

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

City of Danville

***Audit Report No. 12-2020
April 16, 2020***



Office of Children's Services
Empowering communities to serve youth

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EXECUTIVE SUMMARY

The Office of Children's Services (OCS) has completed an audit of the City of Danville Children's Services Act (CSA) program. The City of Danville CSA program provided services and/or funding for 146 youth and families during fiscal year (FY) 2019. The audit included review and evaluation of management oversight, operational and fiscal practices. Based upon established statewide CSA Performance Measures – FY 2018, significant achievements by the City of Danville CSA program include:

1. Percent of youth indicating improvement in the Child and Adolescent Needs and Strengths (CANS) school domain exceeded the statewide average by 19.4%.
2. Percent of youth indicating improvement in the CANS strengths domain exceeded the statewide average by 1.3%.
3. Fifty-two percent (52%) of youth received community-based services out of all CSA youth, which exceeds the established performance target by 2%.

However, there are additional opportunities to effect quality improvements in other areas of the CSA program. Our audit concluded that there were deficiencies in internal controls that affected compliance with statutory requirements. The following significant issues were identified:

1. Expenditure reimbursements were requested and processed for payment of services where CSA compliance was not met. Contrary to Code of Virginia (COV) Section § 2.2-5211, CSA funds were expended for services eligible for another funding source (Medicaid and Title IV-E). The questioned cost totaled \$1,306.70, of which the state share was \$928.03.
2. Expenditures incurred for CSA funded services were not recorded in the correct expenditure category for one (1) of seventeen (17) cases (6%) examined, resulting in overstated reimbursements of \$3,436.64 (state share).
3. Adequate measures were not always taken to ensure data reliability, integrity, and security of client case files. Information collected is used in service planning and assessing child-specific outcomes. Two (2) closed case files were prematurely scheduled for destruction by shredding, and were retrieved from an area used for files awaiting shredding. The records were within the retention period established in Library of Virginia Records Retention and Destruction Schedule GS-15.

OCS appreciates the cooperation and assistance provided on behalf of the City of Danville CPMT and CSA staff. Formal responses from the City of Danville CPMT to the reported audit observations are included in the body of the full report.



Stephanie S. Bacote, CIGA
Program Audit Manager



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Program Auditor

INTRODUCTION

The Office of Children's Services (OCS) has completed a financial/compliance audit of the City of Danville Children's Services Act (CSA) program. 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 April 16, 2020 and covered the period August 1, 2018 through July 31, 2019.

The objectives of the audit were to:

- Determine whether adequate internal controls have been established and implemented over CSA expenditures.
- Determine the adequacy of training and technical assistance by assessing local government CSA staff knowledge and proficiency in implementing local CSA programs.
- Assess whether operations have maintained high standards for sound fiscal accountability and ensured responsible use of taxpayer funds by evaluating fiscal activities of local CSA programs.
- Assess the level of coordination among local government CSA stakeholders and efforts to improve CSA performance by evaluating local CSA program's operational and utilization review practices.
- Assess implementation of quality improvements addressing prior audit observations reported by OCS and/or identified in the prior self-assessment evaluation conducted by the City of Danville CPMT. The CSA program audit self-assessment validation was completed July 5, 2017.

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

BACKGROUND

Located on the southern border of Virginia along the Dan River, the City of Danville encompasses 44 square miles. The city was officially chartered in 1833, but the first settlement at the present location developed in 1792 from the meetings of pioneering Revolutionary War veterans. According to the U.S. Census Bureau's Quick Facts, the July 1, 2018 population of the City of Danville was 40,693 and the median household income was \$36,301.

The Children's Services Act (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for youth and their families. State funds, combined with local community funds, are managed by a local interagency team, referred to as the Community Policy and Management Team (CPMT) who plan and oversee services to youth. The CPMT is supported in this initiative by one Family Assessment and Planning Team (FAPT) responsible for recommending appropriate services. Administrative services are managed through the local CSA office staffed by a full-time CSA Coordinator and one assistant. Expenditure and demographic information for fiscal years 2017 to 2019 are depicted below:

CSA Pool & Census Data by Fiscal Year for the City of Danville (2017-2019)

Source: CSA Continuous Quality Improvement (CQI) Dashboard

At-A-Glance

<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
160	143	146
Distinct Child Count	Distinct Child Count	Distinct Child Count
4.2M	4.8M	4.2M
Gross Expenditures	Gross Expenditures	Gross Expenditures
4.2M	4.8M	4.2M
Net Expenditures	Net Expenditures	Net Expenditures
\$26,085	\$33,226	\$28,614
Average Expenditure	Average Expenditure	Average Expenditure
0.2223	0.2223	0.2223
Base Match Rate	Base Match Rates	Base Match Rates
0.2124	0.2117	0.2117
Effective Match Rate	Effective Match Rate	Effective Match Rate

OBSERVATIONS AND RECOMMENDATIONS

A) FISCAL ACTIVITIES

Observation #1:

Criteria Compliance and Internal Control

The Danville CSA program was reimbursed \$4,364.67 (state share) during the audit period for CSA funded services that did not meet criteria established by the COV statutes relevant to the Children’s Services Act and the CSA Policy Manual. Exceptions were noted as follows:

1. Medicaid eligible expenses (Treatment Foster Care – Case Management) were paid using CSA pool funds. The current Appropriation Act and CSA Policy 4.4.2 Medicaid Funded Services state “Effective July 1, 2009, pool funds shall not be spent for any service that can be funded through Medicaid for Medicaid-eligible children and youth except when Medicaid-funded services are unavailable or inappropriate for meeting the needs of a child.” The questioned cost totaled \$1,193.30, of which the state share was \$928.03.
2. Title IV-E eligible expenses (Basic Maintenance) were paid using CSA pool funds. The Danville CSA filed for and received reimbursement for the expense after the auditor noted the expense was within the eligible period according to the Title IV-E eligibility determination authorization. The original questioned cost totaled \$113.40, and the amount was credited to the CSA account.
3. Expenditures incurred for CSA funded services were not always recorded in the correct expenditure category for financial reporting. The exception was noted in one (1) of seventeen (17) cases (6%) examined, resulting in overstated reimbursements of \$3,436.64 (state share).

Improper Expenditures							
Exception No.	Client	Exception Description	Total Questioned Cost	Local Adjustment	State Share of Questioned Cost		
1	4	Did not petition Medicaid authorization to fund TFC-Case Management for the period December 21, 2018 to April 9, 2019.	\$ 1,193.30	\$0	\$ 928.03		
2	16	Basic Maintenance eligible for Title IV-E for the period April 24, 2019 to April 30, 2019.	\$ 113.40	(\$113.40)	\$ 0.00		
Financial Reporting Error							
Exception 3	Incorrect Expense Category	Match Rate	Correct Expense Category	Match Rate	Variance		
					Total Expense	Differential	Questioned Cost
Client # 7	CBS	\$ 0.1111	TFC	\$ 0.2223	\$ 30,905.00	\$0.1112	\$ 3,436.64
1) TFC – Treatment Foster Care; 2) CBS – Community Based Services;							

Recommendation

1. Prior to authorizing funding, the CPMT should ensure that all other funding sources have been considered before committing the use of CSA funds. Adequate documentation should be maintained as justification for CPMT decisions.
2. The CSA Coordinator and CPMT should ensure proper expenditure reporting categories are used when recording expenditures and conduct monthly reviews of completed financial report to verify financial data is accurately presented.
3. The CPMT should submit a quality improvement plan, for review by the OCS Finance Office, including whether the CPMT agrees with the observation 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 may be required.

Client Comment

CSA RECOMMENDATIONS RESPONSE

Improper Expenditures

Exception 1: A seventeen-year-old foster child was placed in a therapeutic foster home through Alliance Human Services. At the time of placement, she had no DSM V Diagnosis for Medicaid to be billed. Since she did not have a diagnosis, the agency did not request the TFC agency to move forward with Medicaid authorization for case management services since the child would be ineligible. The OCS policy states “pool funds shall not be spent for any service that can be funded through Medicaid for Medicaid-eligible children and youth. Since the child would not be eligible for case management services, Medicaid funding could not have been utilized. The Magellan of Virginia Notice of Action which was denied is attached.

Next Step: All children placed in TFC will have the TFC agency apply for Medicaid & provide a copy of the approval and/or denial letter to the CSA office.

Financial Reporting Error

Exception 3: A foster youth already placed in a therapeutic foster home turned eighteen years old and opted to enter Fostering Futures and remain in his current placement. The agency coded the service of “Independent Living Services” as a community based service instead of therapeutic foster care. The reasoning for the decision was made because all Therapeutic Foster Care Agencies provide case management and are paid for that service either through Medicaid or through CSA. Alliance Human Services did not bill for case management; therefore, the agency considered the service as community based and not therapeutic foster care.

Next Step: All foster children in Therapeutic Foster Homes that remain in their placements after entering Fostering Futures will have their expenditures coded as Treatment Foster Care. The agency will seek assistance from OCS when in doubt as to the proper payment codes to avoid future errors.

B) DATA INTEGRITY

Observation #2:

Criteria

Compliance and Internal Control

Adequate measures were not always taken to ensure data reliability, integrity and security was maintained over closed client records. Two (2) recently closed case files were retrieved from an area used for files awaiting shredding. Both case files were marked with “to-be-shred” dates that were within 3-17 months of the last review. Per Library of Virginia (LVA) Records Retention and Disposition Schedule GS-15, the retention period is “3 years after last review then destroy”. The breakdown in physical security control over closed files creates the possibility that records could be destroyed prematurely and that information in the files may not be available for review where required.

Client	Date of Last CSA Action	Destroy Date per GS-15	Recorded Destruction Date
8	8/15/2018	8/15/2021	Shred Date – 11/1/2018
10	12/28/2018	12/28/2021	Shred Date – 5/22/2020

Recommendation

The Danville CSA Program should develop a method of aging closed case files that will ensure they are not destroyed prematurely, in accordance with the requirements of the Library of Virginia.

Client Comment

Client #8 & #10 – The case files that are in question were mislabeled, but remained in the “to be shred file cabinets”. Regarding Client #8, and reviewing the date of the last CSA action of 08/15/2018 and the shred date of 11/1/2018, the record was not destroyed and it remained in the file cabinet. Danville CPMT assures adequate procedures for administering Record Destruction.

City of Danville instructions used for completing the Certificate of Records Destruction

Each closed case in the Thomas Brothers system will be reviewed to verify that the case is officially closed. All closed files are kept in the basement of DSS in locked file cabinets. Open files are kept in the CSA office in locked file cabinets. Secondly, the last transaction history on the case will be reviewed. It should be three years of no payment history under the youth’s case account. Once that has been determined, the Certificate of Records Destruction (RM-3 Form) can be completed. It is to be reviewed and approved by John Moody, Director, and Sue DeMasi, City Clerk. Mr. Moody signs as the approving official and then the form is forwarded to Ms. Demasi. Ms. DeMasi then reviews and approves as the Designated Records Officer. Ms. DeMasi then forwards the form to the Library of Virginia.

Next Step: Recommendations have been considered and will be monitored more effectively in accordance with the requirements of the Library of Virginia.

CONCLUSION

Our audit concluded that there were deficiencies in internal controls relating to expenditure reimbursements, financial reporting, data integrity, reliability, and records retention. Conditions were identified that affected compliance with statutory requirements pertaining to governance and oversight of operational and fiscal transactions. An exit conference was conducted on February 27, 2020 to present the audit results to the City of Danville CPMT. Persons in attendance representing the City of Danville CPMT were:

CPMT: Michelle Johnson, Government Representative - CPMT Chair; John Moody, Director, Department of Social Services – CPMT Vice Chair; Deborah Fitzgerald, Department of Social Services alternate; Joyce Green, Court Services Unit; Veronica Pannell, Danville-Pittsylvania Community Services alternate; Anu Upadhyaya, Danville Public Schools; Natalie Whitlow, Southside Health District; Cynthia Nash, Private Provider alternate; Demetrius Crews, Parent Representative; Jerome Holman, Parent Representative alternate

CSA Staff: Aminah Linder, CSA Coordinator, LaPrecious Williams, CSA Administrative Assistant

Other: Alan Spencer, Assistant City Attorney

Representing the Office of Children's Services was Donald Barcomb, Program Auditor.

We would like to thank the City of Danville CPMT and CSA staff for their cooperation and assistance on this audit.

REPORT DISTRIBUTION

Scott Reiner, Executive Director
Office of Children's Services

Ken Larking, Danville City Manager

Michelle Johnson, CPMT Chair

Michael L. Adkins, Fiscal Agent

Aminah Linder, CSA Coordinator