

CHILDREN'S SERVICES ACT
PROGRAM AUDIT

Newport News

Audit Report No. 02-2019

January 11, 2019



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 Newport News Children's Services Act (CSA) program. Newport News CSA program provided services and/or funding to 352 at-risk youth and families in fiscal year (FY) 2018. The audit included a review and evaluation of management oversight, operational, and fiscal practices. Based upon established statewide CSA performance measures reported as of FY 2017, significant achievements for the City of Newport News CSA program included:

- Approximately ninety-two (92%) of youth are in a family-based placement which, is 10.5% above the statewide average and exceeds the established state target by 6.5%.
- Approximately fifty-two (52%) of youth served received community-based services out of all the youth served in Newport News, which exceeds the statewide target by 2%.

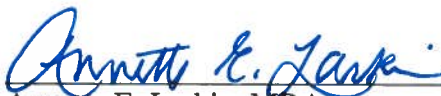
However, there are additional opportunities to effect quality improvement in the CSA program. The audit concluded that there were deficiencies in compliance and internal controls particularly in reference to governance and fiscal activities. Conditions were identified that could adversely affect the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

- Expenditure reimbursements were requested and processed for payment of services where the requirements for compliance with State and local CSA policies and procedures were not met. In two (2) cases Child and Adolescent Needs and Strengths Assessment (CANS) was not completed resulting in questioned cost. CANS assessments are required initially, annually, and upon discharge when CSA services and funding are no longer needed.
- Internal controls established by CSA statutes were not effectively implemented by the CPMT in order to safeguard against conflicts of interest and separation of duties pertaining to the referral of services and approval of access to CSA pool funds by eligible youth and their families. Statement of Economic Interest (SOEI) forms were not completed by non-public serving members of FAPT as required per the Code of Virginia (COV) § 2.2-5207.

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



Stephanie S. Bacote, CIGA
Program Audit Manager



Annette E. Larkin, MBA
Program Auditor

INTRODUCTION

The Office of Children's Services has completed a financial/compliance audit of the City of Newport News Children's Services Act 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 January 11, 2019 and covered the period September 1, 2017 through August 31, 2018.

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 improvements addressing prior audit observations reported by OCS and/or identified in the prior self-assessment evaluation completed by the City of Newport News. The prior CSA program audit self-assessment validation was completed November 12, 2013.

The scope of the audit included youth and their families who received CSA funded services during the last ten (10) months of FY2018 and the first two (2) months of FY2019. 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

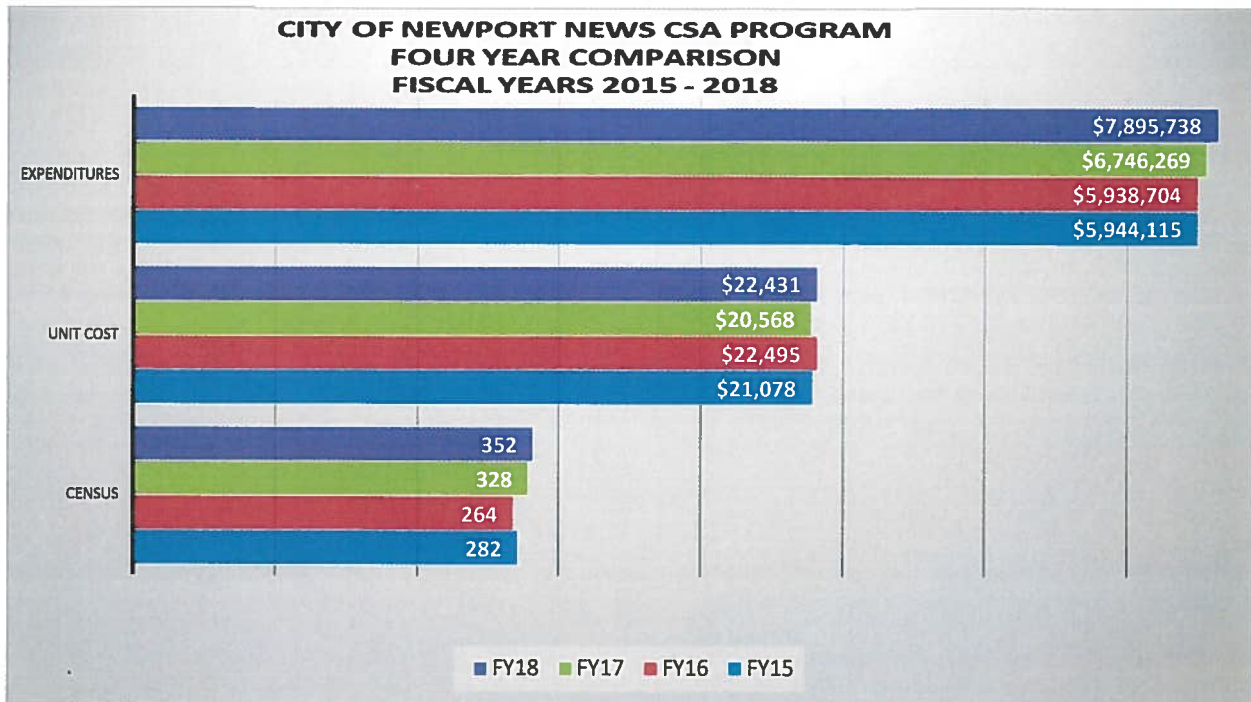
Newport News was established as an independent city in 1896. Located in southeastern Virginia, Newport News runs approximately 23 miles along the James River and borders the City of Hampton and the Counties of James City and York. According to the US Census Bureau Quick Facts, Newport News estimated population in 2017 was 179,388 and median household income from 2012-2016 was \$50,089.

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 CPMT is supported by a Family Assessment and Planning Team (FAPT) responsible for recommending appropriate services to eligible children and families, a multidisciplinary team (MDT), a CSA Coordinator, a FAPT Coordinator, two (2) fiscal staff and an administrative assistant. Expenditure demographics for fiscal 2015 to 2018 are depicted below.

CSA Pool & Census Data by FY for the City of Newport News (2015-2018)

FY	Census	Census Change	Census % Change	Pool Expenditures	Expenditures \$ Change	Expenditures % Change	Unit Cost	Unit Cost % Change
15	282	-25	-8%	\$ 5,944,115	\$ 82,848	1%	\$ 21,078	10%
16	264	-18	-6%	\$ 5,938,704	\$ -5,411	0%	\$ 22,495	7%
17	328	64	24%	\$ 6,746,269	\$ 807,565	14%	\$ 20,568	-9%
18	352	24	7%	\$ 7,895,738	\$ 1,149,469	17%	\$ 22,431	9%

Note: Changes recorded for FY 15 are based on difference from fiscal year 2014 to 2015



OBSERVATIONS AND RECOMMENDATIONS

A. FISCAL ACTIVITIES

Observation #1:	
Criteria:	Compliance and Internal Control

Expenditure reimbursements were requested and processed for payment of services where the requirements for compliance with State and local CSA policies and procedures were not met. Per Code of Virginia (COV) § 2.2-5212, access to the state pool of funds includes determination through the use of a uniform assessment instrument and process. The Child and Adolescent Needs and Strengths (CANS) Assessment is the approved uniform assessment instrument per CSA policy adopted in 2009. The CANS assessment is required initially, annually, and upon discharge from the CSA process. A CANS had not been completed timely for two (2) client case files examined, resulting in \$66,194 in questioned costs of which \$47,838.40 represents the state share. Refer to the table below for the breakdown of the client expenditures.

Client	Type (Initial or Annual)	Days Lapsed During Period of Review	Expenditures	Questioned Cost State Share
A	Annual	9/1/17-8/31/18	\$55,700.00	\$40,254.39
B	Initial	11/8/17- 2/14/18	\$10,494.00	\$7,584.01
Total				\$47,838.40

The CANS assessment is an instrument to assist child-serving professionals in the planning and management of services to children and their families, by identifying the strengths and needs of the child and family. In addition, to services planning activities, CANS is used to measure progress and identify most commonly occurring needs and strengths at the individual, local and statewide levels. 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.

Recommendations:

- Prior to authorizing funding, the CPMT should ensure that the proposed expenditure meets the criteria for CSA funding. Adequate documentation, should be maintained as justification for CPMT funding decisions, such as, but not limited to, CANS (initial and annual).
- 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:

“Newport News CPMT would like to thank the Office of Children’s Services for this opportunity. This has been a great learning experience that will assist us with enhancing our CSA program. We concur with the audit findings and will prepare the requested Quality Improvement Plan Details form. Referring agencies have been reminded of the importance of the CANS being provided timely. In addition, the CSA office will ensure that CANS are completed as required.”

B. CPMT GOVERNANCE

Observation #2:

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 and provide separation of duties pertaining to the referral of services and approval of access to CSA pool funds by eligible youth and their families. The private provider alternates serving on two (2) of the three (3) FAPTs did not complete the statement of economic interest (SOEI) form as required by (COV) §2.2-5207. The effectiveness of the controls to ensure accountability and appropriate use of CSA pool funds are reduced based on the increased opportunity for a single individual to not disclose personal interest. It is to be noted that upon notification, management took immediate corrective action.

Recommendation:

The CPMT should ensure all alternates not representing a public agency complete the SOEI forms upon appointment and maintain filing in accordance with the Administrative Memo 18-02 dated January 16, 2018.

Client Comment:

“Concur”

CONCLUSION

Our audit concluded that there were deficiencies in compliance and internal controls over the Newport News CSA program, particularly in reference to fiscal activities and CPMT governance. 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 Monday, December 10, 2018, to present the audit results to the Newport News CPMT. Persons in attendance representing the City of Newport News CPMT were as follows:

Alan Archer, CPMT Chair
Richard Dirmeyer, Supervisor Student Advancement, NNPS
Venerria Thomas, Director, NNDHS
Virginia Blount-Moore, Deputy Director, NNDHS
Lotus Wheeler, Director, Court Service Unit CSU
Crystal Bell, CSA Coordinator

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

REPORT DISTRIBUTION

Scott Reiner, Executive Director
Office of Children's Services
Alan Archer, CPMT Chair
Cynthia Rohlf, City Manager
Susan Goodwin, CPMT Fiscal Agent
Crystal Bell, CSA Coordinator
SEC Finance and Audit Committee