

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

Rockbridge Area

***Audit Report No. 10-2020
November 30, 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 Rockbridge Area Children’s Services Act (CSA) program. The Rockbridge Area CSA program provided services and/or funding for 213 youth and families during fiscal year (FY) 2019. The audit included review and evaluation of management oversight, operational and fiscal practices. Based upon established statewide CSA Performance Measures – FY 2019, significant achievements by the Rockbridge Area CSA program include:

CSA Performance Measures – FY 2019	Exceeds Statewide Average		
	Rockbridge County	City of Lexington	City of Buena Vista
Percent of youth indicating improvement in the Child and Adolescent Needs and Strengths (CANS) school domain	10.9%		11.7%
Percent of youth indicating improvement in the CANS Strengths domain	1.8%	1.8%	
Percent of youth indicating improvement in the CANS child behavior/emotional needs domain			12.9%
Percent of youth receiving community-based services out of all CSA youth		3.0%	

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 over program and fiscal practices that impact the effective and efficient use of resources and compliance with statutory requirements. Expenditure reimbursements were requested and processed for payment of services where CSA compliance was not met. Additionally, some observations were also identified in the prior audit report dated May 14, 2018. The significant issues identified included the following:

1. Administration of the required annual CANS assessment as required by CSA Policy 3.6.5 Frequency of CANS Administration. The prior audit report included similar observations.
2. Use of state pool funds in lieu of Medicaid funds for Medicaid eligible services not in accordance with Code of Virginia (COV) § 2.2-5211, current Appropriation Act, and CSA Policy 4.4.2 Medicaid Funded Services. The prior audit report included similar observations.
3. Expenditure reporting errors that resulted in an overstatement of the state share reimbursement.

The total questioned cost related to the non-compliance and financial reporting errors identified was \$102,444.46, of which \$79,329.22 is the state share.

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

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INTRODUCTION

The Office of Children's Services (OCS) has completed a financial/compliance audit of the Rockbridge Area 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 November 30, 2020 and covered the period October 1, 2018 through September 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 identified in final report dated May 14, 2018.

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

Rockbridge County was created in 1777 from parts of now Augusta and Botetourt Counties, and encompasses 601 square miles. The independent cities of Buena Vista and Lexington are enclaved within the county’s borders. The City of Lexington is the county seat. According to the U.S. Census Bureau’s Quick Facts, the July 1, 2019 population estimates and median household income for the Rockbridge Area were

Locality	Population	Median Income
Rockbridge County	22,573	\$54,804
City of Lexington	7,446	\$36,466
City of Buena Vista	6,478	\$34,273

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 full-time CSA Coordinator. Expenditure and demographic information for fiscal years 2017 to 2019 are depicted on the following pages:

CSA Pool & Census Data by Fiscal Year for Rockbridge 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>
86	118	120
Distinct Child Count	Distinct Child Count	Distinct Child Count
2.8M	3.4M	4.0M
Gross Expenditures	Gross Expenditures	Gross Expenditures
2.6M	3.3M	3.9M
Net Expenditures	Net Expenditures	Net Expenditures
\$30,570	\$28,206	\$32,227
Average Expenditure	Average Expenditure	Average Expenditure
0.2336	0.2336	0.2336
Base Match Rate	Base Match Rates	Base Match Rates
0.2292	0.2215	0.2187
Effective Match Rate	Effective Match Rate	Effective Match Rate

**CSA Pool & Census Data by Fiscal Year for the City of Buena Vista
(2017-2019)**

Source: CSA Continuous Quality Improvement (CQI) Dashboard

At-A-Glance

<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
54	66	77
Distinct Child Count	Distinct Child Count	Distinct Child Count
1.8M	2.0M	2.9M
Gross Expenditures	Gross Expenditures	Gross Expenditures
1.6M	2.0M	2.9M
Net Expenditures	Net Expenditures	Net Expenditures
\$30,360	\$30,417	\$37,092
Average Expenditure	Average Expenditure	Average Expenditure
0.2329	0.2329	0.2329
Base Match Rate	Base Match Rates	Base Match Rates
0.2261	0.2260	0.2205
Effective Match Rate	Effective Match Rate	Effective Match Rate

**CSA Pool & Census Data by Fiscal Year for the City of Lexington
(2017-2019)**

Source: CSA Continuous Quality Improvement (CQI) Dashboard

At-A-Glance

<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
17	16	16
Distinct Child Count	Distinct Child Count	Distinct Child Count
0.4M	0.5M	0.6M
Gross Expenditures	Gross Expenditures	Gross Expenditures
0.4M	0.5M	0.6M
Net Expenditures	Net Expenditures	Net Expenditures
\$20,706	\$28,194	\$36,303
Average Expenditure	Average Expenditure	Average Expenditure
0.3302	0.3302	0.3302
Base Match Rate	Base Match Rates	Base Match Rates
0.3141	0.3209	0.3012
Effective Match Rate	Effective Match Rate	Effective Match Rate

OBSERVATIONS AND RECOMMENDATIONS

FISCAL ACTIVITIES

Observation #1:

Criteria **Compliance and Internal Control – Repeat Observation**

The Rockbridge Area CSA program was reimbursed during the audit period for CSA funded services that did not meet criteria established by the Code of Virginia (COV) statutes relevant to the Children’s Services Act and the CSA Policy Manual. Exceptions were noted as follows:

1. Per COV § 2.2-5212, access to the state pool of funds includes determination through the use of a uniform assessment instrument and process. The Child and Adolescent Needs and Strengths (CANS) Assessment is the approved uniform assessment instrument per CSA Policy 3.6 (Adopted December 18, 2007 and Revised December 13, 2018). Section 3.6.5.D Frequency of CANS Administration states “The CANS assessment is required annually. An annual CANS had not been completed for three (3) out of the twenty-three (23) or 13% of the client case files examined, resulting in questioned cost of \$91,016.83 of which \$69,802.09 represents the state share. (See Table A)
2. CSA pool funds were used in lieu of Medicaid funding for Treatment Foster Care Case Management for two (2) Medicaid eligible youth. COV § 2.2-5211, the Appropriation Act, and CSA Policy 4.4.2 Medicaid Funded Service address use of pool funds noting that pool funds shall not be spent for any services that can be funded through Medicaid for Medicaid-eligible children and youth except when Medicaid-funded services are unavailable or inappropriate for meeting the needs of a child. Total questioned cost for both cases were \$8,160.15 of which \$6,259.65 represents the state share. (See Table A)
3. Expenditures incurred for CSA funded services were not always recorded in the correct expenditure category for financial reporting. The exception was noted in three (3) of twenty-three (23) or 13% of the cases examined as follows:
 - a. The local match rate for the expense category reported was less than the match rate for the correct expenditure reporting category, resulting in an overstatement totaling \$3,661.91 of the state share reimbursement for 2 out of the 3 affected cases. (See Table B).
 - b. For the third case, the locality paid a greater share (\$394.43) of the total expenditure because the local match rate for the expense category reported was higher than the match rate for the correct expenditure reporting category. (See Table B).

TABLE A				
Client ¹	Error Type ²	Period of Services	Total Expenditures	State Share
B1	1	9/1/18 - 7/31/19	\$66,836.33	\$51,270.15
R1	1	1/1/19 - 9/15/19	\$ 6,065.50	\$4,648.60
R6	1	9/1/18 - 4/28/19	\$18,115.00	\$13,883.34
B2	2	7/1/18 – 8/31/19	\$4,242.15	\$3,254.15
B7	2	8/1/18 – 8/31/19	\$3,918.00	\$3,005.50
Total			\$99,176.98	\$76,061.74

TABLE B								
Client ¹	Error Type ²	Incorrect Expense Category ³	Match Rate	Correct Expense Category ³	Match Rate	Variance		
						Total Expense	Differential	Questioned Cost
B3	3a	CBS	0.1164	WRAP	0.2329	\$27,530.00	0.1165	\$3,207.25
B5	3a	TFC	0.2329	RCC	0.2911	\$7,812.00	0.0582	\$454.66
R2	3b	RCC	0.2920	ResEd	0.2336	\$6,754.00	(0.0584)	(\$394.43)
Total						\$42,096.00		\$3,267.48
State Share of Questioned Costs/Overpayments – All Exceptions								\$79,329.22
¹ Clients with B represent the City of Buena Vista; Clients with R represent Rockbridge County ² Error Types: 1-Missing annual CANS 2-Alternate Funding Sources were available 3- Financial Reporting Error. ³ Expense Category: CBS – Community Base Services; WRAP – Wrap Around Services for Students with Disabilities; TFC – Treatment Foster Care; RCC – Residential Congregate Care; ResEd – Education Services; Congregate Care								

Similar observations were reported in the prior audit of the Rockbridge Area CSA Program dated May 14, 2018 relating to frequency of CANS administration and Medicaid funded services. A quality improvement plan was submitted with a target date of June 1, 2018 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. Adequate documentation, should be maintained as justification for CPMT funding decisions, such as, but not limited to, annual CANS have been completed and expenditures are not eligible for another funding such as Medicaid.
2. The CSA Coordinator and CPMT should ensure proper expenditure reporting categories are used when recording expenditures and conduct monthly reviews of completed financial reports to verify financial data is accurately presented.
3. The CPMT should submit a quality improvement plan (QIP), 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 based on SEC approved Policy 4.7 Response to Audit Findings of whether the identified actions are acceptable or any additional actions may be required.

Client Comment

1. To ensure annual CANS assessments are completed for students placed in alternative settings, all localities have put into place a procedural document that outlines the required documents for students.
2. In order to ensure proposed expenditures meet the criteria for CSA funding, the CSA Coordinator will establish an effective routine to ensure that all POSO's are signed by all providers prior to payments being made for all clients. Additionally, the CSA Coordinator will ensure CSA pool funds are not used for services that are covered through Medicaid or other funding sources.
3. Finally, the CPMT will submit a QIP for review by the OCS Finance Office.

CONCLUSION

Our audit concluded that there were deficiencies in internal controls relating to expenditure reimbursements 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 November 5, 2020 to present the audit results to the Rockbridge Area CPMT. Persons in attendance representing the Rockbridge Area CPMT were:

CPMT: Christine Wood, Rockbridge County Schools - CPMT Chair and Dinah Clark, Rockbridge Area DSS Director

CSA Staff: Stacey Hernandez, CSA Coordinator

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

We would like to thank the Rockbridge Area CPMT and CSA staff for their cooperation and assistance on this audit.

REPORT DISTRIBUTION

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Office of Children's Services
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Jay Scudder, Buena Vista City Manager
Jim Halasz, Lexington City Manager
Christine Wood, CPMT Chair
Betty Trovato, Fiscal Agent, Rockbridge County
Mary Lee Huffman, Fiscal Agent, City of Buena Vista
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