



Office of Children's Services

Empowering communities to serve youth

CSA PROGRAM AUDITS "What to Expect"

Presented by
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CSA Program Audits

Discussion Points

- ▶ Purpose/Objective of Program Audits
- ▶ Audit Plan and Scheduling
- ▶ Audit Phases/Process
- ▶ Audit Coverage (What Do We Audit?)
- ▶ Audits & Denial of Funds Policy
- ▶ Summary
- ▶ Questions/Comments

CSA Program Audits

Objectives: Assurance & Internal Control



QUESTION: What is the purpose of CSA Program Audits?

ANSWER: To provide independent, objective, and reasonable assurance to CSA stakeholders regarding the effectiveness of risk management, internal controls, and organizational practices, and their overall impact on the accomplishment of state and local CSA program goals and objectives.

QUESTION: What are internal control objectives?

ANSWER: Criteria internal auditors use to evaluate and provide assurance regarding the local CSA program's ability to achieve stated objectives and to recommend improvements to enhance operational effectiveness.

- OBJECTIVES:
- (1) Determine adequacy of CSA risk management, control, and governance processes.
 - (2) Determine whether established goals and objectives of CSA are accomplished.
 - (3) Determine the extent of compliance with CSA laws, statutes, policies, procedures, etc.
 - (4) Determine the extent of the reliability and integrity of CSA information.
 - (5) Determine adequacy of the safeguarding of CSA assets and/or data.
 - (6) Determine whether CSA resources are used effectively and efficiently; recommend operational improvements.

AUDIT PLAN AND SCHEDULING

Three major characteristics of audit planning and scheduling.

- Scope *(How Much?)*
- Frequency *(How Often?)*
- Logistics *(Your place or mine?)*

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Audit Plan and Scheduling – Scope

- ▶ The area covered by an activity, topic,; extent or range of view, outlook, application, operation, effectiveness, etc.: an investigation of wide scope.

- ▶ Can be:
 - Full Scope – all encompassing; fully comprehensive

 - Limited Scope – focus may be a specific process, function, or period; includes :
 - Follow-up Audits – Verification of implementation of quality improvement plans
 - Self-Assessments – Independent review and validation of client prepared self assessments

 - Consulting – requests for assistance/partnership with audit clients, for example conducting training events or ex-officio participation on a committee

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Audit Plan and Scheduling – Frequency

- ▶ A primary concern of audit clients; how often will I be audited?
- ▶ Frequency is established based on these factors:
 - **Risk Assessment**
Impact and likelihood of not achieving organizational objectives.
 - **Cycle**
Every 3 years; except where risk assessment or management request warrant modified scheduling.
 - **Requests**
Requests from management; approved by the OCS Executive Director
- ▶ Audit plan is published on CSA website.

- ▶ Another cause of concern among audit clients; where does the audit take place and how long will it take?
- ▶ The scope of the audit is a significant factor in the location and length of the audit. However, most audits are coordinated using multiple logistic avenues as follows:
 - **Site Visits** – All work is performed on-site at the client's location.
 - **Continuous Monitoring (Desk Reviews)** – All work is performed from OCS offices; Data readily accessible using information technology resources.
 - **Self Assessment w/Independent Validation** – Combination of desk reviews and site visits based on self-assessment results supplied by audit clients.
- ▶ As much notice (at least two weeks) as possible will be provided, prior to initiating on-site engagements.

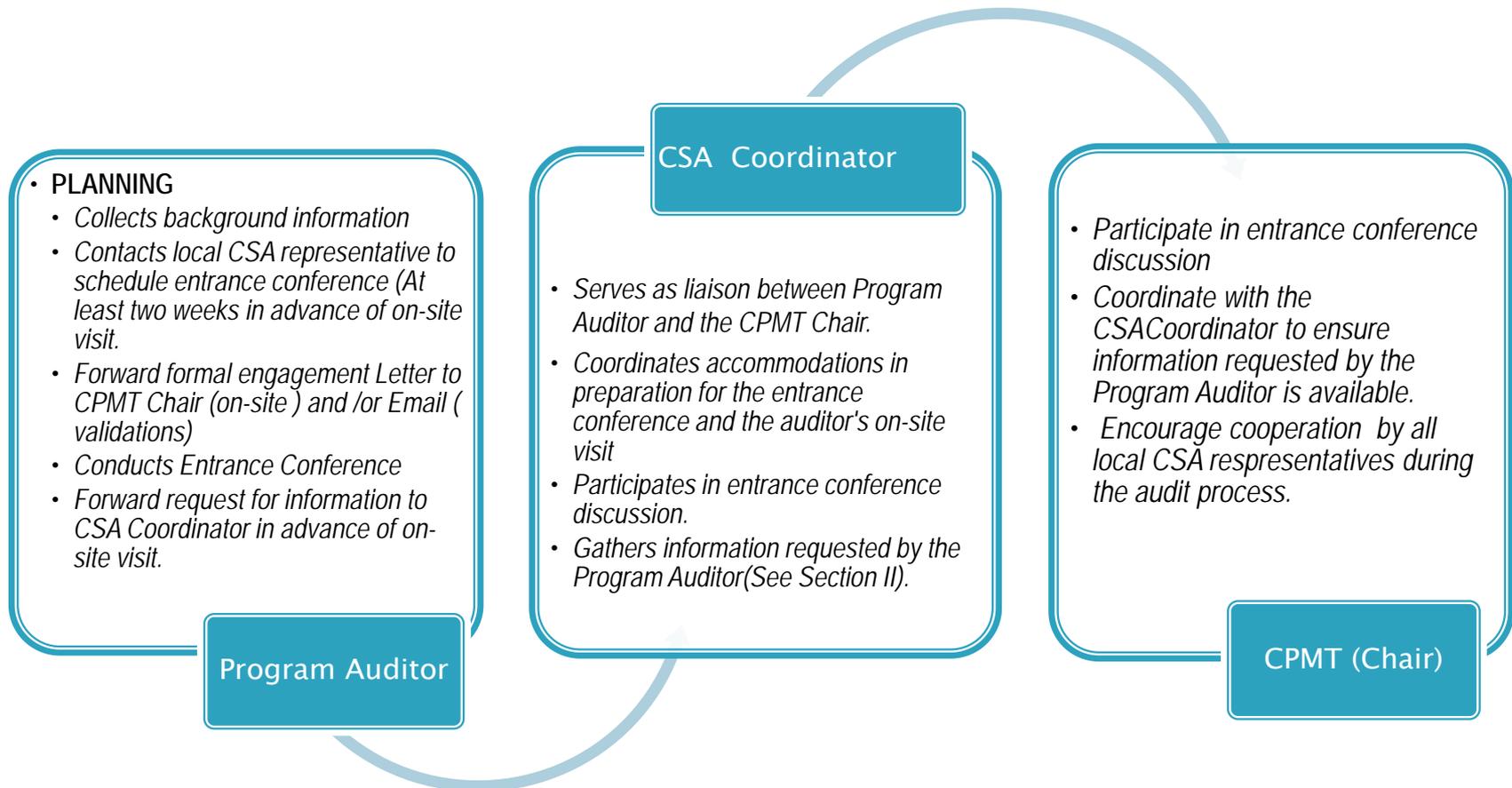
AUDIT PROCESS

There are four key phases of the audit process:

- ▶ Planning
- ▶ Fieldwork
- ▶ Reporting
- ▶ Follow-up

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Audit Process – Planning



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Audit Process – Planning

What to expect during an entrance conference:

AUDITORS

- *Discuss the audit period, anticipated duration of the audit, scope, objectives etc.*
- *Describe the various audit techniques to be performed*

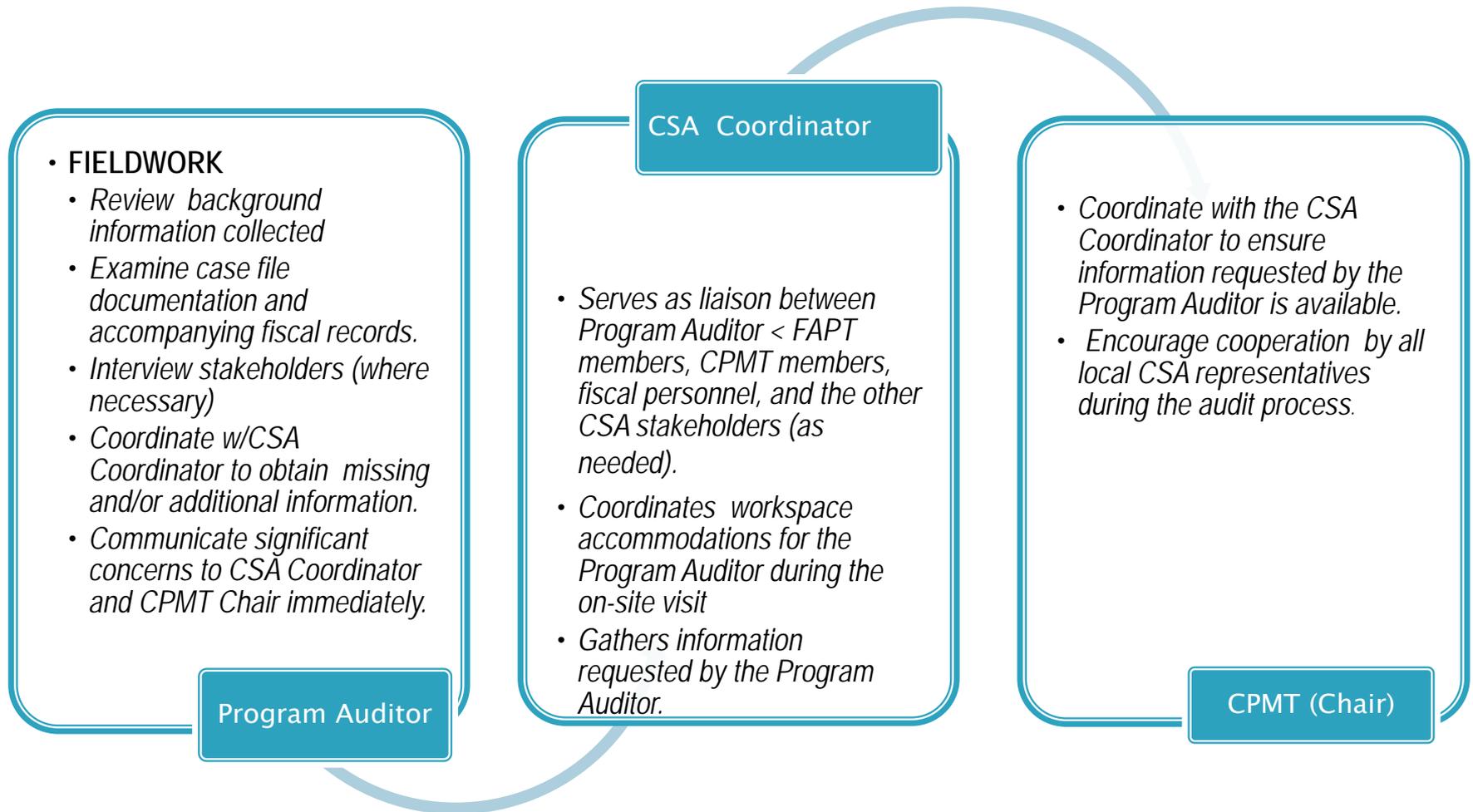
COMMUNITY POLICY & MANAGEMENT TEAM (CPMT)

- *Attendees will be asked to share their concerns or identify what they view as potential risk for their local CSA programs, and possible mitigating actions.*
- *Auditor will discuss the process for communicating results of the audit, distribution of the final report, and follow-up monitoring.*

NOTE: The entrance conference typically last no longer than an hour. Audit Clients may take this opportunity to share any information about their local programs that may potentially affect the outcome of their audit (i.e. staff turnover, policy/procedure changes, etc.)

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Audit Process – Fieldwork



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Audit Process – Fieldwork

What to expect during on-site fieldwork:

- ▶ *Interviews: The auditor may schedule interviews with selected CSA stakeholders to discuss roles, responsibilities, fraud risk, etc. Interviews typically last no more than an hour.*
- ▶ *Case File Reviews: The auditor selects a sample of client case files for review (usually 5 – 10 percent). Specific documents, such as Individual/Family Service Plans (IFSP) and expenditure records are reviewed to ensure compliance with CSA statutes, policies and procedures.*
- ▶ *Informal Briefing: Prior to concluding the on-site visit, the auditor will schedule an informal briefing to communicate preliminary concerns. All interested parties are invited to participate. Parties are made aware that any information communicated is preliminary and **NOT** final. Additional information provided subsequently will be given due consideration. The informal briefing may be followed up with an email that summarizes the preliminary observations.*

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Audit Process – Reporting

CSA Coordinator

• REPORTING

- *Communicates preliminary observations prior to concluding on-site visit and via email thereafter.*
- *Coordinate scheduling of the formal exit conference with the CSA Coordinator or CPMT Chair. Forward draft report in advance of the meeting (usually within 2-3 days of meeting)*
- *Conducts exit conference*
- *Forward final report to the CPMT Chair, CSA Coordinator and other parties on the distribution list.*

Program Auditor

- *Serves as liaison between Program Auditor and the CPMT Chair.*
- *Coordinates accommodations in preparation for the preliminary and formal exit conference, including distribution of report copies.*
- *Participates in preliminary and formal exit conference discussions.*
- *Gathers additional information to provide clarification of or dispute preliminary and /or final reported audit observations.*

CPMT (Chair)

- *Participate in preliminary and formal exit conference discussions.*
- *Ensures additional information to be furnished to the Program Auditor is delivered.*
- *Coordinate with the full CPMT to develop formal responses to reported observations in the final report.*
- *Forward formal CPMT responses to the auditor .*
- *Distribute and discuss final report with the full CPMT and other interested stakeholders (as needed).*

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Audit Process – Reporting

What to expect during an Exit Conference:

AUDITORS

- ▶ *Present the draft report summarizing observations and overall conclusion .*
- ▶ *Offer opportunity for the CPMT to provide formal comments to be included in the final report.*
- ▶ *Advise participants of the timetable for submitting the quality improvement plan to OCS*

COMMUNITY POLICY & MANAGEMENT TEAM (CPMT)

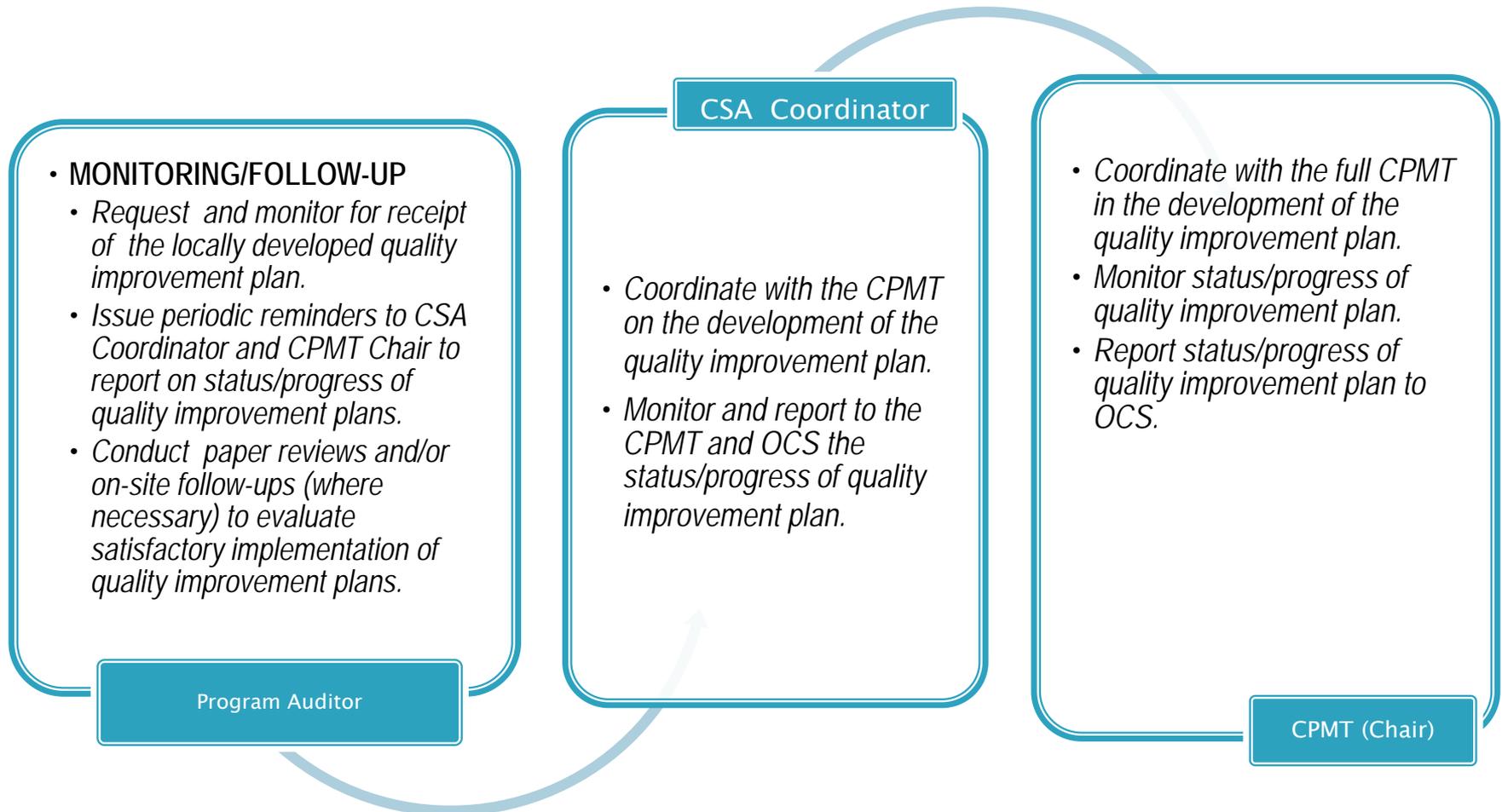
- ▶ *All CPMT members and other interested parties are encouraged to attend.*
- ▶ *Participants may ask questions or provide additional clarifications.*
- ▶ *The CPMT Chair and CSA Coordinator are asked to sign the Management Discussion Point Worksheet acknowledging that the audit observations have been communicated.*

Note: The exit conference typically last no longer than an hour. Final reports are published on the CSA Website.

(http://www.csa.virginia.gov/html/Program_Audit/Program_Audits_information.cfm Click the link Final Audit Reports)

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Audit Process – Follow Up



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Audit Process – Follow Up

What to expect during audit monitoring/follow-up:

AUDITOR

- ▶ *Reviews quality improvement plans and verify task were completed as described.*
- ▶ *Maintains log to monitor implementation of quality improvement task/due dates*
- ▶ *Verifications may take place on-site or via requests for documentation via mail/email/fax.*

COMMUNITY POLICY AND MANAGEMENT TEAM (CPMT)

- ▶ *Consider adding quality improvement plan monitoring as an agenda item for CPMT meetings.*
- ▶ *Update quality improvement plan target dates when tasks identified are not implemented or completed by the initial anticipated target dates.*
- ▶ *Periodically report status changes to the Office of Comprehensive Services. You do not have to wait until the entire plan has been completed to provide updates to OCS.*

AUDIT COVERAGE

(What Do We Audit?)

The audit will be divided into three functional activities:

- ▶ CPMT Administration
- ▶ Program Activities
- ▶ Fiscal Activities

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Audit Coverage (What Do We Audit?)



- ▶ Areas covered in the CPMT Administration and Program Activities may include:
 - Policies and Procedures (current and consistent with State and/or Federal)
 - Records Management (organization, retention, and destruction)
 - Data Management (integrity and security)
 - Utilization Management/Utilization Review (plan, practice, and reporting)
 - Family Assessment Planning Teams (FAPT) (evidence of service planning)
 - Community Policy Management Teams (CPMT) (evidence of oversight)
 - Other service areas as deemed appropriate

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Audit Coverage (What Do We Audit)



- ▶ Areas covered in the fiscal audits may include:
 - Fund allocation monitoring (local gov't budgets, financial statements, meeting minutes, authorizations for requests for supplemental funding).
 - Purchase of services (purchase orders, funding requests, vendor contracts).
 - CSA expenditure processing/reimbursements (invoices, pool fund reimbursement requests, payment histories, general accounting ledger entries).
 - Financial Reporting (Financial statements, fund reconciliations, CSA website of expenditure by service placement types, supplemental requests).
 - Assessment of internal controls (completeness, accuracy, authorized, reliable, compliance, timeliness, safeguarded, efficiency and effectiveness).
 - Other fiscal activities as deemed appropriate.

Audit Coverage for Self Assessments

- ▶ OCS developed instrument includes assessment tools for governance, program and fiscal activities.
- ▶ The instrument developed is generic to CSA requirements established by the Code of Virginia, State Executive Council, per CSA Policy Manual.
- ▶ Does not include assessment criteria for requirements established by the local CPMT.
- ▶ Localities are encouraged to assess compliance with local requirements when performing self assessments.
- ▶ Published on OCS website. Refer to Program Audit Documentation
- ▶ Visit CSA Knowledge Center for tutorial about the workbook or refer to CSA Conference Materials located in the CSA Resource Library on the website.

Audit Coverage for Self Assessments

- ▶ Program Auditor only validates conclusions reached by local CPMT.
- ▶ Coordinated through CPMT Chair and CSA Coordinator for scheduling of on-site visit, usually lasts no more than one day.
- ▶ Includes review of workbook responses and quality improvement plans, including follow-up on responses that may require additional information
- ▶ Includes review of CPMT meeting minutes, locally established policies, procedures, by-laws, long-range plans, performance reports, etc.
- ▶ Review of randomly selected client case files and related financial documents that were examined by CPMT as a part of the self-assessment process.
- ▶ Discuss observations w/CPMT Chair and CSA Coordinator informally prior to departure.
- ▶ Follow-up w/written report indicating validation conclusion and/or suggested recommendations.

AUDITS & DENIAL OF FUNDS POLICY

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Audit & Denial of Funds Policy



- ▶ In 2011, the State Executive Council adopted denial of funds policies which establish specific requirements and procedures for the denial of funding under circumstances “where a CPMT fails to provide services that comply with the CSA, any other state law or policy, or any federal law pertaining to the provision of any service funded in accordance with §2.2-5211.”

- ▶ Violations may be uncovered during the course of:
 - OCS site reviews,
 - OCS review of local policies and procedures, or
 - OCS analysis of data anomalies and/or supplemental requests, and
 - Reports received from State and Local agencies.

- ▶ As established by SEC policy, the Office of Comprehensive Services shall publish a brief description of any violation which has resulted in the denial of funds to a locality. The reported violations may include the published results of OCS program audits or other audit agencies, such as the Auditor of Public Accounts (APA).

Website link: http://www.csa.virginia.gov/html/denial%20of_funds/violations_denial_of_funds.cfm

- ▶ Audit recommendations may encourage OCS management to recover funds used inappropriately. However, denial of funds is at OCS management’s discretion and will be applied in accordance with SEC policies and procedures.

Website link: http://www.csa.virginia.gov/html/denial%20of_funds/denialoffunds.cfm

SUMMARY

CSA PROGRAM AUDITS

CSA Program Audits

Discussion Points – Summary



- ▶ Audit planning and scheduling are contingent upon the scope (full/limited); frequency (risk based/cycle/requested) and logistics (onsite or self-assessment).
- ▶ Audit process consists of four phases: planning (entrance conference), fieldwork (evaluation/analyses), reporting (exit conference/final report), and follow-up (quality improvement plans/monitoring).
- ▶ Audit coverage will be divided into three primary categories: (1) CPMT oversight (governance/risk management/internal controls), operational activities carried out by FAPT (implementation CPMT directives), and financial activities pertaining to appropriate use of CSA funds (accountability for service planning/funding decisions).
- ▶ Audits may identify violations that could potentially result in the denial of funds. The audit recommendation may encourage recovery of funds used inappropriately. However, denial of funds is at the discretion of OCS management in accordance with SEC policies and procedures.

CSA Program Audits

Discussion Points – Questions/Comments





CSA Program Audits

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