

**State Executive Council for Children's Services
Finance and Audit Committee**

**Thursday, February 16, 2017
1:00 PM – 3:00 PM**

**Hanover Room
1604 Santa Rosa Rd., Richmond, VA 23238**

AGENDA

1. Introductions
2. Approval of October 2016 minutes
3. Status of staffing for the audit team and Business Manager
4. Brief report on CSA budget status and current FY2017 expenditures
5. Review of Quarterly Audit Report and discussion of noteworthy recent audit findings
6. Recommendations to the SEC for a policy concerning objective and transparent decision making regarding denial of funds based on audit findings
 - Category/severity of finding
 - First time versus repeat findings
7. Discussion: Options – New policy versus amending current policy

Materials:

October 2016 Meeting Minutes

Recent Audit Reports

Materials for Denial of Funds Policy Discussion

- *SEC Policy 4.6 – Denial of Funds*
- *Considerations for Denial of Funds Policy*
- *SEC Notice of Intent to Develop Policy*

DRAFT

**STATE EXECUTIVE COUNCIL FOR THE CHILDREN'S SERVICES ACT
FINANCE AND AUDIT COMMITTEE MEETING
Henrico Room, 1604 Santa Rosa Road
Richmond, VA
October 5, 2016**

Attendees

Mary Biggs, Member, SEC

Louis Elie, Jr., Director of the Program Integrity Division, DMAS

The Honorable Jennifer Wexton (*by conference call*)

OCS Staff

Scott Reiner, Executive Director, OCS

Eric Reynolds, Assistant Attorney General

Stephanie Bacote, Audit Manager, OCS

Marsha Mucha, Administrative Assistant, OCS

Chuck Savage, Business Manager, OCS

Welcome and Introductions

Scott Reiner convened the meeting at 1:00 p.m. He welcomed everyone and introductions were made. Mr. Reiner provided an agenda overview.

Approval of Minutes

The minutes of the April 8, 2016 meeting were approved on a motion by Mary Biggs, seconded by Louis Elie and carried.

Final FY16 CSA Expenditures

Mr. Reiner reported final FY16 OCS service expenditures of \$364M a 6% increase over FY15. The increase was primarily due to an increase in the number of private day educational placements.

Mr. Reiner noted that a workgroup formed to address Appropriation Act language to increase options for the integration of children receiving special education in private day settings into their home school districts presented a report with options to the SEC at its September meeting for their review/consideration. That report is now under review by the Office of the Secretary of Health and Human Resources and is due to the General Assembly by November 1.

Review of Risk Assessment and Audit Planning Methodology for FY17-FY19 and Review of FY17-FY19 Audit Plan

Stephanie Bacote reviewed the audit methodology, including audit risk assessment and annual audit planning, for the three year audit cycle, FY17-FY19. She also reviewed the FY17-FY19 Audit Plan.

DRAFT

Mrs. Bacote explained how the Risk Assessment Matrix was developed indicating that localities had participated in the development of the matrix through an on-line Risk Assessment Survey. She also presented an Audit Plan Resource Allocation table highlighting recurring training responsibilities, CPE training for audit staff and other audit program activity projects (i.e. quality assurance peer review and audit follow-up/Quality Improvement Plan Database).

Recommendations to the SEC for a Policy Concerning Objective and Transparent Decision Making Regarding Denial of Funds Based on Audit Findings

Mr. Reiner provided members with a copy of relevant statutes and policies regarding CSA denial of funds. Members also received examples of non-compliance/violations in the provision of CSA services. Mr. Reiner further explained the established procedures by which administrative action pertaining to locally administered CSA programs are directed and managed by OCS. This may include development of corrective action plans in consultation with localities and/or denial or recovery of state pool funds.

During discussion members discussed how to prioritize non-compliance/violation issues and the types of non-compliance/violations that should be considered for denial of funds. In general, members decided that it would be beneficial to develop guiding principles and specific decision making criteria based on broad areas of non-compliance.

Closed Meeting

A motion was made by Scott Reiner, seconded by Mary Biggs and carried that the Finance and Audit Committee of the State Executive Council convene in a closed meeting pursuant to Virginia Code § 2.2-3711(7) for consultation with legal counsel concerning the denial of funds policy and audit procedures.

Return to Open Meeting

Mr. Reiner reconvened the meeting in open session. The Finance and Audit Committee of the State Executive Council certified that only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting.

Next Meeting and Adjournment

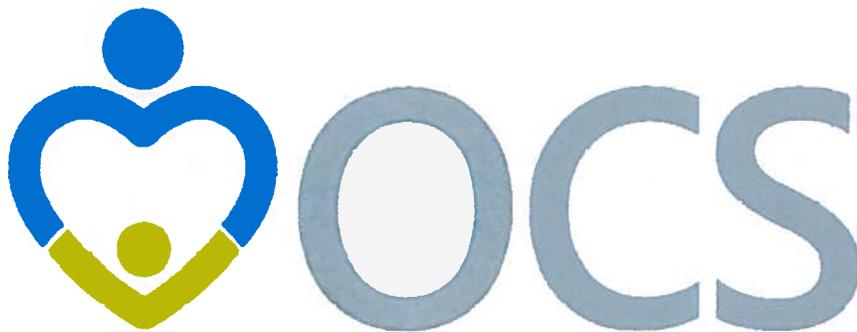
There being no further business the meeting adjourned at 3:20 p.m. on a motion by Mary Biggs, seconded by Louis Elie and carried.

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

Grayson County

Audit Report No. 09-2015

December 6, 2016



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 Grayson County Children's Services Act (CSA) program. The Grayson County CSA program provided services and/or funding for 59 and 49 at-risk youth and families in fiscal years (FY) 2015 and 2016 respectively. The audit included review and evaluation of management oversight, operational and fiscal practices. Grayson County Community Policy Management Team (CPMT) demonstrated that efforts were made to ensure that services were provided to eligible youth and families as evidenced by the following achievements:

- A strategic goal of Grayson County CPMT is to reduce the financial obligation to Grayson County by keeping expenditures at or below \$700,000 annually. In FY 16, total net expenditures equaled \$472,957, which is a 34% reduction from FY15.
- In FY15, Grayson County exceeded the State target for family based placement of foster care youth by 9% with 94.4% of foster care children in a family based placement.

However, there are additional opportunities to effect quality improvement in other areas of the CSA program. The audit concluded that there were deficiencies in CPMT management oversight. Conditions were identified that could adversely impact the effectiveness and efficient use of resources, as well as non-compliance with statutory requirements. The following significant issue was identified:

- A formal process for documenting utilization management (UM) activity has not been implemented by Grayson County CPMT. Program oversight by the CPMT has not included review and/or assessment of specific reports that summarizes in aggregate program outcomes to demonstrate accomplishment of local program goals and objectives and effectiveness of the services provided correlated with the funds expended.

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 Grayson County Children's Services Act 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 December 6, 2016 and covered the period May 1, 2015 through April 30, 2016.

The objectives of the audit were:

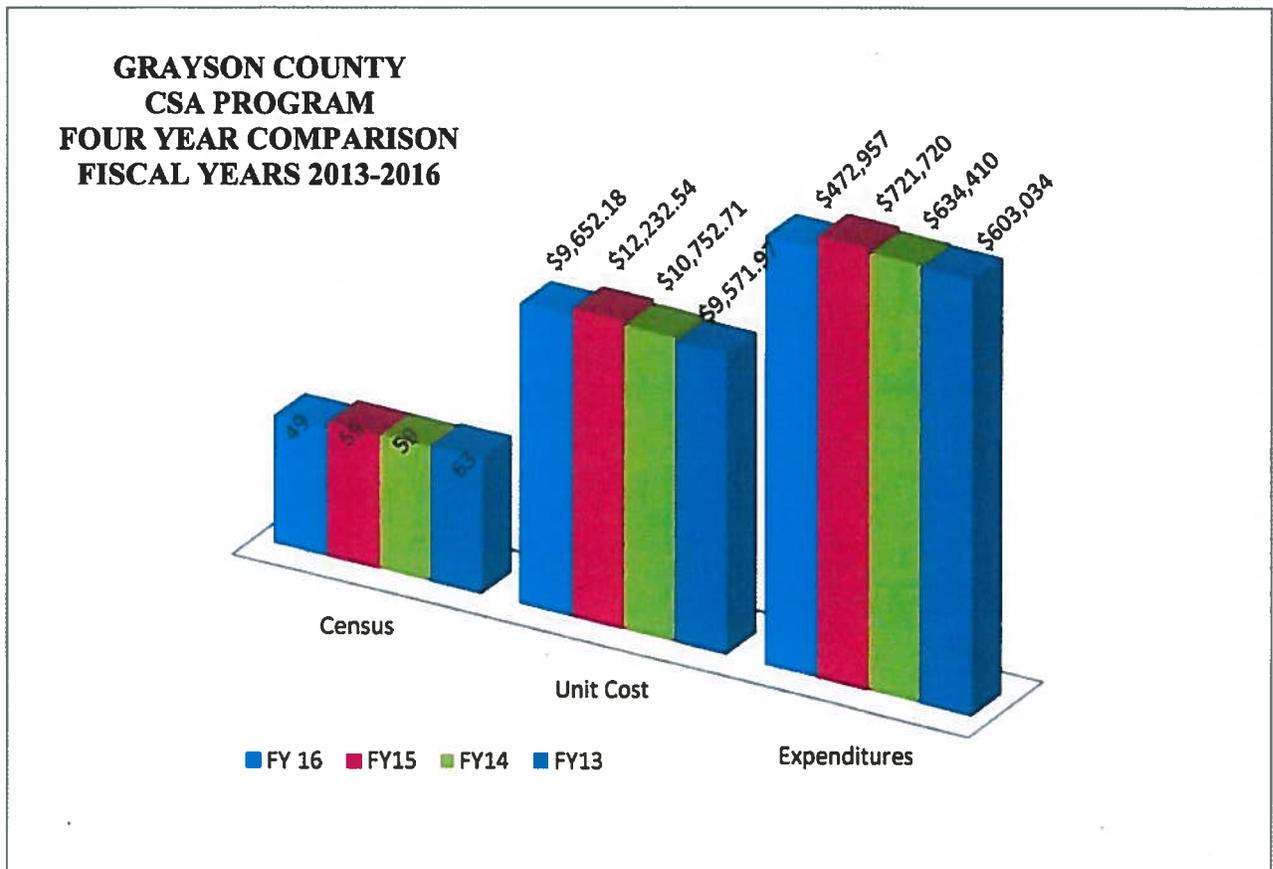
- To determine whether adequate internal controls have been established and implemented over CSA expenditures.
- To determine the adequacy of training and technical assistance by assessing local government CSA staff knowledge and proficiency in implementing local CSA programs.
- To assess whether operations 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.

The scope of the audit included youth and their families who received CSA funded services during the last two months of FY15 and the first ten months of FY16. 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

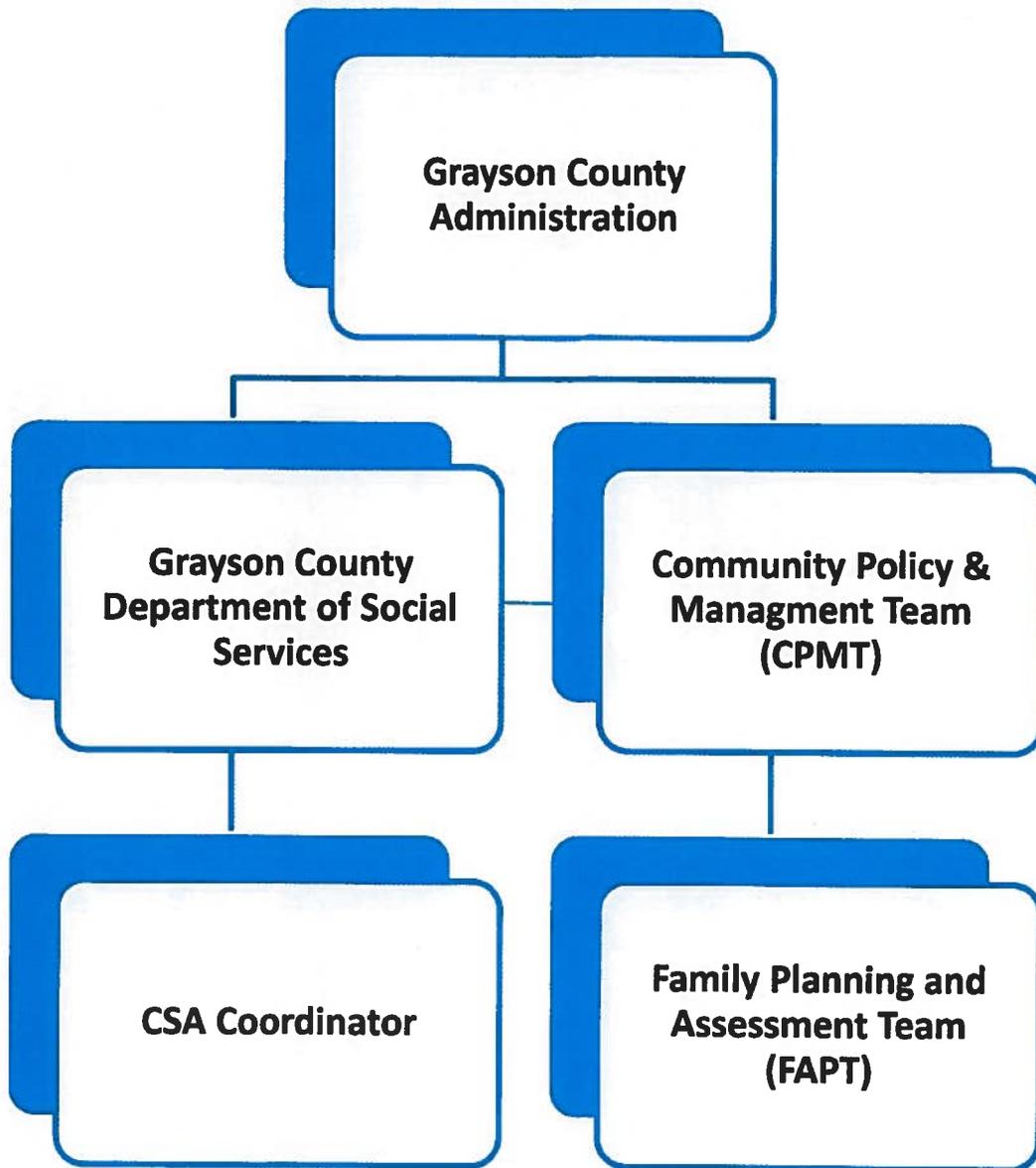
Grayson County, established in 1793, is located in the southwestern part of Virginia and borders the states of North Carolina and Tennessee. The county seat is the town of Independence. According to the US Census Bureau, State and County Quick Facts report, the estimated population in 2015 was 16,012 and the median household income from 2010-2014 was \$28,892.

The Children’s Services Act (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. Grayson County net CSA expenditures for FY15 totaled \$721,720, which was used to provide services to 59 at-risk youth and families. Based on reported figures for FY15, the average per capita cost for CSA was \$45.07. An analysis of Grayson County CSA’s FY16 overall expenditures, the number of children served, and the cost per child (unit cost) indicates a decrease of 34%, 17% and 21% respectively, compared to FY15.



CSA state funds, combined with local community funds, are managed by a local interagency team, referred to as the Community Policy and Management Team (CPMT) which plans and oversees services to youth. Grayson County CPMT was established to comply with this statute. The CPMT is supported in this initiative administratively by a CSA Coordinator and a Family Assessment and Planning Team (FAPT) responsible for recommending appropriate services to at risk children and families. The local management structure for the Grayson County CPMT is as follows:

Grayson County CSA Organizational Structure



OBSERVATIONS AND RECOMMENDATIONS

CPMT GOVERNANCE

Observation #1:

Criteria:

Compliance and Internal Control

A formal process documenting utilization management (UM) activity has not been implemented by Grayson County CPMT. Program oversight by the CPMT has not included review and/or assessment of specific reports that summarizes in aggregate program outcomes to demonstrate accomplishment of local program goals and objectives and effectiveness of the services provided correlated with the funds expended. Grayson County CPMT strategic goals for its CSA program are as follows:

1. "Reduce the current number of children entering into out-of-home placement, due to CPS, special education needs, legal issues, or mental health issues by 50% by the end of FY 2019.
2. Effectively use community based services so the foster care prevention rate of cases which are provided with Community Based Services is 95%.
3. Keep Grayson County CSA Financial Obligation below \$700,000 annually.
4. Continue to update local policy and procedure in accordance with best practice and SEC directives."

However, there is no evidence in board minutes documenting a discussion of the above goals or reports provided tracking progress towards achievement of each strategic goal with the exception of expenditures. In addition, the CPMT has not reviewed local and statewide data provided in the management reports on the number of children served, children placed out of state, demographics, types of services provided, duration of services, child and family outcomes, and performance measures. The CPMT had not tracked the utilization and performance of residential placements using data and management reports to develop and implement strategies for returning children placed outside of the Commonwealth, preventing placements, and reducing lengths of stay in residential programs for children who can appropriately and effectively be served in their home, relative's homes, family-like setting, or their community.

The ability and likelihood of the Grayson County CPMT to adequately monitor and provide oversight of the local CSA program is an essential component of organizational governance. The absence of formal program evaluation activities to ensure that the goals and objectives of the program are met ultimately impacts the CPMT efforts to better serve the needs of youth and families in the community and to maximize the use of state and community resources.

Recommendations:

The CPMT should track and report on their progress in meeting their strategic goals and objectives to all stakeholders at least annually to bring about further awareness of the CSA program and to evidence a formal program evaluation activity.

Client Comment:

“The Grayson County CPMT will consistently track and will report on their progress in meeting their strategic goals twice annually, in our annual organizational meeting in January and during our final meeting of the fiscal year.”

Observation #2:

Criteria:

Internal Control

Opportunities exist for the CPMT to improve communication of the local CSA program’s philosophy, ethics, goals, objectives, policies and procedures and performance outcomes achieved by Grayson County CSA Program. While some information regarding Grayson County CSA Program is available on the county’s website, coordinated group training should be offered to existing and new CSA representatives to ensure stakeholders are knowledgeable of the purpose, the responsibilities of the CPMT, state requirements, local CSA policies and procedures and performance outcomes of the program. This information should be shared with new team members, community stakeholders and families to create greater awareness and understanding regarding accessibility to services, and also promote consistency in local implementation of the Act, to demonstrate high standards for sound fiscal accountability and responsible use of taxpayer funds.

Recommendations:

The CPMT should implement a process to enhance communication with partnering agencies, families, and community stakeholders to promote the local CSA program and share information on accessing services, philosophy, ethics, goals, performance etc. This could be accomplished by establishing a subcommittee to evaluate the effectiveness of its current training program. The subcommittee could be tasked with conducting periodic assessment of the training needs of its team members, developing a training curriculum for all stakeholders on CSA topics based on the results of the assessment. In addition, the CPMT should consider options of mandatory in service and/or refresher training surrounding access to services, local philosophy, goals and objectives of its local program, state and local policies and procedures at least annually for team members and case managers.

Client Comment:

“Grayson County CSA will establish a subcommittee to address community outreach and engagement, as well as the training and needs of team members and community partners.”

CONCLUSION

Our audit concluded that there were deficiencies in compliance and internal controls over the Grayson County CSA program, particularly in reference CPMT governance practices. Conditions were identified pertaining to the programmatic/statutory compliance and operating practices of the locally administered program that could adversely impact the effective and efficient use of resources, as well as non-compliance with statutory requirements. An exit conference was conducted on November 16, 2016 to present the audit results to the Grayson County CPMT. Persons in attendance representing the Grayson County CPMT were as follows: Anthony Isom, Chair and fiscal agent, Jonathan Sweet, County Administrator, Mike Hash, Board of Supervisor Representative, Sarah Bridgeman, Health Department and Jessie Whitaker, Mount Rogers Community Service Board. Representing the Office of Children's Services was Annette Larkin, Program Auditor. We would like to thank the Grayson County Community Policy and Management Team and related CSA staff for their cooperation and assistance on this audit.

REPORT DISTRIBUTION

**Scott Reiner, Executive Director
Office of Children's Services**

**Jonathan D. Sweet, County Administrator
Grayson County**

**Anthony Isom, CPMT Chair
and Fiscal Agent**

Renaë Sizemore, CSA Coordinator

SEC Finance and Audit Committee



COMMONWEALTH of VIRGINIA

OFFICE OF CHILDREN'S SERVICES *Administering the Children's Services Act*

SCOTT REINER, M.S.
Executive Director

November 8, 2016

Ronald W. Branscome, CPMT Chair
Rappahannock Area Community Service Board
600 Jackson Street
Fredericksburg, VA 22408

RE: Stafford County CSA Program Self-Assessment Validation, File No. 48-2014

Dear Mr. Branscome,

In accordance with the Office of Children's Services (OCS) Audit Plan for Fiscal Years 2013-2015, the Stafford County Community Policy and Management Team (CPMT) has completed and submitted the results of the self-assessment audit of your local Children's Service Act (CSA) Program by the established due date of March 31, 2014. An on-site visit was scheduled and conducted by OCS Program Auditors on June 9, 2016 to perform the independent validation phase of the process.

Based on the review and examination of the self-assessment workbook and supporting documentation provided by the Stafford County CSA program, our independent validation:

Concurs Partially Concurs Does Not Concur

with the conclusion reported by the Stafford County CPMT that no significant observations of non-compliance and/or internal control weaknesses were identified in the design or operation of the processes or services conducted on behalf of the Stafford County CSA. The Stafford County CPMT has submitted a complete and satisfactory quality improvement plan addressing all non-significant observations that were identified by the CPMT, which included tasks, responsible parties, and target completion dates. OCS Program Auditors conducted a follow-up of the quality improvement plan and determined that tasks identified have been implemented.

Ronald W. Branscome, CPMT Chair
Stafford County CSA Program Self-Assessment Validation
November 8, 2016
Page 2

We would like to thank the Stafford Community Policy and Management Team and related CSA staff for their contributions in completing the CSA Self-Assessment Workbook. We also would like to acknowledge the excellent assistance and cooperation that was provided by Donna S. Krauss, CSA Coordinator during our on-site visit. Ms. Krauss' efforts enabled the audit staff to quickly resolve any questions/concerns that we observed during the validation process. Please feel free to contact us should you have any questions.

Sincerely,


Annette E. Larkin
Program Auditor

cc: Scott Reiner, Executive Director
C. Douglas Barnes, Interim County Administrator
Stafford County
Maria Perrotte, Fiscal Agent and CFO
Stafford County
Donna S. Krauss, CSA Coordinator
Stephanie Bacote, Program Audit Manager
SEC Finance and Audit Committee



COMMONWEALTH of VIRGINIA

Scott Reiner, M.S.
Executive Director

OFFICE OF CHILDREN'S SERVICES

Administering the Children's Services Act

December 22, 2016

Rosie Jordan, CPMT Chair
City of Salem
114 N. Broad Street
Salem, VA 24153

RE: City of Salem CSA Program Self-Assessment Validation, File No. 31-2015

Dear Ms. Jordan,

In accordance with the Office of Children's Services (OCS) Audit Plan for Fiscal Years 2013-2015, the City of Salem Community Policy and Management Team (CPMT) has completed and submitted the results of the self-assessment audit of your local Children's Service Act (CSA) Program by the established due date of March 31, 2015. An on-site visit was scheduled and conducted by OCS Program Auditors on May 25, 2016 to perform the independent validation phase of the process.

Based on the review and examination of the self-assessment workbook and supporting documentation provided by City of Salem CSA program, our independent validation:

Concurs Partially Concurs Does Not Concur

with the conclusion reported by the City of Salem CPMT that no significant observations of non-compliance or internal control weaknesses were found in the design or operation of the processes or services conducted on behalf of the City of Salem CSA program. The explanation for our assessment results are as follows:

The City of Salem Community Policy and Management Team concluded that there were no significant non-compliance and/or internal control weakness observations noted. However, validation procedures of the locally prepared CSA Self-Assessment Workbook identified a deficiency indicating non-compliance in the local CSA program. Non-compliance with the statutory requirements of CSA is considered significant because the local program is not operating fully in accordance with the laws of the Commonwealth. Specifics pertaining to the City of Salem CSA Program are detailed on the following page.

SIGNIFICANT NON-COMPLIANCE

The composition of members serving on the City of Salem CPMT and Family Assessment and Planning Team (FAPT) does not meet the membership requirements established by CSA statute. Both the CPMT and the FAPT are missing a parent representative serving on the team as required by the Code of Virginia. The absence of parent representatives from the governing body responsible for the administration and implementation of the local CSA program represents a material weakness in oversight and governance of the program. 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 as service planning is contingent upon the all members. The CPMT did not identify this deficiency in their self-assessment submission. The CPMT lost their parent representative in late 2014 and were not aware of the code requirement for the FAPT. Upon notification by the auditor the CPMT has been working to secure a parent representative to serve on both teams.

CRITERIA: § 2.2-5205. Community policy and management teams; membership; immunity from liability; § 2.2-5207. Family assessment and planning team; membership; immunity from liability.

RECOMMENDATION

The City of Salem CPMT should continue and document its recruitment efforts to secure parent representatives to serve on the CPMT and the FAPT.

CLIENT COMMENT

“Concur”

The Office of Children’s Services respectfully requests that you submit a quality improvement plan to indicating the target date for achieving compliance and persons responsible for task identified no later than 30 days from receipt of this report. In addition, we ask that you notify this office as quality improvement tasks identified are completed. OCS will conduct a follow up validation to ensure the quality improvements have been implemented as reported.

Rosie Jordan, CPMT Chair
City of Salem CSA Program Self-Assessment Validation
December 22, 2016
Page 3

We would like to thank the City of Salem Community Policy and Management Team and related CSA staff for their contributions in completing the CSA Self-Assessment Workbook. We also would like to acknowledge the excellent assistance and cooperation that was provided by Jessica Webb, CSA Coordinator during our on-site visit. Ms. Webb's efforts enabled the audit staff to quickly resolve any questions/concerns that we observed during the validation process. Please feel free to contact us should you have any questions.

Sincerely,


Annette E. Larkin
Program Auditor

cc: Scott Reiner, Executive Director
Kevin S. Boggess, City Manager
City of Salem
James E. Taliaferro, Fiscal Agent
Jessica Webb, CSA Coordinator
Stephanie S. Bacote, Audit Manager
SEC Finance and Audit Committee



COMMONWEALTH of VIRGINIA

Scott Reiner, M.S.
Executive Director

OFFICE OF CHILDREN'S SERVICES *Administering the Children's Services Act*

October 31, 2016

Catherine M. Heritage, CPMT Chair
Deputy County Administrator
County Administration
10 Hotel Street Suite 204
Warrenton, VA 20186

RE: Fauquier County CSA Program Self-Assessment Validation, File No. 25-2014

Dear Ms. Heritage,

In accordance with the Office of Children's Services (OCS) Audit Plan for Fiscal Years 2013-2015, the Fauquier County Community Policy and Management Team (CPMT) has completed and submitted the results of the self-assessment audit of your local Children's Service Act (CSA) Program by the established due date of November 30, 2013. An on-site visit was scheduled and conducted by OCS Program Auditors on March 30, 2016 to perform the independent validation phase of the process.

Based on the review and examination of the self-assessment workbook and supporting documentation provided by Fauquier County CSA program, our independent validation:

Concurs Partially Concurs Does Not Concur

with the conclusion reported by the Fauquier County CPMT that no significant observations of non-compliance or internal control weaknesses were found in the design or operation of the processes or services conducted on behalf of the Fauquier County CSA program. The explanation for our assessment results are as follows:

The Fauquier County Community Policy and Management Team concluded that there were no significant non-compliance and/or internal control weakness observations noted. However, validation procedures of the locally prepared CSA Self-Assessment Workbook identified a deficiency indicating an internal control weakness in the local CSA program. An adequate system of internal controls is contingent upon consistent and proper application of established policies and procedures affecting CSA funded activities, as well as monitoring oversight by the governing authority to ensure that the program is operating accordingly. Such breakdowns in an organization's internal control structure are considered significant. Specifics pertaining to the Fauquier County CSA Program are detailed on page 2.

SIGNIFICANT INTERNAL CONTROL WEAKNESSES

The Fauquier County CPMT has adopted and documented policies and procedures are not consistent with CSA statutes regarding referrals to the Family Assessment and Planning Team (FAPT) and fiscal responsibility for identified services. Section K of the Fauquier County CSA FAPT policies and procedures manual states:

“CPMT authorizes up to \$2,000 per funding request for low-level services that are court ordered or necessary for the safety and well-being of children in foster care or in prevention of foster care cases. These requests are exempt from the FAPT process and are commonly known as Non-FAPT funding requests. Examples are as follows:

1. Drug screening
2. Camps
3. Interpreter
4. Anger Management Classes
5. Parenting classes
6. Court testimony
7. Short-term medical insurance (out of state travel)
8. Family foster care special needs payment”

The adoption of this local policy/procedure circumvents CSA statutes that exempt from the FAPT only cases involving the payments of foster care maintenance, which shall be at the discretion of the CPMT. The list of services identified do not meet the criteria of foster care maintenance as defined in the Virginia Department of Social Services (VDSS) Foster Care Manual, and thus are not eligible for FAPT exemption. Moreover a service (e.g. court testimony) may be within the scope of responsibility of another agency and are not eligible for CSA funding.

As a result of the implementation of the local policy, standard FAPT referral procedures were not practiced that led to incomplete documentation of service planning activities and reimbursements for expenditures that would not otherwise be eligible for CSA funding because they were developed outside the FAPT process. The table below documents these exceptions and the associated questioned cost.

Client ID	Description	Questioned Cost State Share
EA 906	<ul style="list-style-type: none"> • Mentoring Services; IFSP did not include client/family strengths 	\$1,120.36
RT 755	<ul style="list-style-type: none"> • Mentoring services • Utilization review activities not evidenced 	\$1,098.39
SH 608	<ul style="list-style-type: none"> • IFSP did not include client/family strengths 	
	Total	\$2,218.75

CRITERIA: § 2.2-5209. Referrals to family assessment and planning team or collaborative, multidisciplinary team process, § 2.2-5211 State pool of funds for community policy and management teams section D; VDSS Foster Care Manual Section E 1.2

RECOMMENDATION

Upon notification that the above policy and procedure did not align with CSA policies established by the Code of Virginia and the State Executive Council, the CPMT took corrective action to clarify local policies and procedures. OCS Finance Office will review the actions taken by CPMT to address whether the funds will be restored. Upon review and recommendations presented by OCS Finance staff, the CPMT will be notified of the final determination made by the Executive Director of whether the identified actions are acceptable or any additional actions that may be required.

CLIENT COMMENT

"The Fauquier CPMT concurs with the finding. We acknowledged during the completion of our self-assessment workbook that the above policy and procedure did not align with CSA policies established by the Code of Virginia and as such the Fauquier CPMT took immediate corrective action to change the policy. The services in question were provided to the families and reimbursement for those services provided in FY13 could impact meeting the needs of current families receiving services in Fauquier county in 2016."

The CPMT has submitted a complete and satisfactory quality improvement plan (QIP) addressing the observations identified by the team with the submission of the self-assessment workbook. OCS Program Auditors conducted a follow-up of the QIP to determine the status of all tasks. The CPMT is still working on completing the QIP and had provided target dates of completion. OCS asks that you notify this office as quality improvement tasks identified are completed. OCS will conduct a follow up validation to ensure the quality improvements have been implemented as reported.

We would like to thank the Fauquier County Community Policy and Management Team and related CSA staff for their contributions in completing the CSA Self-Assessment Workbook. We also would like to acknowledge the excellent assistance and cooperation that was provided by Erika Visnevskaja, CSA Coordinator during our on-site visit. Ms. Visnevskaja's efforts enabled the audit staff to quickly resolve any questions/concerns that we observed during the validation process. Please feel free to contact us should you have any questions.

Sincerely,



Annette E. Larkin
Program Auditor

cc: Scott Reiner, Executive Director
Paul S. McCulla, Fauquier County Administrator
Azita Fetterer, Fiscal Agent
Erika Visnevskaja, CSA Coordinator
Stephanie S. Bacote, Audit Manager
SEC Finance and Audit Committee

4.6 Denial of Funds (Adopted June 23, 2011)

All of the requirements specific to the CSA are outlined in the Code of Virginia and the Appropriation Act. The statutory requirements and authority of the Council (§ 2.2.-2648), the State and Local Advisory Team (§ 2.2-5202), the OCS (§ 2.2-2649), the local Community Policy and Management Team (§ 2.2-5206), and the local Family Assessment and Planning Team (§ 2.2-5208) are described. Additional requirements are found in the CSA (§ 2.2-5200 et. seq.), the Appropriation Act and Council policy. Violations of any state or federal law or policy may result in denial of funds.

Denials of CSA state matching funds are based on a locality's failure to comply with, or violations of, statutory requirements and policy, whether they are specific to the CSA or are those promulgated by the participating agencies.

Any service which requires licensure can only be rendered by a provider licensed to provide that service in Virginia. State law requiring licensure of providers may be found at § 37.2-405. *(NOTE: This citation is specific to services licensed by the Virginia Department of Behavioral Health and Developmental Services. § 16.1-309.9 authorizes the Department of Juvenile Justice to regulate community-based facilities and services; §§ 63.2-217, 63.2-1732, 63.2-1733, 63.2-1734 authorize the State Board of Social Services and Child Day-Care Council to regulate facilities and agencies serving adults and children; § 22.1-323 authorizes the Board of Education to license private schools for students with disabilities.)*

Any state or local agency, or CPMT, that has cause to believe that the statutory requirements of CSA, including those relating to licensure, are not being met by a locality shall contact the Director of the OCS. State agencies are responsible for notifying the OCS when a provider loses a license, even if that provider is not currently billing for services. OCS will make reasonable efforts to notify localities.

Copies of local audits which include review of CSA funding must be provided to the OCS within three business days from presentation to the local governing body. If the local audit determines that services provided which affect CSA, for example Title IV-E, were inappropriate, the locality must inform the OCS.

Steps A-F outline the procedures followed to investigate suspected or determined non-compliance by a locality.

- A. The OCS will investigate the complaint by reviewing available data, including but not limited to, documentation submitted by the complainant, CSA data set and fiscal pool fund reporting reimbursement, local financial and program records, including CPMT and FAPT minutes, other information supplied by the locality and interviewing appropriate individuals, if necessary. The OCS may consult with the Office of the Attorney General and any other parties it deems appropriate.
- B. State and local agencies, including the one reporting the alleged inappropriate use of funds, shall supply any necessary and/or requested supporting documentation relevant to the allegation.
- C. If the OCS is unable to determine the validity of the report or determines there was no violation, the incident is closed with notification to the reporting state agency and the CPMT in question.
- D. If the OCS suspects non compliance but has not yet made a determination of such, the OCS shall communicate with the Chief Administrative Officer of the locality and the CPMT Chair as appropriate to resolve the issue.
- E. If the OCS determines that a violation of state law or policy, or any federal law pertaining to the provision of any service funded in accordance with § 2.2-5211 has occurred, the OCS will notify the

chief administrative officer of the local government and the CPMT chair within five business days. The OCS will request the locality immediately discontinue that practice and the locality should notify any affected providers. The OCS will also describe the actions it intends to take, if any. Such action may include but is not limited to, a corrective action plan developed in consultation with the locality and/or denial of state funding. Failure of the OCS to meet the timeline does not preclude the OCS from denying funds or recovering payments.

- F. If another state agency learns during the course of its work (routine reviews, audits, complaint investigations, etc.) of a violation of state law affecting the provision of services under the CSA, the agency shall contact the OCS.

If another agency discovers or learns of what it believes to be a possible violation of the CSA, the responsible agency staff person should contact the Executive Director of the OCS and explain what agency policy or federal or state law is involved, how the other agency believes the violation has occurred and the impact of, or relationship to, the CSA.

If the OCS becomes aware of a violation of another agency's laws, policies or requirements that affects the provision of services funded by the CSA, the Executive Director (or designee) will contact the appropriate staff person at the other agency. The OCS will provide any supporting documentation requested by the other agency.

The OCS may review payments and conduct audits for a period of time, three years before or after the date of the alleged noncompliance (not to exceed a total of three years), regardless of the date of discovery of the alleged noncompliance.

Should the OCS discover noncompliance, the OCS may request that the Auditor of Public Accounts (APA) determine whether to pursue an audit of a locality. This policy should not be construed to put any limitations on the APA or other parties that have responsibilities regarding the Commonwealth's or federal funds and their investigation of the use of those funds.

This policy takes effect July 1, 2011. Pursuant to § 2.2-2648, the OCS may deny funding to local governments not in compliance with the provisions of the CSA and federal and state law.

Considerations for OCS Response to Audit Findings Policy

For Discussion Only

SEC Finance and Audit Committee

February 16, 2017

Category One Denial of Funds on First Instance

Audit findings in this category are typically case specific and represent expenditures of CSA state pools.

Specific findings:

- Child/family ineligible for CSA funding per §2.2-5211 and 2.2-5212 or documentation of eligibility (e.g., an Individualized Education Program (IEP) cannot be established)
- Services were not recommended by a FAPT/MDT; no IFSP developed. Exception where local CPMT policy allows such expenditures to be exempt from FAPT (i.e., “maintenance only” foster care; IEP mandated placements)
- Funding not approved by the CPMT
- Violations of participating agency laws, policies or regulations where CSA state pool funds were utilized.
 - Enhanced Foster Care Maintenance when VDSS VEMAT policy was not followed
 - Title IV-E funding denied due to error
 - Failure to utilize Title IV-E funds in eligible cases
 - Use of unapproved foster homes by a local DSS
- Services were within the scope of responsibility of another agency (e.g., services to students with disabilities provided in the public school setting; administrative costs of local DSS such as paternity testing, drug screening, legal services related to prosecuting child abuse and neglect; case management by LDSS, DJJ of children under their custody/supervision)
- The service provided utilized did not meet licensing requirements for the specific service (e.g., behavioral health providers, providers (LCPA, day care) licensed by VDSS)
- Use of a non-Medicaid provider when the child/family were Medicaid eligible and there is no substantiation that a Medicaid provider was unavailable or inappropriate
- Failure to refund to CSA recoveries made against previously claimed costs (e.g., child support collections; Title IV-E recoveries; retroactive Medicaid payments for services)
- Failure to correct erroneous expenditure reports that require adjustments to CSA match rate categories
- Expenditures claimed after September 30 which were incurred in the previous fiscal year

Note: Examples provide are not intended to be comprehensive. Findings not specifically listed will be considered on a case by case basis to determine the appropriate category based on the nature of the finding.

Category Two Corrective Action on First Instance and Denial of Funds on Subsequent Finding

Audit findings in this category are typically case specific and represent expenditures of CSA state pools. Findings are mitigated by corrective action on a case specific basis already executed (for example, FAPT or CPMT action was delinquent but occurred).

All findings are subject to corrective action requirements. Subsequent findings was occur on the next regularly scheduled audit or on any occasion on which follow-up monitoring of previously agreed upon corrective action occurs.

Specific findings:

- Assessments with the mandatory uniform assessment instrument (i.e., CANS) are not completed in accordance with established requirements
- FAPT did not develop recommendations and an IFSP in a timely manner but did complete it within a reasonable (e.g., 30 day) time period
 - DSS emergency placements not heard by FAPT within 14 days of placement
- CPMT did not approve services/expenditures in a timely manner but did so within a reasonable (e.g., 30 day) time period
- Missing/inadequate documentation (e.g., utilization review, missing elements of an IFSP, parental contribution assessments; provider progress notes, CHINS eligibility determinations, parental participation in service planning, VEMAT documentation, Parental Agreements)
- Missing, incomplete or inaccurate financial documentation (e.g., purchase orders, invoices, vendor contracts)

Category Three Prospective Denial of Funds for Failure to Complete Corrective Action after an Initial Finding

Audit findings in this category are not child specific but represent failure to meet CSA requirements. After an initial finding, a corrective action plan (CAP) is agreed upon. Failure to meet the obligations of that plan upon subsequent review or audit will result in withholding of all future CSA state pool fund reimbursements until the area of non-compliance is corrected. At that time, all funds will be retroactively released and new requests for reimbursement approved.

Specific findings:

- CPMT policies are incomplete, obsolete and/or do not align with CSA statutory or other SEC, OCS requirements
- Lack of evidence of long-range community planning and utilization management activities
- FAPT and CPMT membership does not meet statutory requirements. Meaningful efforts to correct this non-compliance are not provided.
- Required Statement of Economic Interest submissions of designated FAPT and CPMT members are not completed in accordance with statutory requirements
- Inadequate fiscal controls (e.g., separation of purchasing and payment authority)
- CSA related Information Technology security concerns (e.g., users sharing accounts/passwords)
- Failure to properly reconcile CSA reimbursement requests with other fiscal systems

State Executive Council for Children's Services

Notice of Intent to Develop Policy (SEC Policy 2.4)

Title of Proposed Policy: Responses to Audit Findings with Regard to Children's Services Act (CSA) State Pool Funds (SEC Policy 4.7)

Summary: The proposed policy will provide direction to the Executive Director of the Office of Children's Services (OCS) when carrying out his/her duties in response to findings of non-compliance by local CSA programs under State Executive Council (SEC) Policy 4.6 (Denial of Funds). Such non-compliance addresses relevant federal or state law, regulation, SEC or participating agency policy. The proposed policy will delineate the nature of the OCS response to specific audit findings, including the denial of CSA state pool funds to a local government receiving reimbursement through the CSA. Such determinations to deny funds are subject to the Dispute Resolution Process found in SEC Policy 3.2.

Three levels of audit findings are proposed:

1. Findings resulting in the denial of funds on the first instance of non-compliance
2. Findings resulting in corrective action on the first instance of non-compliance and denial of funds on subsequent findings of non-compliance
3. Repeat findings resulting in prospective denial of funds until corrective action is implemented

Intent of Proposed Policy: The proposed policy will provide transparent and objective guidance regarding denial of State Pool funds to localities in response to audit findings as the Office of Children's Services carries out its responsibilities to provide administrative oversight of the implementation of the Children's Services Act as specified in the Code of Virginia and policies of the State Executive Council for Children's Services.

Date of SEC Action: March 23, 2017

Stage: Notice

Public Comment Period: March 27, 2017 – May 15, 2017

Date/Stage of Next SEC Action: June 15, 2017 / Consider approval for the Proposed Stage for a minimum of 60 days of public comment.

Public Comment will be accepted through the CSA website: www.csa.virginia.gov

Individuals wishing to be placed on the CSA Notification List should make such request via e-mail to csa.office@csa.virginia.gov