be required.

**Client Comment:**

“Additional training to be provided to consortium staff related to the purchase order process as identified in policies and procedures and SOP. The vendor was provided with a second/final notice requesting reimbursement which was sent on 1/14/20. Payment was not received by the vendor and therefore the vendor was informed that payment would be deducted from any payments to become due.”

## CONCLUSION

This audit concluded that there were deficiencies in compliance and internal controls over the CIC, particularly in reference to governance and fiscal practices. Conditions were identified that could affect the effective and efficient use of resources, as well as compliance with statutory requirements. An exit conference was conducted on February 21, 2020, to present the audit results to the CIC CPMT. Persons in attendance representing the CIC CPMT were as follows:

Joe Scislowicz, CPMT Chair. Executive Director Chesapeake Community Services Board  
Tara L. Alexander Vice Chair, Superintendent, Chesapeake Public School  
Debbie Ritter, Elected Official, City Council Member  
Lisa Perkins, Assistant Director of Special Education  
Elizabeth St John, Director, Court Service Unit  
Shawn Sawyer, Executive Director, Tidewater Youth Services Commission  
Janika Joyner, Private Provider

In addition, the following guest were present for the CPMT meeting:

Kathy Parrish  
Mary Riley  
Alexandria Riggins

Representing the Office of Children's Services was Annette Larkin, Program Auditor. We would like to thank the CIC CPMT and related CIC staff for their cooperation and assistance on this audit.

## **REPORT DISTRIBUTION**

Scott Reiner, Executive Director  
Office of Children's Services

Christopher M. Price, City Manager  
City of Chesapeake

Joe Scislowicz, CPMT Chair

Jay Poole, City Auditor, City of Chesapeake  
Audit Service Department

Nancy Tracy, CPMT Fiscal Agent  
Director of Finance

Kenya Ratliff, CSA Coordinator