

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

Smyth County

Audit Report No. 013-2024

September 18, 2024



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 Smyth County Children's Services Act (CSA) program. The Smyth County CSA program provided services and funding to 120 youth and families in fiscal year FY 2023. The audit included reviewing and evaluating management oversight and operational and fiscal practices. Based upon established statewide CSA outcome measures reported for FY 2023, significant achievements for the Smyth County CSA program were:

- Ninety-six percent (96.3%) of the youth and families exited to permanency placements, ten percent (10.3%) greater than the established target and nineteen percent (18.8%) above the statewide average.
- Family-based foster care placements were four percent (4.4%) higher than the state average.

However, additional opportunities exist to improve quality in other CSA program areas. The audit concluded that internal controls regarding governance, operational, and fiscal practices were deficient. Conditions that could affect the effective and efficient use of resources, data reliability and integrity, and compliance with statutory requirements were identified. The following significant issues were observed:

- Expenditure reimbursements were requested and processed for payment of services where CSA compliance requirements outlined in Code of Virginia (COV) [§ 2.2-5211](#) and CSA Policy 4.4.2 were not met. CSA funds were expended instead of Medicaid and Title IV-E for clients eligible to access those alternate funding sources. The total cost of questioned expenses is \$35,468.03 (state share).
- Non-public and public representatives serving on CPMT and FAPT did not complete the correct Statement of Economic Interest (SOEI) forms as directed by the Code of Virginia (COV) [§ 2.2-3117](#) and OCS Administrative Memo 18-02.

The Office of Children's Services appreciates the cooperation and assistance provided by the CPMT and other CSA staff. The body of the full report includes formal responses from the CPMT to the reported audit observations.


Rendell R. Briggs, CAMS
Program Auditor


Stephanie S. Bacote, CIGA
Program Audit Manager

INTRODUCTION

The Office of Children's Services has completed a financial/compliance audit of the Smyth County Children's Services Act 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 under stated audit objectives to provide a reasonable basis for audit observations, recommendations, and conclusions. The audit was completed on September 17, 2024, and covered April 1, 2023 through March 31, 2024.

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.
- Evaluate the fiscal activities of the local CSA program to assess whether operations have maintained high standards for sound fiscal accountability and ensured responsible use of taxpayer funds.
- Evaluate the local CSA program's operational and utilization review practices to assess the level of coordination among local government CSA stakeholders and efforts to improve CSA performance.
- Assess the implementation of quality improvements addressing prior audit observations reported by OCS in the final report dated August 15, 2019.

The audit scope included all youth and their families who received CSA-funded services during the audit period. Audit procedures included reviews of relevant laws, policies, procedures, and regulations; interviews with various CSA stakeholders; flowcharts of operational and fiscal processes; various tests and examination of records; and other required audit procedures to meet the audit objectives.

BACKGROUND

Established in 1832, Smyth County is in the mountains of Southwest Virginia. According to the U.S. Census Bureau, State and County Quick Facts, the population estimate is 29,216 as of July 1, 2023. The median household income from 2018-2022 was \$45,061.

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. The state funds, combined with local community funds, are managed by local interagency teams, such as the Community Policy and Management Team (CPMT), which plans and oversees services to youth. The Smyth County CPMT is supported by three Family Assessment and Planning Teams (FAPT). The CSA Coordinator manages administrative services. Expenditure demographics for fiscal years 2020 to 2023 are depicted below.

Source: CSA Data and Outcomes Dashboard
 (Web link: [Data and Outcomes Dashboard \(CQI\)](#))

At-A-Glance

	2020	2021	2022	2023
Distinct Child Count	99	117	126	120
Net Expenditures	\$1.8M	\$2.1M	\$2.5M	\$2.6M
Local Net Match	\$0.4M	\$0.5M	\$0.6M	\$0.6M
Average Expenditure	\$17,746	\$17,878	\$19,720	\$21,551
Base Match Rate	0.2337	0.2337	0.2337	0.2337
Effective Match Rate	0.2254	0.2256	0.2263	0.2309

CQI dashboard data consists of information submitted by individual Virginia localities for youth receiving CSA-funded services in the reporting period. Statewide data was updated through 08/15 of the current program year.

OBSERVATIONS AND RECOMMENDATIONS

A) PROGRAM AND FISCAL ACTIVITIES

Observation #1:

Criteria:

Compliance and Internal Control

Expenditure reimbursements totaling \$33,685.72 (state share) were requested and processed for payment of services where the requirements for compliance with state and local CSA policies and procedures were unmet. Ten (10) client files were examined to confirm that required documentation was maintained to support and validate FAPT referrals and CPMT funding decisions. At least two exceptions were observed in 60% (6/10) of the files reviewed. Exceptions noted in Tables A and B below are significant as they are critical to evidencing the appropriateness of services and compliance with CSA funding requirements.

Table A: Client File Review Exceptions- Fiscal Impact COV § 2.2-5206, COV § 2.2-5211, CSA Policy 4.5 Fiscal Procedures, and Current Appropriations Act					
Rate		Description (Code)			
20% (2/10)		1. Alternate Funding Source (Medicaid).			
10% (1/10)		2. Financial Reporting Error/Incorrect Expenditure Category-Match Rate.			
Code	Client	Service Description	Service Period	Total Cost	State Share
1	A	Residential Congregate Care	Feb - Mar 2023	\$46,722.46	\$33,074.83
	B	TFC Case Management	Mar - Apr 2023	\$575.30	\$440.85
2	C	Treatment Foster Care	Apr 2023	\$170.04	\$170.04
Due to CSA					\$33,685.72

Table B: Client File Review Exceptions- No Fiscal Impact COV § 2.2-5206, COV § 2.2-5208, COV § 2.2-5210, CSA Policy 3.5 Records Management, and CSA Policy 4.5 Fiscal Procedures	
Rate	Description
50% (5/10)	Confidentiality. Missing or expired consent to exchange information forms.
30% (3/10)	Data Integrity. The financial transaction data recorded the incorrect service name code/description.
20% (2/10)	Service Planning. Provider treatment plans, progress reports, or the Intensive Care Coordination (ICC) discovery assessment completed within 30-45 days of initiating the services were not retained in the client record.

Recommendations:

1. Before authorizing funding, the CPMT should ensure that the proposed expenditure meets the criteria for CSA funding. Adequate documentation, such as consideration of other funding streams, should be maintained as justification for CPMT funding decisions.
2. Before service planning, the FAPT and the CSA Coordinator should ensure minimum documentation requirements are met and maintained in client case files. Key documents include, but are not limited to, signed consent forms for all applicable parties (child and parents), treatment plans, progress reports, and discovery assessments.
3. The CSA office and Fiscal Agent should establish quality assurance and accountability procedures to report fiscal transactions accurately. Before processing invoice payments, they should use the correct expenditure and service name categories and confirm the appropriate funding source (CSA, Medicaid, Title IVE). Errors in current fiscal year reporting should be immediately corrected.
4. 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-approved policy 4.7, Response to Audit Findings, of whether the identified actions are acceptable or any additional actions that may be required.

Client Comment:

“We concur with the items discussed and contained herein.”

Observation #2:

Criteria:

Compliance and Internal Control

CSA pool funds were expended on behalf of six (6) clients whose services were eligible for another funding source (Title IV-E). A comparison of IV-E and CSA expenditures for those clients determined that CSA reimbursed \$1,782.31 (state share) in maintenance payments for confirmed IV-E eligible clients. For the review period, OCS financial reports do not indicate adjusting entries to correct/refund the payment errors as required by CSA Policy 4.5.2, Items e and f, Pool Fund Reimbursement. Refer to Table C for a detailed breakdown of questioned costs.

Table C			
Title IVE/CSA Payment Errors - Fiscal Impact.			
COV § 2.2-5211 and CSA Policy 4.5.2 Pool Fund Reimbursement			
Client	Service Period	Total	State Share
T1	07/01/2023 – 07/31/2023	\$386.58	\$341.43
T2	07/01/2023 – 01/31/2024	\$1,100.00	\$842.93
T3	03/15/2023 – 03/18/2023	\$184.93	\$163.33
T4	06/27/2023 – 10/23/2023	\$205.56	\$181.55
T5	10/20/2023 – 10/20/2023	\$148.04	\$130.75
T6	10/20/2023 – 01/31/2024	\$138.50	\$122.32
Total		\$2,163.61	\$1,782.31

Recommendations:

1. Before authorizing funding, the CPMT should ensure that the proposed expenditure meets the criteria for CSA funding. Adequate documentation, such as consideration of other funding streams, should be maintained as justification for CPMT funding decisions.
2. A quality assurance procedure should be established by the CPMT that includes but is not limited to (a) reviewing of Quarterly IV-E Quality Assurance Accountability (QAA) Reports to assess fiscal implications for CSA funding; (b) monitoring foster care cases funded by CSA pending IV-E eligibility determinations; and (c) monitoring CSA financial reports to ensure adjusting entries and refunds are recorded accurately and timely.
3. 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-approved policy 4.7, Response to Audit Findings, of whether the identified actions are acceptable or any additional actions that may be required.

Client Comment:

“We concur with the items discussed and contained herein.”

Observation #3:

Criteria:

Compliance and Internal Control

Utilization data indicates Smyth County CSA has provided services and funding on average for twenty-six (26) Children in Need of Services (CHINS) eligible clients for FY 2022 – FY 2023. Per COV [§2.2-5206](#), [§2.2-5208](#), and local policy, the Smyth County CPMT shall require a parental contribution assessment for CSA-funded services. CSA Policy 4.5.2, Pool Fund Reimbursements, states that all refunds are to be reported along with pool fund expenditure reports. However, the Refund Report (see Table D) shows zero collection of Parental Copays in FY 2022-2023. Under these conditions, the opportunity lost for collecting funds is significant. It could affect the local program’s ability to increase funding availability for services required to meet the community’s needs.

Table D Financial Reporting Errors – Refunds COV § 2.2-5206, COV § 2.2-5208, CSA Policy 4.5.2 Pool Fund Reimbursement								
Fiscal Year	Distinct Child Count	Vendor Refunds	Parental Co-Pay	SSA, SSL, VA, Benefits	Support through DCSE	Reclaimed Under IVE	Other	Total
2023	31	0	0	0	\$574.21	\$7,825.86	\$900.00	\$9,300.07
2022	21	0	0	\$114.00	\$621.67	13,943.42	0.00	\$14,679.09

Recommendations:

1. Per SEC-approved policy 4.5.2, the CPMT should determine if there were any Parental Copay collections for the current and previous fiscal years. The CPMT should ensure that recoveries are refunded and reported to OCS with their next pool fund reimbursement.
2. Collection and reporting procedures should be established to ensure that the amount received for all refund reporting categories is recorded accurately and timely.

Client Comment:

“We concur with the items discussed and contained herein.”

B) CPMT GOVERNANCE

Observation #4

Criteria:

Compliance and Internal Control

Formal performance measures and utilization management practices and procedures to assess overall program effectiveness have not been established per COV [§2.2-5206](#), items 6 and 13. CPMT monthly meeting minutes and accompanying reports did not evidence utilization management/utilization review (UM/UR) activities to include:

- A. 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 services provided, duration of services, service expenditures, child and family outcomes, and performance measures.
- B. tracking 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 the lengths of stay in residential programs for children who can appropriately and effectively be served in their home, relative homes, family-like settings, or their community.

The ability and likelihood of the 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 to ensure that the program's goals and objectives are met ultimately impacts the CPMT's 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 Smyth County CPMT should immediately initiate and, from now on, periodically review OCS financial and performance reports depicting local and statewide data as required by CSA statute to demonstrate compliance. Tools to affect a continuous quality improvement process (i.e., utilization management) are available on the CSA website and listed below for convenience.

- [Data and Outcomes Dashboard \(COI\)](#)
- [Strategic Planning Tools \(COI\) Documentation Template with Instructions \(Download\)](#)
- [Strategic Planning Tools \(COI\) Terms and Definitions](#)
- [Strategic Planning Tools \(COI\) Training](#)
- <https://csa.virginia.gov/OCSReports/Reports/UtilizationReport.aspx>
- OCS Reports to the General Assembly

Client Comment:

“We concur with the items discussed and contained herein.”

Observation #5:

Criteria:

Compliance and Internal Control

The CPMT did not effectively implement internal controls established by CSA statutes to safeguard against conflicts of interest. Non-public members serving on CPMT and FAPT did not complete the statement of economic interest (SOEI) form following the requirements outlined in COV [§ 2.2-5205](#) and [§ 2.2-5207](#). OCS Administrative Memo #18-02, dated January 16, 2018, guided local CSA programs regarding filing requirements. The guidance states that non-public members must complete the “long” form defined in (COV) [§2.2-3117](#) upon appointment. The effectiveness of the controls to ensure accountability and appropriate use of CSA pool funds is significantly reduced, based on the possibility that required parties did not appropriately disclose personal interests.

Recommendations:

In the future, the CPMT and CSA offices should ensure that all applicable representatives of CPMT and FAPT file the correct conflict of interest disclosure form per the guidance outlined in OCS Administrative Memo 18-02, dated January 16, 2018.

Client Comment:

“We concur with the items discussed and contained herein.”

Observation #6:

Criteria:

Compliance and Internal Control

The Smyth County CPMT has established interagency policies and procedures to govern the provision of services to children and families in its community. Current local CSA policies and procedures are inconsistent with established state CSA requirements and best practices. Clear policies are necessary to facilitate and communicate the CPMT's expectations in implementing CSA and ensure the program is administered per state and local requirements. Areas requiring clarification include exemptions from FAPT and CPMT. Current policy exempts services/costs that do not meet the federal definition of foster care maintenance, such as (a) administrative and agency costs/fees associated with treatment foster care purchased from licensed providers, (b) medical services for foster children that Medicaid does not cover, (c) clothing allowance that exceeds the established maintenance rate, (d) “other expenses related to the foster child not to exceed \$6000, and (e) community-based respite care. Per COV [§ 2.2-5206](#) and [§ 2.2-5209](#), CPMT is responsible for authorizing funding from the state pool, and all services funded by CSA that do not meet the maintenance definition must be referred to FAPT.

Recommendations:

1. The CPMT should immediately review and revise local policies and procedures to ensure alignment with COV statutes and policies promulgated by state child-serving agencies that apply to youth accessing state pool funds.
2. The CPMT should establish a process for periodically reviewing and updating local policies. As a best practice, policy/procedure reviews should occur annually but not less than every three years.

Client Comment:

“We concur with the items discussed and contained herein.”

CONCLUSION

Our audit concluded deficiencies exist in compliance and internal controls over the Smyth County CSA program. Conditions were identified pertaining to operating and fiscal practices of the locally administered program that could adversely affect the effective and efficient use of resources and compliance with statutory requirements. An exit conference was conducted on September 17, 2024, to present the audit results to the Smyth County CPMT. Persons in attendance representing the Smyth County CPMT were as follows:

Shawn Utt, Smyth County Administrator/CPMT Fiscal Agent
Chris Austin, CPMT Chair
Helen Hollman, CSA Coordinator
Rodney Ford, CSA Staff

Rendell R. Briggs, Program Auditor, represented the Office of Children's Services.

We thank the Smyth County Community Policy and Management Team and CSA staff for cooperating and assisting with this audit.

REPORT DISTRIBUTION

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

Shawn Utt, Smyth County Administrator/CPMT Fiscal Agent

Chris Austin, CPMT Chair

Helen Holman, CSA Coordinator
