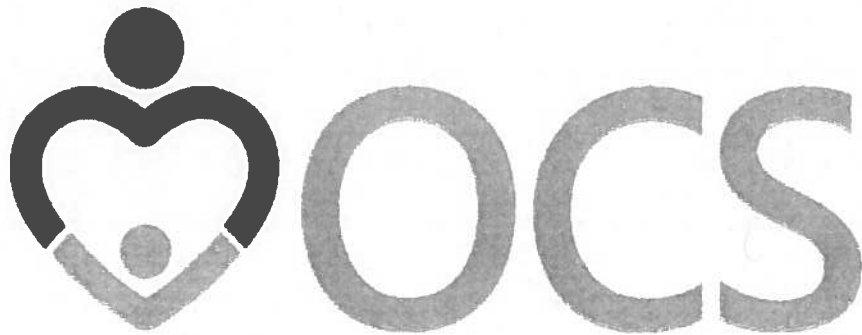


***CHILDREN'S SERVICES ACT
PROGRAM AUDIT***

City of Lynchburg

Audit Report No. 05-2020

June 11, 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 Lynchburg Children's Services Act (CSA) Program. The City of Lynchburg CSA Program provided services and/or funding for approximately 360 youth and families in Fiscal Year (FY) 2019. The audit included review and evaluation of management oversight and operational and fiscal practices. Based upon established statewide CSA performance measures reported as of FY 2019, significant achievements for the City of Lynchburg CSA Program were:

- Youth with a decrease in the Child and Adolescent Needs and Strengths Assessment (CANS) school domain exceeded the statewide average by 1.1%; and
- Seventy-nine percent (79%) of youth received community-based services.

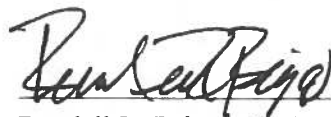
However, there are additional opportunities to effect quality improvement in other areas of the CSA Program. Our audit concluded that there were deficiencies in internal controls that could impact the effective and efficient use of resources, as well as compliance with statutory requirements. The following significant issues were identified:

- Expenditure reimbursements were requested and processed for payment of services where CSA compliance requirements were not met, resulting in questioned cost of \$1,539.97 (state share). Specific non-compliance items identified were:
 - administration of the mandatory annual CANS assessment;
 - CSA pool funds were used for expenditures that were the responsibility of another agency and/or eligible for an alternate funding source (i.e. Title IV-E); and transactions were not always properly recorded in the correct expenditure category; and
- A comprehensive CANS assessment is required initially, annually, and upon discharge of CSA funded services. Discharge CANS assessments were not completed for eight (8) of eleven (11) (72%) applicable cases examined.
- CPMT minutes did not record non-public officials of the CPMT properly abstaining from decision-making involving individual cases in which they have either a personal or a fiduciary interest in accordance with Code of Virginia (COV) Section 2.2-5205.

The Office of Children's Services appreciates the cooperation and assistance provided on behalf of the City of Lynchburg CPMT and other CSA staff. Formal responses from the City of Lynchburg CPMT to the reported audit observations are included in the body of the full report.



Stephanie S. Bacote, CIGA
Program Audit Manager



Rendell R. Briggs, CAMS
Program Auditor

INTRODUCTION

The Office of Children's Services (OCS) has completed a financial/compliance audit of the City of Lynchburg 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 June 10, 2020 and covered the period September 1, 2018 through August 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 completed by the City of Lynchburg CPMT. The CSA program audit self-assessment validation was completed July 20, 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

Established in 1786, the City of Lynchburg is located in the foothills of the Blue Ridge Mountains of the Commonwealth of Virginia. According to published estimates by the Weldon Cooper Center for Public Service-University of Virginia, the City of Lynchburg has a population estimate of 81,339 as of January 28, 2019. The U.S. Census Bureau, State and County Quick Facts reports the median household income from 2014-2018 as \$43,374.

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 local interagency teams referred to as the Community Policy and Management Team (CPMT) who plan and oversee services to youth. The City of Lynchburg CPMT was established to comply with this statute. The CPMT is supported in this initiative by the 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. Expenditure and demographics for fiscal years 2017 to 2019 are depicted below:

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

Source: CSA Continuous Quality Improvement (CQI) Dashboard

At-A-Glance

<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
337	319	360
Distinct Child Count	Distinct Child Count	Distinct Child Count
6.2M	5.9M	6.2M
Gross Expenditures	Gross Expenditures	Gross Expenditures
6.0M	5.7M	6.0M
Net Expenditures	Net Expenditures	Net Expenditures
\$17,865	\$17,987	\$16,670
Average Expenditure	Average Expenditure	Average Expenditure
0.2736	0.2736	0.2736
Base Match Rate	Base Match Rates	Base Match Rates
0.2706	0.2706	0.2637
Effective Match Rate	Effective Match Rate	Effective Match Rate

OBSERVATIONS AND RECOMMENDATIONS

A) FISCAL ACTIVITIES:

Observation #1	Criteria	Compliance and Internal Control
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Expenditure reimbursements were requested and processed for payment of services where CSA compliance requirements were not met. Specific non-compliance items identified were as follows:

1. Responsibility of another Agency or Alternate Funding Source:

CSA pool funds were used in lieu of Title-IVE funds for foster care maintenance expenses for one youth determined eligible for Title- IVE. The foster care maintenance costs paid by CSA on behalf of the client during the review period equaled \$1,279.19. The City of Lynchburg prepared an adjusting entry on May 14, 2020 to reimburse CSA pool funds. (COV 2.2-5211)

Client	Period	Total Questioned Costs	Local Adjustment	State Share of Questioned Costs
Client A	07/27/19– 08/31/19	\$1,279.19	(\$1,279.19)	\$0

2. CANS Administration:

An annual CANS assessment had not been completed for one (1) client, resulting in questioned cost totaling \$2,120.00. Per CSA Policy Manual Section 3.6.5 Frequency of CANS Administration, Items B, C, and D, the CANS assessment is required annually. “Annually” is defined as within 60 calendar days of the anniversary date of the Initial CANS or subsequent Annual CANS, meaning the reassessment may fall 60 days prior to, on the date of, or 60 calendar days subsequent to the anniversary of the previous annual assessment date. This resulted in questioned costs of \$1,539.97 (state share).

Client	Period	Total Questioned Costs	State Share of Questioned Costs
Client B	05/01/19 – 05/31/19	\$2,120.00	\$1,539.97

3. Financial Reporting Errors:

Expenditures incurred for CSA funded services were not always properly recorded in the correct expenditure category and service placement type pursuant to CSA Policy Section 4.5.2. The indicated errors lessen the reliability and integrity of data used in CSA Pool Expenditure Reports and CSA Utilization Reports. Financial reporting errors were noted in two (2) client case-files as follows:

- a. Community-based services were misclassified as Residential Congregate Care Services- CSA Parental Agreements. The Residential Congregate Care placement match rate

(0.3421) is significantly higher than the Community Based Services local match rate (0.1368). This resulted in a higher local share of the expenses incurred on behalf of Clients C and D, which totaled \$656.96.

- b. Two (2) expense category transactions were incorrectly recorded as Non-Mandated/Community Based Services that should have been recorded as Community Based Services. The match rate (.1368) for Non-Mandated/Community Based Services and Community Based Services are the same. The indicated expenses were incurred on behalf of Client D.

Financial Reporting Errors								
Client	Incorrect Expense Category	Match Rate	Correct Expense Category	Match Rate	Variance			
					Total Expense	Diferrential	Net Fiscal Impact (Local Overpayment)	Service Name
Client C	RCC	0.3421%	CBS	0.1368%	\$1,600	(\$0.2053)	\$328.48	RCM
Client D	RCC	0.3421%	CBS	0.1368%	\$1,600	(\$0.2053)	\$328.48	CS
	NMCB	0.1368%	CBS	0.1368%	\$1,600	\$0.00	\$0.00	
1.) RCC- Residential Congregate Care 2.) CBS - Community Based Services 3.) NMCB - Non Mandated/Community Based 4.) RCM -Residential Case Management 5.) CS-Case Support								

Recommendations

1. The City of Lynchburg CPMT should ensure quality assurance and accountability procedures for program utilization and funds management, which includes verification that the appropriate funding sources are utilized and errors are resolved timely.
2. The FAPT and CSA Coordinator should ensure that required CANS assessments have been completed and verified prior to submitting funding requests to CPMT for authorization.
3. Fiscal transactions and reports should be carefully reviewed to ensure the appropriate expenditures are accurately reported in the appropriate expenditure categories and the correct funding match rates are applied.
4. 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 Policy 4.7, "Response to Audit Findings," of whether there will be any denial of funds, the identified actions are acceptable or any additional actions that may be required.

Client Comment

1. "Client A: This young was placed into an emergency approved foster home on July 27, 2019. Title IV-E funding was approved to begin paying for the placement as of August 1, 2019. CSA funds were approved to pay for the emergency placement prior to the use of Title IV-E funding. The journal entry showing Title IV-E funding was provided showing funding being transferred to refund State Pool Funds for the month of August."
2. "Client B: An annual CANS was inadvertently not entered into the CANS system at the end of the school year. This youth no longer receives education in a private day school. Lynchburg CPMT has discussed this observation and has shared with case managers that paper CANS are no longer accepted by the Office of Children's Services and it is imperative that CANS be input in to the CANVaS system in a timely manner."
3. "Lynchburg CPMT discussed the importance of proper coding to ensure correct data collection and expenditures. Client C coding error is being corrected in the system and adjustment will be made. Client D coding error occurred last fiscal year."
4. "Lynchburg CPMT agrees that fiscal transactions and reports should be carefully reviewed to ensure the appropriate expenditure categories and the correct funding match rates are applied. A member of the financial team will periodically review the coding categories listed on the spreadsheet used to prepare purchase orders and a member of the CSA office will periodically review the service codes used in the reimbursement process."

B) DATA INTEGRITY:

Observation #2

Criteria

Compliance and Internal Control

Data collection practices and procedures pertaining to CSA client records and the mandatory uniform assessment instrument have not been consistently applied to ensure complete, accurate, and reliable information is maintained. A comprehensive CANS assessment is required initially, annually, and upon discharge of CSA funded services. Discharge CANS assessments were not completed for eight (8) of eleven (11) (72%) applicable cases examined. Per CSA Policy 3.6.5.H, the discharge CANS may be done 90 days prior to, at the time of, or within 90 days following either the completion of all CSA-funded services, or final FAPT. The data collected is used to evaluate outcomes and to inform decision making at the state and local level, which is dependent upon complete, accurate and reliable information.

Recommendation

The FAPT should ensure that CANS assessments are completed per the established policy. A quality assurance process should be developed to include periodic review of client case files to ensure required information has been collected, all forms are complete and retained in accordance with local records retention policy.

Client Comment

“Lynchburg CPMT invited members of the Office of Children’s Services staff to provide training at the CPMT/FAPT annual training day to assist with proper completion of CANS and writing of goals after the on-site portion of the audit was completed and prior to this report being issued. CPMT members are providing guidelines to their case managers regarding the completion of discharge CANS. CSA staff members are completing periodic case reviews to ensure the completion of forms and assessment.”

C) GOVERNANCE ACTIVITIES:

Observation #3	
Criteria	Compliance and Internal Control

Internal controls established by CSA statutes were not effectively implemented by the CPMT in order to safeguard against conflicts of interest pertaining to the referral of services and approval of access to CSA pool funds by eligible youth and their families. CPMT minutes, documented for September 2018 and July 2019, did not record the persons serving on the CPMT who represent private providers for children or family services as abstaining from decision-making involving individual cases in which they have either a personal or a fiduciary interest. The CPMT private provider representative was present for the specific CPMT meetings that included requests for funding services to be provided by the agency that they represented. This practice lessens the effectiveness of the control to ensure transparency, accountability and appropriate use of CSA pool funds by individuals responsible for managing public funds.

Recommendation

Non-public officials of the CPMT should abstain from voting on funding authorizations where they have a personal or fiduciary interest. The CPMT should ensure that votes are appropriate and accurately recorded in the CPMT minutes (e.g. Yea/Nay/Abstain).

Client Comment

“Lynchburg CPMT agrees that it needs to properly document in the CPMT minutes when a CPMT members abstains from voting on funding authorizations. Private providers and parent representatives should abstain from the decision making process when they have either a personal or a fiduciary interest.”

CONCLUSION

Our audit concluded that there were deficiencies in compliance and internal controls over the City of Lynchburg CSA program. Conditions were identified that could affect the effectiveness and efficient use of resources as well as compliance with statutory requirements. An exit conference was conducted on June 2, 2020 to present the audit results to the City of Lynchburg CPMT. Persons in attendance representing City of Lynchburg CPMT were:

Stephanie Meehan, CPMT Chair/Department of Juvenile Justice
Robin Mamola, Fiscal Agent, City of Lynchburg
Tamara Rosser, Director, Department of Human Services
Dana Wright, CSA Coordinator, Department of Human Services

Representing the Office of Children's Services was Rendell R. Briggs, Program Auditor. We would like to thank the City of Lynchburg CPMT and related CSA staff for their cooperation and assistance on this audit.

REPORT DISTRIBUTION

Scott Reiner, Executive Director
Office of Children's Services
Bonnie Svrcek, Lynchburg City Manager
Stephanie Meehan, CPMT Chair
Robin Mamola, CPMT Fiscal Agent
Dana Wright, CSA Coordinator