

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

City of Galax

***Audit Report No. 10-2019
August 12, 2019***



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 City of Galax Children's Services Act (CSA) program. The City of Galax CSA program provided services and/or funding for 49 youth and families during fiscal year (FY) 2018. The audit included review and evaluation of management oversight and operational and fiscal practices. Based upon established statewide CSA Performance Measures – FY 2018, significant achievements for the City of Galax CSA program include:

1. Percent of youth indicating improvement in the Child and Adolescent Needs and Strengths (CANS) domain exceeded the statewide average by 12.2%.
2. Percent of youth receiving community-based services out of all CSA youth exceeded the statewide target by 10.3% and the established performance target by 13.3%.

However, there are additional opportunities to effect quality improvements in other areas of the CSA program. Our audit concluded that there were deficiencies in internal controls that affected compliance with statutory requirements. The following issues were identified:

1. The City of Galax Community Policy and Management Team (CPMT) does not perform comprehensive utilization management activities. As indicated by the recorded minutes of the CPMT, there is no evidence of the CPMT's utilization management activities that met the requirements established by Code of Virginia (COV) [§ 2.2-5206](#). This is a repeat finding from the CSA program audit self-assessment validation completed January 27, 2016.
2. The City of Galax CSA does not consistently perform Utilization Review (UR) of individual client case records to determine whether the services and placement continue to provide the most appropriate and effective services for the child and his family as directed by COV [§ 2.2-5208](#). Three (3) out of six (6) (50%) files reviewed did not evidence that UR was performed.
3. Expenditures incurred for CSA funded services were not always properly recorded in the correct expenditure category for two (2) of six (6) cases (33%) examined resulting in overstated reimbursements of \$2,406.69 (state share).

OCS appreciates the cooperation and assistance provided on behalf of the City of Galax CPMT and CSA staff. Formal responses from the City of Galax CPMT to the reported audit observations are included in the body of the full report.



Stephanie S. Bacote, CIGA
Program Audit Manager



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Program Auditor

INTRODUCTION

The Office of Children's Services (OCS) has completed a financial/compliance audit of the City of Galax 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 August 12, 2019 and covered the period February 1, 2018 through January 31, 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 conducted by the City of Galax CPMT. The CSA program audit self-assessment validation was completed January 27, 2016.

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

The City of Galax encompasses 8.3 square miles in the southwestern part of Virginia. Branded as the gateway to the Blue Ridge Mountains, it became an independent city on December 6, 1953. According to the U.S. Census Bureau's Quick Facts, the July 1, 2018 population of the City of Galax was 6,423 and the median household income was \$31,311.

The Children's Services Act (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for youth and their families. State funds, combined with local community funds, are managed by a local interagency team, referred to as the Community Policy and Management Team (CPMT) who plan and oversee services to youth. The CPMT is supported in this initiative by one Family Assessment and Planning Team (FAPT) responsible for recommending appropriate services. Administrative services are managed through the local CSA office staffed by a part-time CSA Coordinator. Expenditure and demographic information for fiscal years 2016 to 2018 are depicted below:

**CSA Pool & Census Data by Fiscal Year for the City of Galax
(2016-2018)**

FY	Census	Census Change	Census % Change	Pool Expenditures	Expenditures \$ Change	Expenditures % Change	Unit Cost	Unit Cost % Change
2016	51	17	50%	\$375,284	\$177,031	89%	\$7,359	26%
2017	47	-4	-8%	\$295,197	-\$80,087	-21%	\$6,281	-15%
2018	49	2	4%	\$541,424	\$246,227	83%	\$11,049	76%

Note: Changes recorded for FY 2016 are based on differences from fiscal year 2015 to 2016.

FY	Pool Expenditures
2016	\$375,284
2017	\$295,197
2018	\$541,424

FY	Census
2016	51
2017	47
2018	49

FY	Unit Cost
2016	\$7,359
2017	\$6,281
2018	\$11,049

OBSERVATIONS AND RECOMMENDATIONS

A) GOVERNANCE ACTIVITIES

Observation #1:

Criteria

Compliance and Internal Control – Repeat

The City of Galax CPMT has not established a comprehensive utilization management plan and there is no evidence in the CPMT meeting minutes of utilization management activities that include:

1. “review and analysis of data in management reports provided by the Office of Children’s Services in accordance with subdivision D 18 of [§ 2.2-2648](#) to help evaluate child and family outcomes and public and private performance in the provision of services to children and families through the Children’s Services Act program”, or
2. “review of local and statewide data provided in the management reports on the number of children served, children placed out of state, demographics, types of service provided, duration of services, service expenditures, child and family outcomes, and performance measures.”

Utilization management responsibilities are governed by the Code of Virginia [§ 2.2-5206](#), item 13. It is a key element in the CPMT’s monitoring activities for assessing the appropriateness and effectiveness of services purchased, which is critical to ensure the CPMT is well informed when carrying out its decision making responsibilities.

Recommendation

The CPMT should periodically review and analyze local and statewide data provided in OCS management reports that are available on the CSA website, specifically but not limited to:

- CSA Continuous Quality Improvement (CQI) Tools
(weblink: <https://www.csa.virginia.gov/Resources/ContinuousQualityImprovement>)
- OCS Reports to the General Assembly
(weblink: <http://www.csa.virginia.gov/OCSDData/ReportsPublications>)

The results of Utilization Management review and analysis should be recorded in the CPMT meeting minutes along with any supplemental materials presented.

Client Comment

CPMT will set aside meeting time quarterly to review OCS reports and to strengthen quality improvement.

B) PROGRAM ACTIVITIES

Observation #2:

Criteria

Compliance and Internal Control

The City of Galax CSA does not consistently perform utilization review (UR) of services and funding provided to eligible children and families. Code of Virginia (COV) § 2.2-5208, item 5 (iv) creates a duty of the Family Assessment and Planning Team (FAPT) to “provide regular monitoring and utilization review of the services and residential placement for the child to determine whether the services and placement continue to provide the most appropriate and effective services for the child and his family.” Discussions with CSA personnel indicate that UR has not been performed in many cases due to staffing issues. Fifty percent (50% or 3 of 6) of files reviewed did not evidence that UR was performed.

Recommendation

The City of Galax CSA Program should perform utilization review (UR) activities, or ensure that those activities are being performed by another agency, for all cases coming before FAPT in accordance with the locally established policies and procedures governing UR. Documentation should be kept within the individual client files to evidence that UR activities are performed.

Client Comment

The Department has put a procedure in place to consistently perform utilization reviews. All staff including outside resources will perform their own utilization review on the case before submitting FAPT request.

C) FISCAL ACTIVITIES

Observation #3:

Criteria

Internal Control

Expenditures incurred for CSA funded services were not always properly recorded in the correct expenditure category. The indicated errors lessen the reliability and integrity of financial data used in the financial reporting to the CSA pool fund and other utilization management reports. Specific instances identified included the following:

1. Client # 2: Treatment Foster Care (TF4E) expenditures incurred for the period January – March 2018 were improperly recorded as community-based services (CBS). The incentive match rate applicable to community-based services (\$0.1573) is lower than the match rate applicable to TF4E services (\$0.3146). This resulted in a \$2,406.69 overpayment of the state share of expenditures.

2. Client #5: Expenditures recorded as SPED Private Day (ADP) for the period August 2018 to February 2019 should have been recorded as Educational Services: Congregate Care (ESCC). The match rates (\$0.3146) are the same for both services. While the fiscal impact is null, the accuracy of financial reporting lessened.

Expenditure Category							
Client	Incorrect Expense Category	Match Rate	Correct Expense Category	Match Rate	Variance		
					Total Expense	Differential	Questioned Cost
Client # 2	CBS	\$0.1573	TF4E	\$0.3146	\$ 15,300.00	(\$0.1573)	(\$2,406.69)
Client # 5	ADP	\$0.3146	ESCC	\$0.3146	\$ 22,050.00	\$0.0000	\$0.00
Net Fiscal Impact					\$ 37,350.00		(\$2,406.69)

Recommendation

The Galax City CSA program should ensure proper funding categories are used when recording expenditures. The CSA Coordinator, a CPMT member and/or fiscal agent should review all CSA financial reports to ensure expenditures are accurately recorded in the proper categories for the services provided.

The CPMT should submit a quality improvement plan, for review by the OCS Finance Office, including whether the CPMT agrees with the observation 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 of whether the identified actions are acceptable or any additional actions that may be required.

Client Comment

Galax Department of Social Services will participate in further training to ensure understanding of correct funding categories. The fiscal agent and CSA Coordinator will review all expenditures prior to payment.

CONCLUSION

Our audit concluded that there were deficiencies in internal controls relating to utilization management, utilization reviews, and financial reporting. Conditions were identified that affected compliance with statutory requirements pertaining to governance and oversight of operational and fiscal transactions. An exit conference was conducted on June 18, 2019 to present the audit results to the City of Galax CPMT. Persons in attendance representing the City of Galax CPMT were:

CPMT: Tammy Smith, Department of Social Services - CPMT Chair and Fiscal Agent; Keith Barker, City Manager; Robert Hiatt, Court Services Unit; Willie Green, Galax City Council

CSA Staff: Pamela Horton, CSA Coordinator

Representing the Office of Children's Services was Donald Barcomb, Program Auditor.

We would like to thank the City of Galax CPMT and the City of Galax CSA staff for their cooperation and assistance on this audit.

REPORT DISTRIBUTION

Scott Reiner, Executive Director
Office of Children's Services

Keith Barker, Galax City Manager

Tammy Smith, CPMT Chair and Fiscal Agent

Pamela Horton, CSA Coordinator