

***COMPREHENSIVE SERVICES ACT
PROGRAM AUDIT***

Montgomery County

Audit Report No. 10-2014

August 28, 2014



**Office of
Comprehensive
Services**

Empowering communities to serve youth

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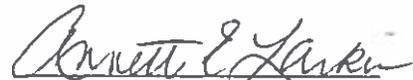
EXECUTIVE SUMMARY

The Office of Comprehensive Services has completed an audit of the Montgomery County Comprehensive Services Act for At Risk Youth and Families program. Our audit concluded that there were material weaknesses¹ in internal controls, particularly in reference to operational and fiscal governance practices. Conditions were identified that could adversely impact the effective and efficient use of resources, as well as non-compliance with statutory requirements. The following significant issues were identified:

- A formal procedure for conducting and documenting utilization management/utilization review (UM/UR) activity has not been implemented, which led to the following: (1) utilization reviews of residential placements lapsed from July 2013 until May 2014, (2) case managers of youth and/or families receiving non-maintenance foster care services do not submit reports on the results of utilization reviews conducted, and (3) periodic reporting of the status of progress toward accomplishing established long-term goals and objectives is not evidenced and/or linked to monthly utilization reporting to the CPMT.
- Opportunities for improvement exist to ensure adherence and consistent application of State and local policies and procedures by all CSA stakeholders, and to ensure that local policies and procedures are clearly written. Procedures impacted include intensive care coordination (ICC), Family Assessment and Planning Team (FAPT) exemptions, and client case file status as active/inactive.
- Existing parent co-pay policies and procedures could be enhanced to promote consistency in implementation and application of requirements established. It would also further ensure the availability, effective and efficient use of financial resources. For example, collection of parental co-pays when the fee for services provided is less than the monthly co-pay assessed.

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


Stephanie S. Bacote, CIGA
Program Auditor


Annette E. Larkin, MBA
Program Auditor

¹ Material weaknesses in internal controls is defined by Statement of Auditing Standards No. 117 issued by the American Institute of Certified Public Accountants as “a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.” The CSA Program audit is not an audit of financial statements, therefore; an opinion on management assertions presented in the locality Comprehensive Annual Financial Report is not being rendered.

INTRODUCTION

The Office Comprehensive Services has completed a financial/compliance audit of the Montgomery County Comprehensive Services Act for At-Risk Youth and Families program. The audit was conducted in accordance with generally accepted government 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 August 13, 2014 and covered the period June 1, 2013 through May 31, 2014

The objectives of the audit were to:

- 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 local CSA programs.
- To 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.

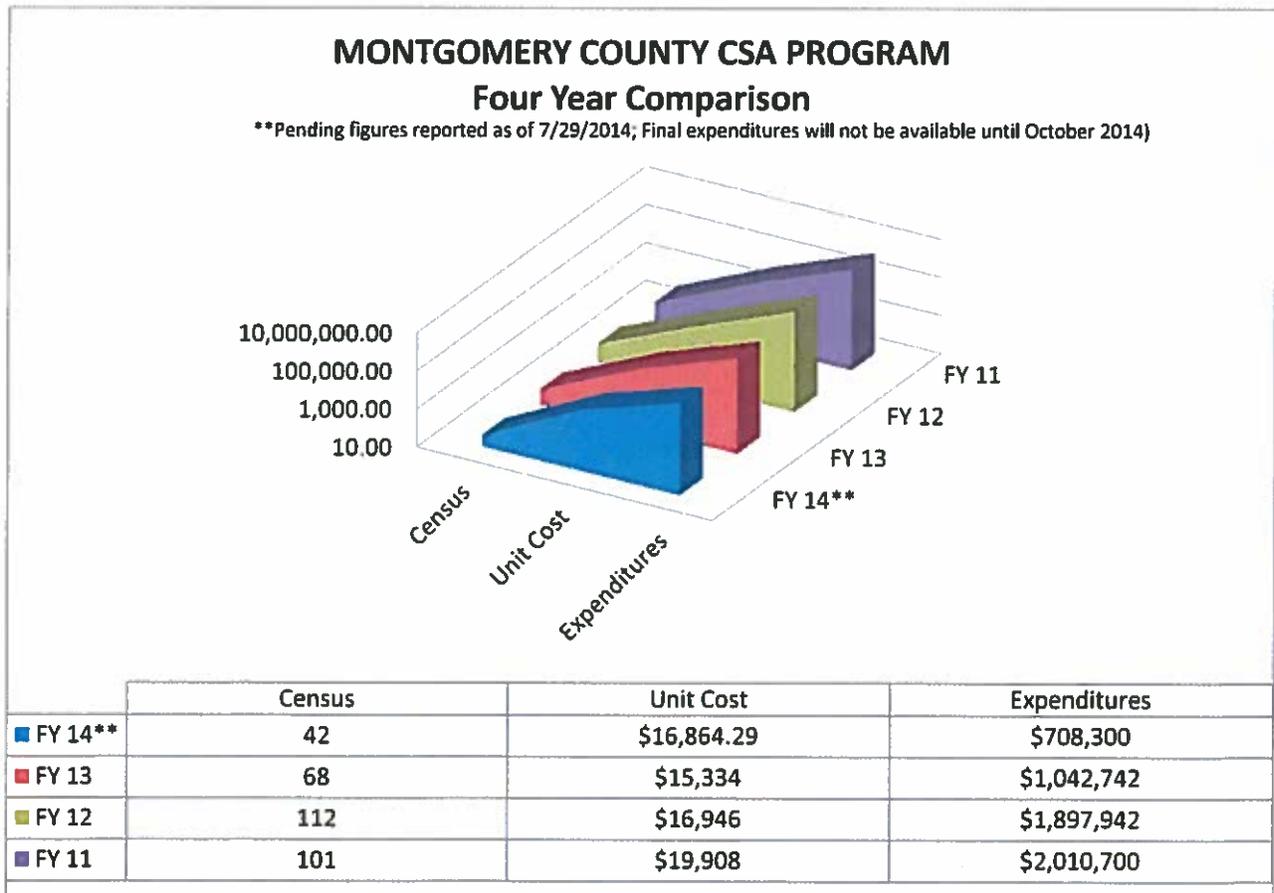
The scope of our audit included all youth and their families who received CSA funded services during fiscal years 2013 - 2014. Audit procedures performed included reviews of relevant laws, policies, procedure, and regulations; interviews with various CSA stakeholders; flowcharts of operational and fiscal processes; various tests and examination of records; and other audit procedures deemed necessary to meet the audit objectives.

BACKGROUND

Montgomery County encompasses 393 square miles in southwestern Virginia. It is home to Blacksburg and Christiansburg, two of the state’s four largest towns. According to July 1, 2013 published estimates by the Weldon Cooper Center for Public Service - University of Virginia, Montgomery County has a population estimate of 96,867. The U.S. Census Bureau reports the median household income from 2008-2012 as \$44,166.

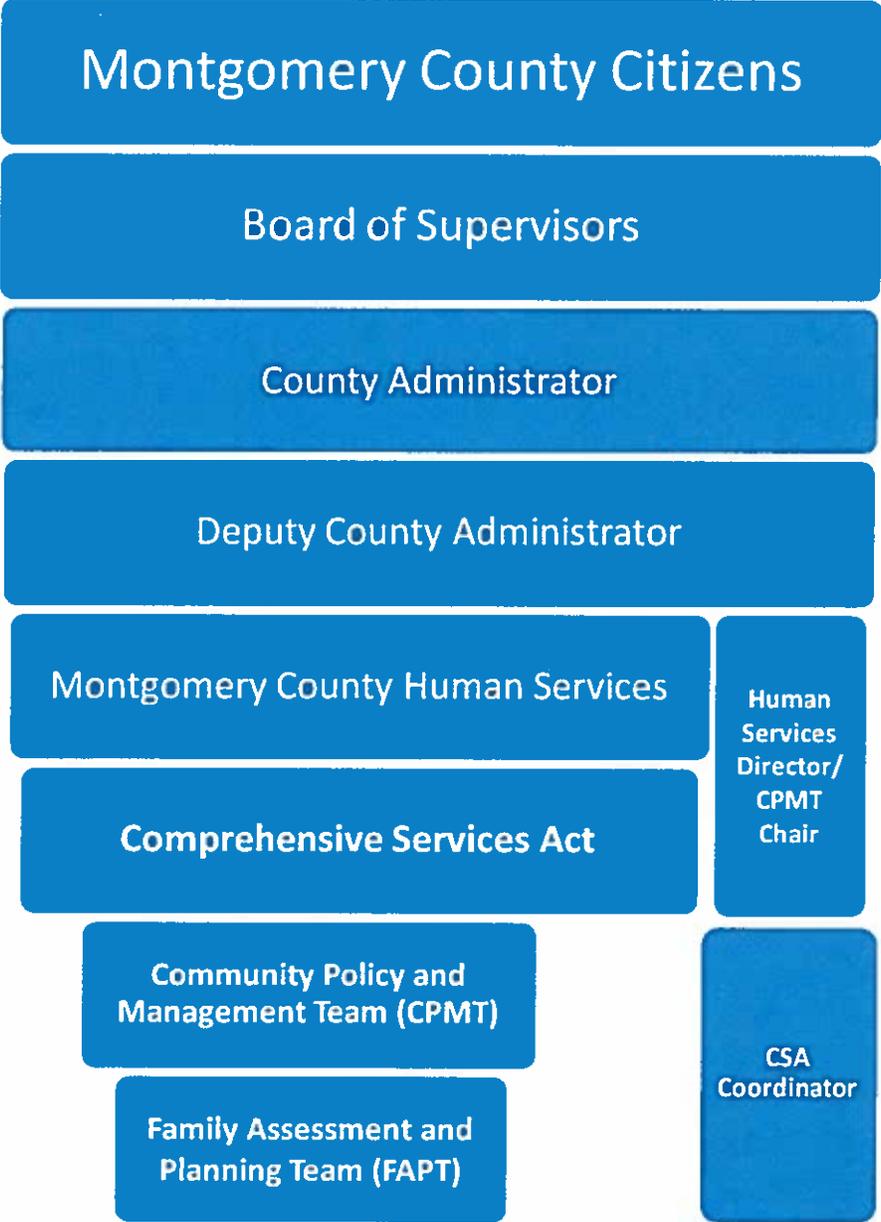
The Comprehensive Services Act for At-Risk Youth and Families (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for at-risk youth and their families. Of the approximate \$278 million appropriated by the Virginia General Assembly and local governments to fund CSA, the initial allocation (state and local funds) for Montgomery County combined for fiscal years 2013 and 2014 was \$2.25 million. Actual net expenditures for fiscal year 2013 totaled \$1,042,742. As of the date of this report, pending net expenditures for fiscal year 2014 are \$708,300. Based on reported expenditures for fiscal year 2013, the estimated average per capita cost of CSA in Montgomery County is \$11.

An analysis of Montgomery County CSA expenditures, population, and cost per child (“unit cost”) indicated expenditures and population are trending downward. Expenditures have decreased approximately 48% and the population has decreased 33% from fiscal year 2011 to fiscal year 2013. The chart below depicts a comparison for fiscal years 2011 through 2014.



The state funds, combined with local community funds, are managed by local interagency teams, referred to as “Community Policy and Management Teams” (CPMT) who plan and oversee services to youth. The Montgomery County CPMT is supported in this initiative by the “Family Assessment and Planning Team” (FAPT) responsible for recommending appropriate services. Administrative support to the CPMT and FAPT is provided by a full-time CSA Coordinator. The local management structure for Montgomery County is as follows:

**MONTGOMERY COUNTY
COMPREHENSIVE SERVICES ACT
ORGANIZATIONAL CHART**



OBSERVATIONS AND RECOMMENDATIONS

A) Program Activities

Observation 1:

A formal procedure for conducting and documenting utilization management/utilization review (UM/UR) activity has not been implemented. The current practice includes participation in the State Sponsored UM Interagency agreement with OCS for residential placements and utilization reviews performed by case managers representing each of the CSA participating agencies responsible for referral of the youth and/or families served by CSA. Utilization management reviews are pertinent to informed decision making responsibilities of the CPMT. As a result of the review of existing UM/UR practices of Montgomery County CSA, the following areas are in need of improvement:

- Utilization reviews of foster care services, other than maintenance-only, paid using CSA pool funds were not evidenced. The existing utilization review process does not require case managers of youth and/or families receiving non-maintenance foster care services to submit reports on the results of utilization reviews conducted.
- Although an agreement was in place with OCS to provide services, utilization reviews of residential placements lapsed from July 2013 until May 2014. CSA representatives purport that required documentation was forwarded by mail to OCS. OCS staff has no record of receipt of such documents. However, Montgomery County CSA did not conduct follow-up inquiries to determine why utilization review reports were not received from OCS during that period. Nor were alternative measures established to ensure utilization reviews of residential placements were completed. Responsibility for performing utilization reviews rests with the local CSA program.
- Periodic reporting of the status of progress toward accomplishing established long-term goals and objectives is not evidenced and/or linked to monthly utilization reporting to the CPMT. The existing financial/utilization report is heavily focused on financial outcomes. As currently presented, it does not overtly indicate accomplishment on the effectiveness of services provided to clients and/or by vendors.

Criteria:

- [§ 2.2-5206](#). Community policy and management teams; powers and duties. Item 13
- [§ 2.2-5208](#). Family assessment and planning team; powers and duties. Item 9
- CSA Policy Manual, Section 8.1 Utilization Management
- DOA ARMICS, Control Environment, (1) Oversight by the Agency's Governing Board and (2) Assignment of Authority and Responsibility.

Recommendation:

The CPMT should document formal procedures to direct CSA representatives on requirements to be met to substantiate utilization management/utilization review activities. Such procedures should address, but not limited to the following:

- Ensuring immediate utilization reviews are completed for all foster care services (except maintenance exempted per CPMT policy) paid using CSA pool funds.
- Documentation and reporting requirements of persons responsible for conducting utilization reviews.
- Development of procedures to be implemented should existing internal/external (i.e. case managers/OCS) become unavailable for an extended period.
- Revise existing monthly financial/utilization report to include non-financial data elements that are related to long-term goals and objectives as well as the effectiveness of services provided.

Client Comment:

- “A Review Form exists in the current local CSA FAPT Manual. Montgomery County Department Social Services case managers were advised on 05/21/14 and agreed to submit the Review Form. Note: Montgomery County FAPT reviews all local CSA cases quarterly. These quarterly reviews include discussion of service(s) and progress with such service(s) which is documented in child’s record and submitted to CPMT in a narrative fashion.
- Montgomery County submitted UM paperwork for the audited case to OCS during the July 2013– May 2014 time period. The case reviewed during the audit [client social security number redacted] had a submission on 07/08/13 to [name redacted position title substituted], former OCS Consultant, OCS and no response was received. When [name redacted position title substituted], the new OCS Program Consultant, began reviewing (05/07/14) the UM paperwork, she advised (06/16/14) that this case did not require a State Sponsored UM review (although Montgomery County had submitted UM paperwork for this case since 2004.) There appeared to be confusion on the part of OCS as to the need for UM for this case. Therefore, with no response from OCS staff questioning why it

was submitted; there would have been no reason for local CSA staff to believe they were responsible for correcting a problem. Had an accurate tracking system been in place in the OCS office, this material weakness may not have occurred. Since this case was pulled for the program audit review and found to not require UM review by OCS, Montgomery County CPMT believes this matter is a non-issue. On June 25, 2014 a memorandum was sent relating that OCS reviewed and revised the agreement for State Sponsored Utilization Review which will help mitigate future confusion.

- Montgomery County Human Services/CSA office has developed a policy for their Division Operating Manual stating: “In the event that OCS has a lapse in staffing (example: if the current staff person were to no longer complete the UM reviews for OCS due to change in position or leaving the employment of OCS and there was no specific OCS staff member named to complete the reviews) Montgomery County will continue to send UM review packets to OCS via Registered, Certified Mail with a signature receipt. We will follow up with an email to OCS regarding receipt of packet and the need for follow up from them”.
- The monthly financial/utilization report highlights financial information; it also includes the number of children/services/families, type of service, number of cases and number of residential placements showing a comparison to the previous year. The specific documentation that OCS is recommending related to the effectiveness of each specific goal in order to show they have been met is unclear. One of the OCS auditors mentioned at the exit conference, that this information was useful to CPMT agencies (most of which are state agencies) when requesting that the local government provide additional funds. Since this program is a state mandate, it would be helpful if OCS identified the documentation they deem should be retained in order to request additional funding from the state to support CSA related needs. However, Montgomery County CPMT will attempt to revise the monthly report to identify progress toward the goals and objectives in the local strategic plan.”

Auditor Comment: The responsibility for UR/UM rest with the locality’s CPMT to develop policies and procedures and to ensure implementation. While OCS does provide client level UR on residential cases, this does not alleviate a locality from performing due diligence when UR reports are not received from OCS.

There are minimum UM OCS requirements; however, each CPMT should define additional program goals for its locality and track progress toward achieving stated goals. OCS recognizes that each locality is different and client needs will vary greatly.

Observation 2:

A review of locally adopted CSA policies and procedures indicated opportunities for improvement to ensure that local policies and procedures are clearly written as well as ensure adherence and consistent application of State and local requirements by all CSA stakeholders. Specific areas of improvement were noted as follows:

- A formal policy/procedure to govern the provision of intensive care coordination (ICC) services has not been established. The current resource referenced consisted of a Memorandum of Understanding (MOU) with the Community Services Board issued in 2008, and renewed annually via contract agreements. However, the contract agreements do not meet the policy specifications as established by the ICC Policy adopted by the State Executive Council (SEC) May 2013. Upon notification, immediate efforts were undertaken to document a formal ICC policy/procedure consistent with the ICC policy established by the SEC.
- As currently written, the local policy governing foster care emergency placements and the requirement for presenting to FAPT does not clarify that authorization of the exemption from presentation to FAPT is limited to basic foster care maintenance only. Upon notification, immediate efforts were undertaken to revise procedures to clarify the exemption requirements.
- Formal procedures/protocols have not been established to govern the existing practice in place pertaining to the classification of client case files as active/inactive, which could affect the application of records management/retention requirements. Upon notification, immediate efforts were undertaken to document written procedures accordingly.

Criteria:

- [§ 2.2-5206](#). Community policy and management teams; powers and duties. Item 17
- [§ 2.2-5209](#). Referrals to family assessment and planning teams.
- CSA Policy Manual, Section 3.5 Records Management Toolkit, [CPMT Guidelines for Records Management](#)
- DOA ARMICS, Control Environment, (1) Oversight by the Agency's Governing Board and (2) Assignment of Authority and Responsibility.

Recommendation:

The Montgomery County CPMT should review and revise the policy and procedure manual to address the following:

- Establish written policies/procedures to govern the provision of ICC services.
- Clarify existing language regarding exemptions for FAPT for foster care services to indicate that the exemption applies to foster care maintenance only.
- Update the records management section to include policies/procedures regarding active/inactive client case files.

Client Comment:

- “Montgomery County CPMT adopted local ICC policy on 06/12/14.
- Montgomery County CPMT policy has been amended to read: “Emergency Foster Care maintenance only.” The revision was adopted by Montgomery County CPMT on 06/11/14.
- A procedural narrative for making a local CSA case file active/inactive has been developed and placed in the Montgomery County Human Services Division Operating Manual.”

B) Fiscal Activities

Observation 3:

Existing parent co-pay policies and procedures could be enhanced to promote consistency in implementation and application of requirements established. It would also further ensure the availability, effective and efficient use of financial resources that could be used to offset the costs incurred for CSA pool funded services. An evaluation of the process of determinations and collection of parental contributions indicated the following areas in need of improvement:

- Procedures regarding the collection of parental co-pays when the fee for services provided is less than the monthly co-pay amount have not been formally documented and incorporated with the existing policy/procedures manual. In the current practice, the co-pay fee is waived when the invoiced amount is less than the monthly co-pay assessed. However, such practices undermine the intent of parental participation in contributing to cost of the services funded by CSA. Because the co-pay assessment establishes parental affordability, the

current practice of waiving the co-pay under such circumstances also demonstrates that CSA funds are not being effectively utilized. An invoiced amount that is less than the monthly co-pay assessed by the CSA program is deemed affordable.

- The sliding fee scale includes an example for determining the amount of the assessed co-pay when applying the verifiable income of the parents. However, actual co-pay policies and procedures do not specify when to assess at the lesser or higher co-pay, which could lead to inconsistencies in the manner in which co-pay are assessed. Using the example below, the case could be made that the higher co-pay could be assessed when the verified income falls in the middle of the range. The income qualifier could be interpreted as income “up to” the figure quoted on the table.

Montgomery County FAPT Parental Contribution Chart (Based on Gross Monthly Income)				EXAMPLE: A FAMILY WITH 2 MEMBERS (IN THE SAME HOUSEHOLD) THAT HAS AN INCOME OF \$1,105 WOULD MEET FEE SCHEDULE “C”, WHICH EQUALS A CO-PAYMENT OF \$15 PER MONTH.				
Fee Schedule	NUMBER OF FAMILY MEMBERS							
	1	2	3					
A	\$247	\$323	\$399					
B	\$494	\$647	\$799					
C	\$742	\$970	\$1,198	CO-PAY FEE SCHEDULE				
D	\$989	\$1,239	\$1,597	A	B	C	D	E
E	\$1,236	\$1,616	\$1,997	\$0	\$5	\$15	\$30	\$40

Under these conditions, the opportunity lost for collection of additional funds could materially impact the local program’s ability to increase funding availability for services required to meet the needs of the community. Upon notification of these conditions, immediate efforts were undertaken to initiate parental co-pay policy/procedure review and revisions.

Criteria:

- [§ 2.2-5206](#). Community policy and management teams; powers and duties. Items 3 and 6
- [§ 2.2-5208](#). Family assessment and planning team; powers and duties. Item 6
- [Current Appropriations Act Chapter 806](#) , Item 283.E
- CSA Policy Manual, Section 4.5.4 Fiscal Procedures, Sliding Scale Fee
- DOA ARMICS, Control Environment, (1) Oversight by the Agency’s Governing Board and (2) Assignment of Authority and Responsibility.

Recommendation:

The CPMT should review the parental co-pay policy and incorporate the necessary revisions to demonstrate that procedures are clearly written as well as to reflect actual practices undertaken to promote and ensure consistency in implementation of the adopted policies and procedures.

Client Comment:

- “Montgomery County CPMT Policy has been revised to state: “When the required monthly parental co-pay is greater than the cost of the provided service, the parent will be invoiced only for the cost of services for that month.” The revised policy was adopted by Montgomery County CPMT on 06/11/14. During the audit period, 05/01/13-04/30/14, Montgomery County CSA office sent 32 parental copay invoices. With one incident of not issuing an invoice, under said circumstances, that result is 3% of Montgomery CSA funds not being effectively utilized for that period.
- Montgomery County CPMT Policy has been revised to read: “While determining contribution, please use lower amount if income falls between the ranges.” This revision was adopted by Montgomery County CPMT on 06/11/14.”

CONCLUSION

Our audit concluded that there were material weaknesses¹ in internal controls, particularly in reference to operational and fiscal governance practices. Conditions were identified pertaining to the governance and operational practices of the locally administered program that could adversely impact the effectiveness and efficient use of resources, as well as non-compliance with statutory requirements. An exit conference was conducted on August 13, 2014 to present the audit results to the Montgomery County CPMT. Persons in attendance representing the Montgomery County CPMT:

Carol Edmonds, Deputy County Administrator

Mary Critzer, Director of Human Services, CPMT Chair

Dawn Ramsey, Senior Program Assistant for Human Services and CSA

Rob Hiatt, Director of Court Services

Brian Hoff, Director of National Counseling Group

Larry Lindsey, Director of Social Services

Pam Basham, Assistant Director of Social Services

Kelly Edmonson, Foster Supervisor for Social Services

Dr. Molly O'Dell, Director of New River Health Department

Rosemary Sullivan, Director of New River Valley Community Services

Representing the Office of Comprehensive Services was Stephanie Bacote, Program Auditor and Annette Larkin, Program Auditor. We would like to thank the Montgomery County CPMT and related CSA staff for their cooperation and assistance on this audit.

¹ | Material weaknesses in internal controls is defined by Statement of Auditing Standards No. 117 issued by the American Institute of Certified Public Accountants as "a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis." The CSA Program audit is not an audit of financial statements, therefore, an opinion on management assertions presented in the locality Comprehensive Annual Financial Report is not being rendered.

REPORT DISTRIBUTION

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