

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

Franklin County

Audit Report No. 02-2020

December 3, 2020



Office of Children's Services

Empowering communities to serve youth

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EXECUTIVE SUMMARY

The Office of Children's Services (OCS) has completed an audit of the Franklin County Children's Services Act (CSA) Program. The Franklin County CSA Program provided services and/or funding for approximately 330 youth and families in Fiscal Year (FY) 2019. The audit included a review and evaluation of management oversight and operational and fiscal practices. Based upon established statewide CSA performance measures reported as of FY 2019, a significant achievement for the Franklin County CSA Program was:

- One hundred percent (100%) of youth receiving Intensive Care Coordination (ICC) services compared to all youth placed in residential setting, which is 25% above the established target by and exceeds the statewide average by 55%.
- Seventy-eight percent (78%) of youth exited from foster care to a permanent living arrangement, exceeding the statewide average by 2.0%.

However, there are additional opportunities to effect quality improvements in other areas of the CSA Program. Our audit concluded that there were major deficiencies¹ in internal controls that could impact the effective and efficient use of resources, as well as compliance with statutory requirements. Additionally, some of these observations were also identified in the prior CSA audit report dated July 26, 2017. 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 resulting in questioned cost of \$50,306.80 representing the state share. The prior audit report included similar observations. Specific non-compliance items identified were:
 - administration of the annual Child and Adolescent Needs and Strengths (CANS) assessment;
 - funding expenditures that were eligible for an alternate funding source (i.e., Medicaid and/or Title IV-E); and
 - misclassification of expenditure categories in financial reports.
- Documentation of service planning activities requires strengthening to ensure compliance with program requirements. At least three (3) exceptions were noted in seven (7) of the 34 client case files (21%) examined to confirm that required documentation was maintained in support of and to validate FAPT and/or multi-disciplinary team (MDT) referrals and CPMT funding decisions. The prior audit report included similar observations. Omissions from the client case file documentation included:

¹ Major deficiency is defined as an internal control deficiency or combination of deficiencies that severely reduces the likelihood that the entity can achieve its' objectives." Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework, May 2013.

- Discharge CANS assessments; and
- Consent to Exchange Information Forms.

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



Stephanie S. Bacote, CIGA
Program Audit Manager



Rendell R. Briggs, CAMS
Program Auditor

INTRODUCTION

The Office of Children's Services (OCS) has completed a financial/compliance audit of the Franklin County Children's Services Act (CSA) program. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (Standards). The standards require planning and performance of the audit pursuant to stated audit objectives in order to provide a reasonable basis for audit observations, recommendations, and conclusions. The audit was completed on December 2, 2020 and covered the period July 1, 2018 through June 30, 2019.

The objectives of the audit were to:

- Determine whether adequate internal controls have been established and implemented over CSA expenditures.
- Determine the adequacy of training and technical assistance by assessing local government CSA staff knowledge and proficiency in implementing local CSA programs.
- Assess whether operations have maintained high standards for sound fiscal accountability and ensured responsible use of taxpayer funds by evaluating fiscal activities of local CSA programs.
- Assess the level of coordination among local government CSA stakeholders and efforts to improve CSA performance by evaluating local CSA program's operational and utilization review practices.
- Assess implementation of quality improvements addressing prior audit observations reported by OCS and/or identified in the prior self-assessment evaluation completed by the Franklin County CPMT. The CSA program audit self-assessment validation was completed July 26, 2017.

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

BACKGROUND

Established in 1786, Franklin County is located in the foothills of the Blue Ridge Mountains of the Commonwealth of Virginia. According to published estimates by the Weldon Cooper Center for Public Service-University of Virginia, the Franklin County has a population estimate of 56,159 as of July 1, 2019. The U.S. Census Bureau, State and County Quick Facts reports the median household income from 2014-2018 as \$52,639.

The Children's Services Act (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for eligible youth and their families. The state funds combined with local community funds are managed by local interagency teams referred to as the Community Policy and Management Team (CPMT) who plan and oversee services to youth. The Franklin County CPMT was established to comply with this statute. The CPMT is supported in this initiative by the Family Assessment and Planning Team (FAPT) responsible for recommending appropriate services. Administrative services are managed through the local CSA office staffed by a CSA Program Director and full-time CSA Coordinator. Expenditure and demographics for fiscal years 2017 to 2019 are depicted below:

CSA Pool & Census Data by Fiscal Year for the Franklin County (2017 - 2019)

Source: CSA Continuous Quality Improvement (CQI) Dashboard

At-A-Glance

<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
294	355	311
Distinct Child Count	Distinct Child Count	Distinct Child Count
5.2M	6.3M	6.7M
Gross Expenditures	Gross Expenditures	Gross Expenditures
5.1M	6.2M	6.5M
Net Expenditures	Net Expenditures	Net Expenditures
\$17,333	\$17,326	\$20,939
Average Expenditure	Average Expenditure	Average Expenditure
0.2830	0.2830	0.2830
Base Match Rate	Base Match Rates	Base Match Rates
0.2639	0.2588	0.2685
Effective Match Rate	Effective Match Rate	Effective Match Rate

**MAJOR DEFICIENCIES
OBSERVATIONS AND RECOMMENDATIONS**

A) FISCAL ACTIVITIES:

Observation #1
Criteria Compliance and Internal Control – Repeat Observation

Adequate measures were not always consistently applied to ensure effective and efficient use of financial resources that could be used to offset the costs incurred for CSA pool funded services. The Code of Virginia (COV) Section §2.2-5206 directs the CPMT to “establish quality assurance and accountability procedures for program utilization and funds management.” At least three (3) exceptions were noted in eight (8) out of the 34 client case-files (24%) reviewed to validate compliance. The associated questioned costs are summarized in tables below:

1. An annual CANS assessment had not been completed for three (3) clients (9%), resulting in questioned costs totaling \$43,161.97 (state share). Per State Executive Council for Children’s Services (SEC) Policy Manual Section 3.6.5.D. Frequency of CANS Administration, the CANS assessment is required annually. “Annually” is defined as within 60 calendar days of the anniversary date of the Initial CANS or subsequent Annual CANS, meaning the reassessment may fall 60 days prior to, on the date of, or 60 calendar days subsequent to the anniversary of the previous annual assessment date. (See Table A)

Table A – Annual Assessments SEC Policy Manual Section 3.6.5			
Client	Period	Total Questioned Costs	Total State Share
A	12/01/18 – 03/31/19	\$12,150.00	\$8,711.55
B	08/08/18 – 05/22/19	\$32,490.00	\$23,295.33
C	02/01/19 – 04/30/19	\$15,558.00	\$11,155.09

2. CSA pool funds were expended for services eligible for another funding source (Title IV-E or Medicaid), resulting in \$3,615.64 total state share of questioned costs. (See Table B)

Table B – Alternate Funding Source COV § 2.2-5211, Current Appropriation Act					
Client	Funding Source	Services	Period	Totals	
				Questioned Costs	State Share
D	Title IV-E	Maintenance	03/13/19 - 03/31/19	\$1,430.86	\$1,025.93
	Medicaid	TFC-CM	03/13/19 - 03/31/19	\$526.47	\$377.48
E	Medicaid	TFC-CM	07/01/18 – 01/15/19	\$2,116.95	\$1,517.85
F ^{Note1}	Medicaid	TFC-CM	11/02/18 – 01/31/19	\$968.45	\$694.38
Note1	Treatment Foster Care-Case Management (TFC-CM) Service was not documented in an Individual Family Services Plan (IFSP)				

3. CSA pool funds were expended for community-based services that were not documented in an Individual and Family Services Plan (IFSP) approved by the Family Assessment and Planning Team (FAPT). In addition, there was no documentation of the CPMT’s authorization to fund the services. This resulted in total questioned costs of \$3,414.05, which represents the state share. (See Table C)

Table C – FAPT and CPMT Actions COV § 2.2-5206 and § 2.2-5208				
Client	Service	Period	Total Questioned Costs	Total State Share
G	Mentoring	12/01/18 – 03/31/19	\$3,423.00	\$2,692.91
H	Mentoring	03/01/19 – 03/31/19	\$840.00	\$721.14

Similar observations were reported in the prior audit of the Franklin County CSA Program dated July 26, 2017. A quality improvement plan was submitted with a target date of September 7, 2017 to address the observations. The CPMT, as the governing body, is responsible for ongoing monitoring of the quality improvement plan to ensure timely implementation of the plan and the actions taken are continuously working as intended.

Recommendation

1. Prior to authorizing funding, the CPMT should ensure that the proposed expenditure meets the criteria for CSA funding or other appropriate funding source.
2. The CPMT should submit a quality improvement plan, for review by the OCS Finance Office, including whether the CPMT agrees with the observations regarding questioned costs. Upon review and recommendations presented by OCS Finance staff, the CPMT will be notified of the final determination made by the Executive Director based on SEC Policy 4.7, *Response to Audit Findings*, of whether there will be any denial of funds, the identified actions are acceptable or any additional actions that maybe required.

Client Comment

“The C.P.M.T. recognizes these findings and has started to take steps to mitigate them. Before F.A.P.T. meetings, the C.S.A. Program manager ensures case managers have completed a current CANS assessment for cases to be discussed, cases without a current CANS assessment will be rescheduled. During F.A.P.T. meetings, F.A.P.T. members are asking about alternative funding sources for services before approving. The C.S.A. office receives correspondence from D.S.S. for IV-E and directly from Magellan and case managers for Medicaid. Once received, the C.S.A. Program Manager and/or Franklin County Finance Manger reviews those cases. The staff member responsible for encumbering purchase orders during the audit time frame is no longer with the agency. A new staff member has been hired. Regular reviews of payment sources and IFSPs for purchase orders occurs before any services are encumbered or paid. In addition to what has been completed the C.P.M.T. will ensure training is provided to F.A.P.T. Members and Case Managers on CANS and funding sources. This will include review of the policies.”

Observation #2

Criteria

Internal Control

Internal controls established to ensure fiscal transactions are complete, accurate, and timely were not working as intended. The control breakdowns identified affected reviews/authorizations, payment processing, and financial reporting. Specific examples include the following:

1. Transactions were processed for payment where the service provider over-billed and/or the local match rate applied was incorrect because the expenditure category, service name description and service placement type were misclassified. The indicated errors lessen the reliability and integrity of data used in CSA Pool Expenditure Reports and CSA Utilization Reports. Upon notification by the auditor, the CSA Office has immediately taken steps to recoup the overpayment from the service provider. (See Table D)

Table D – Financial Reporting Errors – Incorrect Unit Price COV § 2.2-5206 and § 2.2-5208						
Client	Correct Rate (IFSP/Purchase Order)	Incorrect Rate (Invoice Unit Price)	Service Period	Total Expense	Differential	Net Fiscal Impact (Local) Overpayment
I	\$170/Day	\$175/Day	18 Days	\$3,150.00	\$5.00/Day	\$90.00
	\$20.77/Day	\$22.58 Day	18 Days	\$406.44	\$1.81/Day	\$32.58

Table D – Financial Reporting Errors – Expense Category COV § 2.2-5206 and § 2.2-5208								
Client	Incorrect Expense Category	Match Rate	Correct Expense Category	Match Rate	Variance			
					Total Expense	Differential	Net Fiscal Impact	Service Name
J	CBS	0.1415	WPAS	0.2830	\$1,039.50	\$0.1415	\$147.09	Mentoring
	NMCB	0.1415	WPAS	0.2830	\$640.50	\$0.1415	\$90.63	Mentoring
G	FC-IVE-RCC	0.3537	FC-RCC	0.3537	\$4,816.00	\$0.00	\$0.00	Room / Board
	RCC-PA	0.3537	FC-RCC	0.3537	\$4,988.00	\$0.00	\$0.00	Room / Board

CBS = Community-based services; NMCB = Non-mandated community-based services;
 WPAS = Wraparound services for students with disabilities; FC-RCC = Foster care all others in residential congregate care
 FC-IVE-RCC = Foster care Title IV-E children in licensed residential congregate care
 RCC-PA = Residential congregate care CSA parental agreements

Table D – Financial Reporting Errors – Service Name Category COV § 2.2-5206 and § 2.2-5208				
Client	Total Expense	Incorrect Service Code/Name	Correct Service Code/Name	Period
F	\$968.45	#4 Case Support	#31 Residential Case Management	11/02/18 – 01/31/19
G	\$1,023.54	#4 Case Support	#31 Residential Case Management	10/25/18 – 10/31/18

2. The CPMT retroactively authorized funding of services that had been rendered four (4) months prior. The services had been recommended by FAPT. However, the request for funding authorization was not presented to CPMT timely. (See Table E)

Table E – Financial Reporting Errors – Retroactive Authorization COV § 2.2-5206 and § 2.2-5208				
Client	Date IFSP Approved	Period	Totals	
			Cost	State Share
I	6/12/2019	02/01/19 – 02/28/19	\$764.00	\$655.89

Recommendation

1. The Franklin County CPMT should establish quality assurance and accountability procedures to ensure fiscal transactions are accurately reported in the appropriate expenditure and service name categories, and the correct unit price and match rates are applied.
2. The CPMT should submit a quality improvement plan, for review by the OCS Finance Office, including whether the CPMT agrees with the observations regarding questioned costs. Upon review and recommendations presented by OCS Finance staff, the CPMT will be notified of the final determination made by the Executive Director based on SEC Policy 4.7, *Response to Audit Findings*, of whether there will be any denial of funds, the identified actions are acceptable or any additional actions that maybe required.

Client Comment

“The C.P.M.T. recognizes these findings and has taken steps to mitigate them. The staff member responsible for encumbering purchase orders during the audit time frame is no longer with the agency. A new staff member has been hired and will be fully trained on the policies and procedures of C.S.A. IFSPs and service requests are reviewed for accuracy by the C.S.A. office before being presented to F.A.P.T., C.P.M.T. and/or purchase orders are created. C.S.A. Program Manager monitors review dates to ensure continuation of funding happens timely. The C.P.M.T. will establish a policy for retroactive funding to include process and at what point the agency is responsible for the funding. C.P.M.T. will also ensure training for F.A.P.T. members and case managers in above areas. New C.S.A. account clerk will be trained in all C.S.A. policies and procedures and C.S.A. program manager will monitor for efficacy.”

B) PROGRAM ACTIVITIES:

Observation #3	Criteria	Compliance and Internal Control – Repeat Observation
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Documentation of service planning activities requires strengthening to ensure compliance with program requirements. Thirty-four (34) client case-files were examined to confirm that required

documentation was maintained in support of and to validate FAPT and/or multi-disciplinary team (MDT) referrals and CPMT funding decisions. The results of the examination identified opportunities for improvements based on the following:

Description	# of Cases	Error Rate
1) Missing Discharge CANS; CSA Policy 3.5 Records Management and SEC Policy 3.6.5.H Frequency of CANS Administration	6 of 6 (Eligible Cases)	100%
2) Missing Treatment Plans/Progress Reports; CSA Policy 3.5 Records Management	21 of 34	62%
3) Missing Consent to Exchange Forms; COV §2.2-5210 and CSA Policy 3.5 Records Management (Repeat Observation)	3 of 34	9%

Insufficient data collection and poor document management in service planning may lead to increased operational and fiscal inefficiency and ineffectiveness of the local program. Further, this condition fosters an environment that makes the program more susceptible to potential loss of accessibility to state funding in support of local programs as a result of non-compliance with CSA statutes regarding service planning and access to pool funds.

Similar observations pertaining to records management were reported in the prior audit of the Franklin County CSA Program dated July 26, 2017. A quality improvement plan was submitted with a target date of September 7, 2017 to address the observations. The CPMT, as the governing body, is responsible for ongoing monitoring of the quality improvement plan to ensure timely implementation of the plan and the actions taken are continuously working as intended.

Recommendation

1. The FAPT and CSA Coordinator should ensure that all required documentation is maintained in client records, including discharge CANS assessments, treatment plans and progress reports, and consent to exchange information forms.
2. Periodic reviews should be performed to establish quality control of client records and to ensure compliance with CSA statutory requirements.

Client Comment

“The C.P.M.T. recognizes these findings and has taken steps to mitigate them. Before F.A.P.T. meetings, C.S.A. Program manager ensures case managers have completed a current C.A.N.S. assessment for cases to be discussed, including those for closure. C.S.A. Program Manager also reviews for consent forms for new cases and other necessary documentation. The C.P.M.T. will ensure training is provided to F.A.P.T. and Case Managers on proper documentation, including C.A.N.S. assessments and consents. They will also review and revise the policy on records management. File audits will be completed, and files updated as needed.”

**SECTION 2 – OTHER DEFICIENCIES
OBSERVATIONS AND RECOMMENDATIONS**

C) GOVERNANCE ACTIVITIES:

Observation #4	
Criteria	Internal Control

The Franklin County CPMT has documented formal local bylaws and a policy manual to govern the local CSA program. However, the existing Franklin County CSA policies and procedures are not consistent with established state CSA requirements to govern local CSA programs. A review of the Franklin County CPMT bylaws and policies and procedures identified opportunities for improvement in the following areas:

1. Article I, Section 4.9-10 Expenditures of Funds from the Inter-agency Budget: Current policy verbiage suggests the use of CSA funding for travel expenses related to required agency visits for out-of-state placements as appropriate. This language contradicts COV [§ 2.2-5211](#) regarding funding expenditures that are the responsibility of another agency and funded separately from the pool.

2. Article I, Section 5.3 Provision Intensive Care Coordination (ICC): Existing policy verbiage allows for ICC services directed by court order to be funded prior to FAPT referral and CPMT funding authorization for up to 30 days. COV [§ 2.2-5206](#), [§ 2.2-5208](#), and [§ 2.2-5209](#) directs that all treatment services should be recommended by FAPT prior to CPMT authorization of services, except for emergency placements that must be referred and assessed by FAPT within 14 days of placement. At the time of the audit review, there were no applicable cases identified in the test sample that were funded in accordance with this policy.

Policies are necessary to facilitate and communicate the CPMT’s expectations in implementing CSA. In addition, the policies should document the operational controls the CPMT has adopted to ensure the program is administered in accordance with state and local requirements and that the stated objectives are achieved.

Recommendation

The CPMT should ensure policies and procedures are consistent with State statutes, established guidance for the CSA and/or best practices to govern local CSA Program.

Client Comment

“The C.P.M.T. will complete a full audit of their current local polies and update as needed to include Article I, Section 4.9-10 and Article I, Section 5.3. The CPMT has begun reviewing and has updated several policies.”

CONCLUSION

Our audit concluded that there were major deficiencies¹ in compliance and internal controls over the Franklin County CSA program. Conditions were identified that could affect the effectiveness and efficient use of resources as well as compliance with statutory requirements. An exit conference was conducted on December 2, 2020 to present the audit results to the Franklin County CPMT. Persons in attendance representing Franklin County CPMT were:

Ms. Deborah Powell, CPMT Chair, Director, Franklin County Department of Social Services
Mr. Brian Carter, CPMT Fiscal Agent, Director, Franklin County Finance Department
Ms. Joyce Green, Director, 22nd District Court Services Unit, Department of Juvenile Justice
Ms. Chrissy Jones, CPMT Private Provider, VA Autism Behavior Consulting
Ms. Karen Brown, Finance Manager, Franklin County Finance Department
Ms. Verna Burnette, Nurse Supervisor, West Piedmont Health District
Ms. Marcie Altice, Clinician, Piedmont Community Service Board
Mr. Arnold Dillion, CPMT Citizen Representative
Ms. Meg Faber, CPMT Parent Representative
Ms. Heather Kesterson, CSA Coordinator/CSA Program Manager

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

REPORT DISTRIBUTION

Mr. Scott Reiner, Executive Director
Office of Children's Services
Mr. Christopher Whitlow, Franklin County Administrator
Ms. Deborah Powell, CPMT Chair
Director, Franklin County Department of Social Services
Mr. Brian Carter, CPMT Fiscal Agent
Director, Franklin County Finance Department
Ms. Heather Kesterson, CSA Coordinator/CSA Program Manager