

***COMPREHENSIVE SERVICES ACT
PROGRAM AUDIT***

Craig County

Audit Report No. 19-2013

June 11, 2013



TABLE OF CONTENTS

Executive Summary


<i>Introduction</i>	<i>1</i>
<i>Background</i>	<i>2 - 3</i>
<i>Observations and Recommendations</i>	
<i>A) Program Activities</i>	<i>4 - 6</i>
<i>B) CPMT Administration</i>	<i>6 - 11</i>
<i>(Community Policy and Management Team)</i>	
<i>C) Fiscal Activities</i>	<i>11 - 13</i>
<i>Conclusion</i>	<i>14</i>
<i>Report Distribution</i>	<i>15</i>


EXECUTIVE SUMMARY

The Office of Comprehensive Services has completed an audit of the Craig County Comprehensive Services Act for At Risk Youth and Families program. Our audit concluded that there were material weaknesses in internal controls, particularly in reference to governance and accountability of the \$1.22 million of allocated (state and local) funding for fiscal years 2010 through 2012 combined. Conditions were identified that could adversely impact the effective and efficient use of resources, as well as non-compliance with statutory requirements. The following significant issues were identified:

- Operational activities were not consistently and sufficiently performed to ensure: (1) the validity and eligibility of clients served; (2) appropriateness and effectiveness of services provided; and (3) evidence of multidisciplinary collaboration in service planning.
- A formal long range plan had not been documented by the Craig County Community Policy and Management Team (CPMT) to document the goals, objectives, and strategies, in order to establish a means to fully measure and evaluate the operational and fiscal effectiveness of the local CSA program.
- Fiscal practices and procedures adopted by the CPMT needs strengthening to increase the operational effectiveness, specifically relating to lines of authority and responsibility, execution of transactions, and monitoring.

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


Stephanie S. Bacote, CIGA
Program Auditor


Ty F. Parr, MPA
Finance and Data Consultant

INTRODUCTION

The Office Comprehensive Services has completed a financial/compliance audit of the Craig County Comprehensive Services Act for At-Risk Youth and Families program. The audit was conducted in accordance with generally accepted government 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 June 6, 2013 and covered the period July 1, 2009 through September 30, 2012.

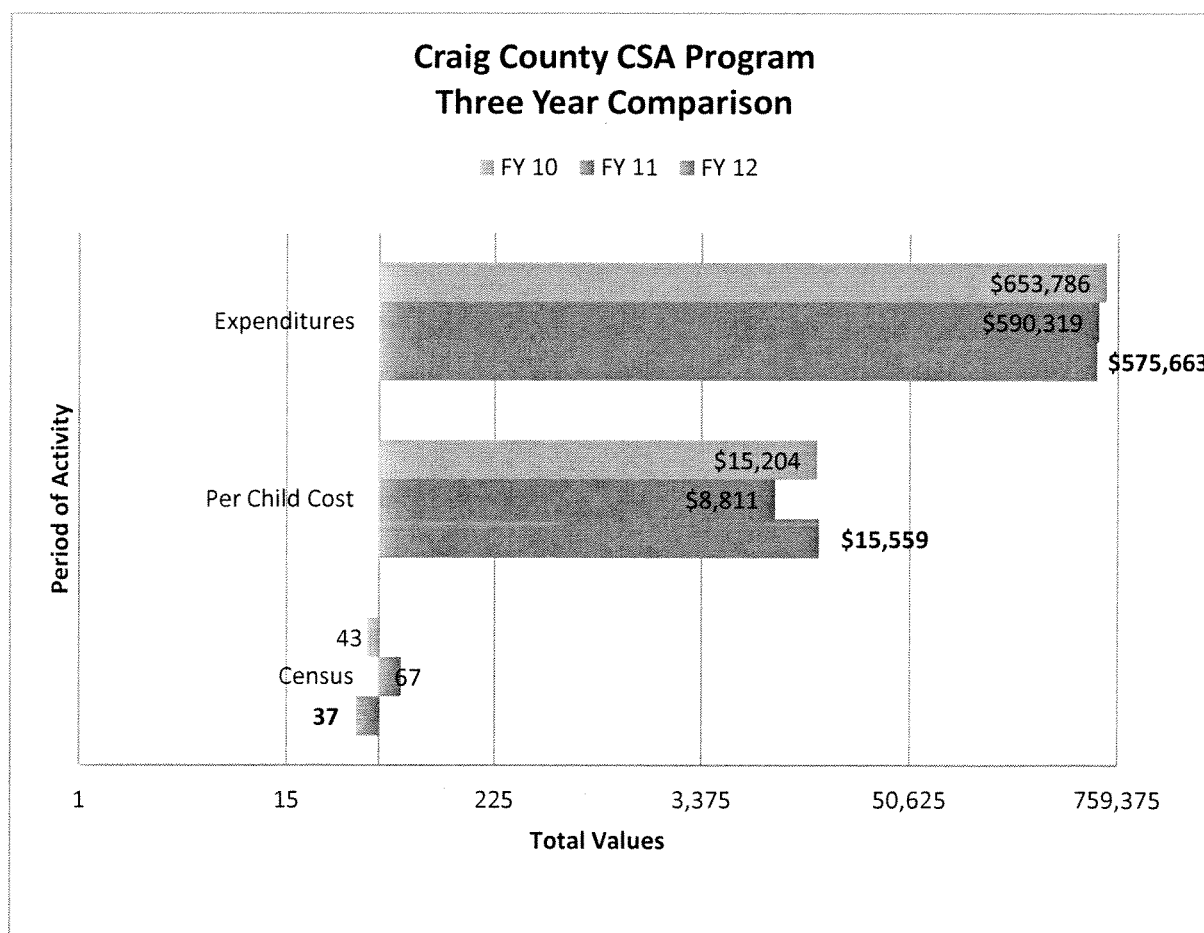
The objectives of the audit were to:

- To determine whether adequate internal controls have been established and implemented over CSA expenditures.
- To determine the adequacy of training and technical assistance by assessing local government CSA staff knowledge and proficiency in implementing local CSA programs.
- To 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.
- To 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.

The scope of our audit included all youth and their families who received CSA funded services during fiscal years 2010 through 2012. At the request of the OCS Executive Director, the scope was also expanded to include a review of documents provided pertaining to Craig County CPMT's appeal of the denial of pool fund reimbursements relating to a prior event which occurred in FY 10. The results of which were communicated in a separate correspondence. Audit procedures performed included reviews of relevant laws, policies, procedure, and regulations; interviews with various CSA stakeholders; flowcharts of operational and fiscal processes; various tests and examination of records; and other audit procedures deemed necessary to meet the audit objectives.

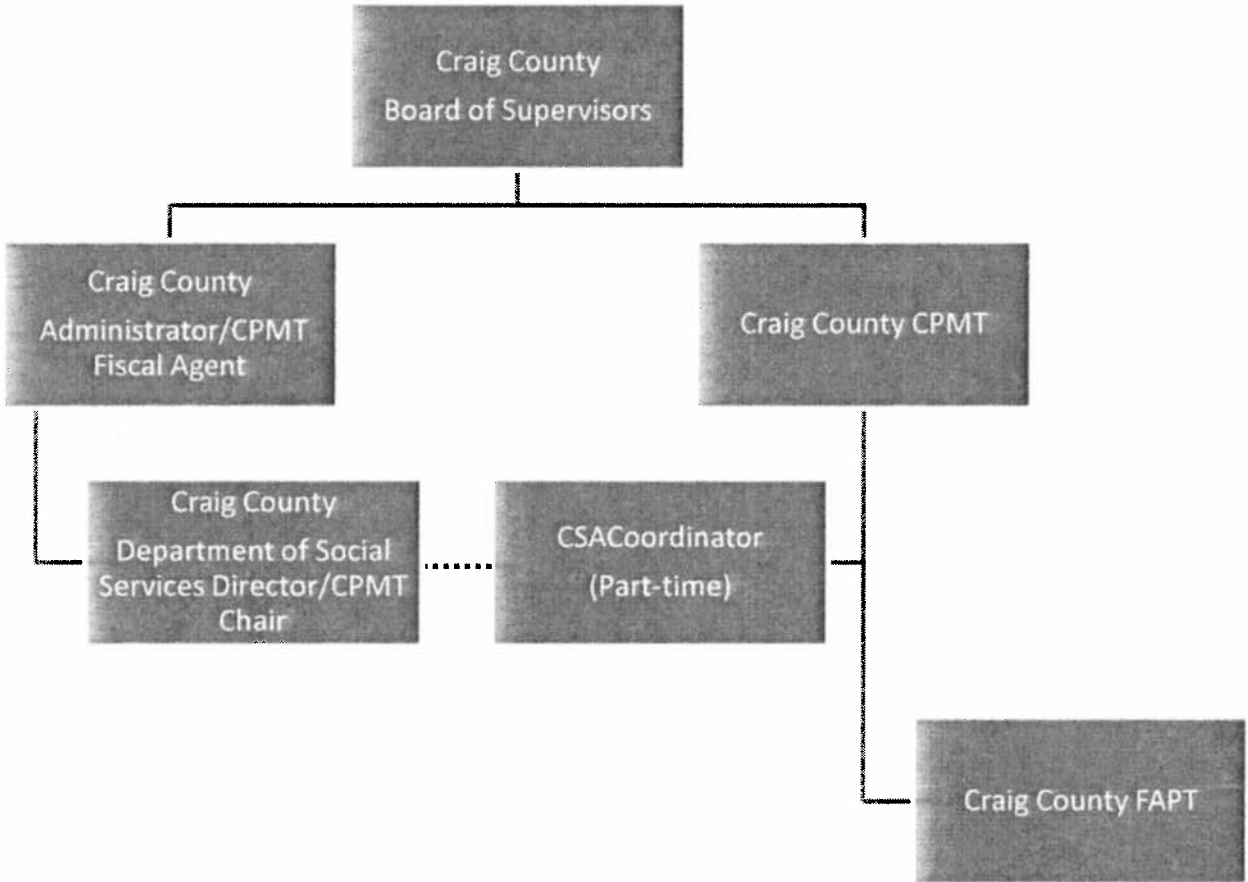
BACKGROUND

The Comprehensive Services Act for At-Risk Youth and Families (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for at-risk youth and their families. Of the approximate \$300 million appropriated by the Virginia General Assembly and local governments to fund CSA, the total combined state and local allocation for Craig County in fiscal year 2012 was \$393,961. Actual net expenditures for this period totaled \$575,663, a 46% increase primarily due to educational costs. The funds were used to provide services to 37 youths in the Craig County community. Based on reported figures as of the closing of fiscal year 2012, the average per capita cost of CSA in Craig County is \$113. Further, Craig County CSA expenditures, population, and costs per child (“unit cost”) fluctuated somewhat in fiscal years 2010 - 2012. While the trend indicates a continual decline in expenditures (12% over the last three years), the population of clients served and the unit cost have not kept pace with that trend. The chart below depicts a comparison for fiscal years 2010 through 2012. It should also be noted that fiscal year 2011 expenditure totals depicted in the chart do not include \$128,295 in pool fund reimbursements previously denied that has since been reimbursed in fiscal year 2013, which would indicate an even greater reduction in expenditures from fiscal year 2011 to 2012.



Source: CSA Website, Statewide Statistics, <http://www.csa.virginia.gov/publicstats/pool/locality/byyear.cfm>)

The state funds, combined with local community funds, are managed by local interagency teams, referred to as “Community Policy and Management Teams” (CPMT) who plan and oversee services to youth. The Craig County CPMT is supported in this initiative by the “Family Assessment and Planning Team” (FAPT) responsible for recommending appropriate services. Administrative support to the CPMT and FAPT is provided by a part-time CSA Coordinator. The local management structure for Craig County is as follows:



OBSERVATIONS AND RECOMMENDATIONS

A) PROGRAM ACTIVITIES

Observation 1: Organization of CSA client case files could be improved to better facilitate management of case file information collected and support the validity of FAPT referral and CPMT funding decisions. Sixteen case files were reviewed to ensure that required contents were maintained, and the following observations were noted:

- Seven (44%) of the files could not be located. For four of the seven missing files, audit tests could not be performed to confirm the clients served were eligible for CSA funding and that the expenditures incurred were appropriate and in accordance with CSA policies and procedures.
- For the remaining nine client records examined, file contents were not always complete. Exceptions were:
 - One case file did not contain an IFSP and/or FAPT notes for services initiated prior to 8/24/11.
 - Documentation of the verification of parental income used in co-pay assessments was not maintained for 6 of the 9 files reviewed.
 - Provider progress notes were not present in one case file reviewed.

Poor organization and file management presents increased opportunities for loss of data or data manipulation, and consequently may cause the information maintained to be less reliable. 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.

Criteria: COV § 2.2-2648 D. 20
CSA Manual Section 3.5 Records Management
CSA Manual Section 4.3.5 Provision of Services
Agency Risk Management and Internal Control Standards, Control Activities

Recommendation: The CPMT should ensure that documentation is maintained to support client eligibility/ineligibility for CSA funding. A client file should be established immediately upon referral to CSA notating the eligibility status and retained in accordance with records retention practices, policies, and procedures. The CSA Coordinator should develop and implement a standard file organization format to ensure appropriate documents are

maintained, easily accessible, and loss/alteration are immediately detected. As a suggestion, this can be accomplished with the use of tabbed folder or dividers (such as colored paper) to separate differing classes of documents (i.e. referral paperwork, Parental Copayment Assessments, FAPT notes, Releases of Information, CANS, VEMATs, etc) in coordination with the CSA Documentation Inventory Checklist.

Client Comments: Concur. “The CPMT believes that CSA case files for all cases that have received services since September 2011 are adequately, indeed well, organized. All of the files within that timeframe presented for inspection included a Uniform Document Inventory sheet, and were organized into various classifications (separated by colored paper). It was understood at the exit interview that file organization implemented by the current CSA Coordinator was an area of strength with respect to these records. This organization practice continues for all current and new cases. Nevertheless, additional organization and structure to the file will be evaluated. Cases that were served and closed prior to September 2011 were not under the purview or control of the current DSS Director/CPMT Chair, nor the current CSA Coordinator, both of whom were not employed prior to that date. Records are stored in a secure manner and retained in accordance with Virginia’s record retention policies. No records from any timeframe have been purged since September 2011. All of the records that were unable to be provided to the auditors were pre September 2011.”

Observation 2: Management and utilization reports were not consistently prepared and presented to the Craig County CPMT for review. Further, utilization management/utilization review (UM/UR) activities were not always performed in order to collect utilization data, document progress or effectiveness of services delivered, monitor specific service delivery dates or other required elements in support of the IFSP. This reduces the reliability and integrity of data and the effectiveness of monitoring activities in order to support the validity of the purchase and/or effectiveness of services received.

Criteria: CSA Manual Section 8.1 and Toolkit “Utilization Management
Craig County CSA UM/UR Plan
Agency Risk Management and Internal Control Standards, Control Activities

Recommendation: The CPMT should monitor implementation of the established UM/UR plan. The CPMT should initiate a process that requires periodic reports on the status of UM/UR activities to be presented at the CPMT meetings. To ensure information provided is useful in CPMT decision making, the CPMT should identify required reporting elements. The CPMT could

expedite this process should they consider adopting the State Sponsored UM CSA Checklist to meet the requirements.

Client Comments: Concur. "UM/UR activities will be reported at least quarterly to the CPMT. The CSA Coordinator began utilizing the "State Sponsored UM CSA Checklist" in January 2013. The CPMT will identify additional reporting elements to be included in the UM/UR process. Additional reporting components to be considered will include CANS data and case manager/client/parent/foster parent feedback."

B) CPMT ADMINISTRATION

Observation 3: The CPMT has not documented a formal plan to substantiate coordination of long-range planning that includes an assessment of the current risks, strengths and needs of the existing system, as well as establishing and documenting measurable criteria for evaluating the effectiveness of the local CSA program. 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 planning, coordination, and program evaluation to ensure that the goals and objectives of the program are met ultimately impacts the CPMT efforts to better serve the needs of youth and families in the community and to maximize the use of state and community resources. Although coordination of the long-range plan has not yet been performed, an assessment of community needs that impact CSA was documented as part of the initiative to secure funding through the Promoting Safe and Stable Families (PSSF) Grant.

Criteria: CSA Manual 3.1.5 Duties and Responsibilities
Toolkit Coordinated Long Range Planning
DOA Agency Risk Management and Internal Control Standards, Control Environment

Recommendation: The CPMT should develop procedures for documenting long-range planning. The process should include development of a formal risk assessment process and measurable criteria to be used for evaluating program effectiveness. The CPMT could initiate the discussion using the information collected in the development of the PSSF grant proposal and/or the Annual Gap Survey.

Client Comments: Concur. "The CPMT has approved more detailed guidance regarding long range planning into the local CPMT and FAPT Policy and Procedures Manual. A subcommittee of the CPMT has been created and charged with

developing a structure on how the planning process will transpire. The new policy includes the following implementation steps:"

1. "Annually the CPMT will review existing strengths and needs of the community and service delivery system. This process will include the annual Critical Gap Survey and feedback gathered from FAPT, engaged citizens and community stakeholders (including via written communication and/or online forums)."
2. "The long range planning process will include the review of strengths and needs, development of priority goals, identification of barriers, strategies/action steps, responsible parties, measurable outcomes and target dates."
3. "The CPMT shall then assess the need for and implement any formal training that stems from the planning process."

Observation 4:

Internal controls established by CSA statutes were not effectively implemented by the CPMT in order to safeguard against conflicts of interest and separation of duties pertaining to the referral of services and approval of access to CSA pool funds by eligible youth and their families. Two instances were observed that demonstrated that the established controls were not working as intended:

- Statements of Economic Interest Forms were not completed by CPMT and FAPT members that did not represent a public agency. In addition, the CPMT did not identify and verify that team members representing public agencies that were required to file such forms complied with the requirement.
- Three participants of the FAPT served dual roles in the local CSA program structure. Two of the FAPT representatives (Behavioral Health representative and Social Services) were also alternate representatives of their respective agencies for CPMT. The Department of Health representative for FAPT is also the appointed representative for the Health Department on CPMT.

The effectiveness of the controls to ensure accountability and appropriate use of CSA pool funds are significantly reduced, because the increased opportunity for a single individual to engage in the referral, approval, and/or case management of CSA funded services.

Criteria: CSA code section § 2.2-3100; § 2.2-3101; § 2.2-3117; § 2.2-5205; COV § 2.2-5207;
Craig County CPMT Bylaws
Craig County CPMT Policy and Procedures Manual
DOA Agency Risk Management and Internal Control Standards, Control Activities

Recommendation: The CPMT should ensure that that Statements of Economic Interests Forms are completed immediately for all non-public participating members of the CPMT and FAPT. Forms should be updated annually and retained in accordance with records retention procedures. In addition, the CPMT should identify public employees required to complete such forms and implement a process to confirm and document compliance with the requirement. Lastly, individuals serving dual roles should be required to abstain from decision making involving funding services for which they participated as a FAPT member (i.e. CPMT) or Case Manager (i.e. FAPT).

Client Comments: Concur. “The CPMT has obtained signed Statement of Economic Interest Disclosures on a newly appointed CPMT private provider and parent representative. We are still searching for a Parent Representative for the FAPT. The CPMT has also identified the following other public employees whose positions require the completion of this document: Board of Supervisors member Martha Murphy, County Administrator Richard Flora and 25th District Court Service Unit Director, Gary Conway. We have verified the Statements are signed for these persons. Additionally, The Craig County Public School Board is considering a requirement for the Superintendent, Kelly Wilmore, to provide this disclosure. The school board’s deliberation on this matter will be monitored.”

“The CPMT recognizes the importance and value of having the Department of Health, public health nurse, serve on both the FAPT and CPMT. Additionally, the challenges inherent to a small community such as Craig County include a smaller pool of public employees and other qualified individuals to fill the various roles required of CSA. As such, it is often required that persons serve in dual roles. The CPMT has adopted policy that any person serving in a dual role shall abstain from decision making (voting) regarding funding services where they participated as either a FAPT member or case manager.”

Observation 5: Existing Craig County CSA policies and procedures are not consistent with established State CSA requirements, which direct the CPMT to ensure that procedures are established to govern local CSA programs. A review of Craig County CPMT policies and procedures noted the following criteria were not met:

- The CPMT has not developed and incorporated policies for providing intensive care coordination services for children who are at risk of entering or are placed in residential care through the CSA program in accordance with the criteria established by Code of Virginia Section 2.2-5206 item 17.
- Further, procedures regarding the collection of data for students with disabilities receiving congregate care education services or private day education services have not been documented as required by the joint memorandum issued October 29, 2010 by the Department of Education (DOE) and the Office of Comprehensive Services (OCS).
- Fiscal policies and procedures have not been established in reference to contracting for services, budgeting, collection of parental co-pay contributions, and reconciliation of CSA fund balances and associated expenditures.

Criteria: COV § 2.2-5206, Item 17
CSA Policy Manual 3.1.5 Duties and Responsibilities
OCS/DOE Joint Memorandum Issued October 29, 2010: Reporting of Student Testing Identifier to CPMT for IEP Placements in Private Programs
DOA Agency Risk Management and Internal Control Standards, Control Activities

Recommendation: The CPMT should initiate an immediate review of Craig County CSA policies and procedures, which should be revised as necessary to reflect current state and local CSA practices and requirements. The CPMT should also implement a process for managing procedure reviews to ensure local procedures are relevant and consistently reflect current practices and requirements.

Client Comments: Concur. "CPMT has been involved in reviewing policies and procedures on an ongoing basis. Recently, as a result of the audit, revisions have been made in local policy regarding data collection for students with disabilities and the parental co-pay policy. The DSS Administrative Office Manager has consulted with the county's auditor and treasurer to develop practices

that have been implemented to reconcile expenditures and fund balances on a monthly basis. A local policy to address intensive care coordination will be developed”.

“It should be noted that there is data to suggest that the utilization of CSA services has become much more efficient and effective. Specifically, for FY13 CSA expenditures are down significantly over what they have been in the past. For this year they are projected at approximately \$469,483 which includes \$128,296 that was actually from the third quarter of FY11. The true FY13 expenditures are projected at \$341,187. At the same time the numbers of children in foster care, and coming into foster care, is also down significantly. It should be noted that one or two high dollar children receiving services will have a huge impact on costs incurred in a small locality.”

Observation 6:

Opportunities exist for the CPMT to improve communication of the local CSA program’s philosophy, ethics, goals, objectives, policies, procedures and financial/operational performance outcomes. There is little evidence to support how this information is disseminated to partnering agency representatives, youth, families and community stakeholders. Specific areas to be addressed include:

- A formal continuing education program has not been established to ensure local CSA stakeholders are afforded awareness on the duties and responsibilities of CPMT, State requirements, and local policies and procedures governing CSA.
- The CPMT has not been actively involved in the budget process related to CSA. There were no specific reports presented in the prior 18 months of aggregate financial activities of the local program.

The broader dissemination of information to all CSA stakeholders promotes consistency in awareness and understanding regarding service planning, accessibility to funding, and responsible use of taxpayer funds.

Criteria:

COV § 2.2-5200

CSA Manual Section 1, Items 4 through 6

DOA Agency Risk Management and Internal Control Standards, Control Environment (Governance) and Control Activities (Competence and Monitoring)

Recommendation: The CPMT should implement a process to enhance communications with partner agencies, youth, families, and community stakeholders to promote the local CSA program and share information regarding the program's philosophy, ethics, goals, performance, budgeting, etc. Suggested actions to be considered may include, but not limited to, the following:

- The CPMT should periodically assess the training needs of CPMT, FAPT, and community stakeholders. Based upon assessment results, the CPMT should develop and implement a formal training plan. At least annually, the CPMT should report on continuing education acquired by CPMT and FAPT members and participation by community stakeholders.
- The CPMT should include budget planning and financial reporting considerations as an agenda item for CPMT meetings.

Client Comments: Concur. "The CPMT adopted the outline of a formal training plan on May 15, 2013. Annually continuing education that relates to CSA that is acquired by the CPMT and FAPT members, and other community stakeholders will be gathered. The CPMT has developed a website for ongoing dissemination of information to the public and community stakeholders. Financial and program reporting are included as a regular agenda items for the CPMT. Financial information being presented is being enhanced, and will be modified on an ongoing basis as needed data becomes evident. Thus far financial reporting has included pool reimbursement reports YTD expenditures, financial projections for the balance of FY13, and a summary of costs by current case types."

C) FISCAL ACTIVITIES

Observation 7: Fiscal records reviewed indicated internal control weaknesses pertaining to adequate reviews, evidence of appropriate approvals/authorizations, timeliness, and completeness of documentation. Specific observations noted were as follows:

- Expenditure reimbursements totaling \$8,217 were requested and received where documentation was not available to support the eligibility of the clients served and/or the validity of the transaction documented (i.e. missing purchase order, invoices, IFSP, etc). This condition was observed for 6 (37%) of the 16 client cases examined.

- Prior to fiscal year 2012, purchase of service orders were not always used to document and initiate acquisition of services received on behalf of clients served.
- Pool fund reimbursements were not always requested timely. Per the CSA Policy Manual, reimbursement requests are to be submitted no later than 30 days after the close of the quarter in which the expenditure was paid. This condition was previously reported in the annual Comprehensive Annual Financial Report (CAFR) audits performed by an independent Certified Public Accounting (CPA) firm for fiscal years 2010 and 2011.
- CSA expenditures were not periodically and formally reconciled to the fund balance and expenditures reported on the locality general ledger/budget line item report.

Based upon the conditions cited, the potential that funds could be mismanaged is significantly increased.

Criteria:

2011 Appropriations Act, Chapter 890, Item 274, § B.1.e.

CSA Manual Section 3.1.5.b. Referrals to Family Assessment and Planning Teams

CSA Manual Section 3.2.6. Access to Pool Funds from Community Policy & Management Teams

CSA Manual Section 4.5.3 Disbursement Procedures and Toolkit

CSA Manual Section 4.5.8, Fund Audit

Recommendation:

The CPMT should coordinate with the Office of Comprehensive Services to reimburse the state share of expenditures that could not be validated. The CPMT should also ensure that a process is established for timely completion of requests for reimbursements and for reconciling CSA expenditures reported on pool fund reimbursement reports with local government general ledger accounts. Further, the CSA Coordinator should periodically perform case file reviews of fiscal transactions to ensure the existence of child specific purchase orders and invoices for each service initiated and paid and that payments are consistent with services identified in the IFSP/IEP/ etc.

Client Comments:

“Cases that included missing supporting documentation were for youth and families who had received services that terminated prior to September 2011.”

“As indicated in the audit, purchase orders were not always utilized to authorize service payments prior to FY12; however, that deficiency was corrected. Additionally, with one exception, pool fund reimbursements have been submitted monthly, and no less than quarterly, since September 2011. The one exception was a 30 day extension granted to October 30, 2011 in order to submit reimbursements that the Office of Comprehensive Services had previously declined to consider for the third quarter of FY12.”

“As mentioned above, CSA expenditures are now being reconciled (monthly) to the county’s fund balance as supplied by the treasurer (Trial Balance Report). Additionally, bank deposits for CSA reimbursements are reconciled with pool reimbursement reports monthly.”

Observation 8: 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. While parental copay assessments have been completed and documented since 2012, Craig County CSA has not adequately enforced collection of outstanding receivables. Families were not invoiced as a means to collect payments and past-due notices were not distributed timely. As of September 2012, past due receivables totaled \$345. Under these conditions, the opportunity lost for collection of additional funds is significant and could materially impact the local program’s ability to increase funding availability for services required to meet the needs of the community.

Criteria: COV § 2.2-5206 (3); COV § 2.2-5208 (6)
CSA Manual Section 3.1.5 Duties and Responsibilities
CSA Manual Section 4.5.4 Sliding Fee Scale
Craig County CSA Policy and Procedures Manual

Recommendation: The CPMT should ensure that the CSA Coordinator documents parental ability to pay supported by verification of stated income or certification stating indigent status. The amount assessed should be reported to the CPMT along with the request for approval for funding of FAPT referred services. Collection and reporting procedures should be established to ensure amount received are recorded accurately and timely. Such documentation should be retained in the case file for the required records retention period.

Client Comments: “Parental copay policy has been revised by the CPMT and includes income calculations, a sliding scale for the amount of payment to be obligated, a means of billing, a parents’ appeal process, and consequences for parental failure to comply. Summary status of parental copays will be included with other financial reporting at monthly CPMT meetings.”

CONCLUSION

Our audit concluded that there were material weaknesses in internal controls over the Craig County CSA program, particularly in reference to governance and accountability of the \$1.9 million of allocated (state and local) funding. Conditions were identified pertaining to the administrative, operational and fiscal practices of the locally administered program that could adversely impact the effectiveness and efficient use of resources, as well as non-compliance with statutory requirements. An exit conference was conducted on May 29, 2013 to present the audit results to the Craig County CPMT. Persons in attendance representing the Craig County CPMT: Richard Flora, Craig County Administrator/CPMT Fiscal Agent; James Weber, CPMT Chair/Director, Craig County Department of Social Services; and Kelie Smith, CSA Coordinator. Representing the Office of Comprehensive Services was: Stephanie Bacote, Program Auditor and Ty Parr, Finance and Data Consultant. We would like to thank the Craig County CPMT and related CSA staff for their cooperation and assistance on this audit.

REPORT DISTRIBUTION

Ms. Susan Clare, Executive Director
Office of Comprehensive Services

Mr. Richard Flora, County Administrator
CPMT Fiscal Agent, Craig County

Mr. Jim Weber, CPMT Chair
Director, Craig County Department of Social Services

Ms. Kelie Smith, CSA Coordinator