

AGENDA
State Executive Council for the Children's Services Act
September 21, 2017

East Reading Room
Patrick Henry Building
1111 East Broad Street
Richmond, VA 23219

- 9:30 a.m. **Welcome and Chair Remarks – *Dr. Bill Hazel***
 ➤ **Action Item** – Approval of June 2017 Minutes
- 9:50 a.m. **Public Comment**
- 10:20 a.m. **Executive Director's Report – *Scott Reiner***
 - FY2017 Expenditure Status Update
 - Status of General Assembly activity / Private Day Education
 - Independent Living Arrangements Workgroup
 - Status of Various Outcome Reports and Activities
- 10:45 a.m. **SLAT Report – *Dr. Tamara Temoney***
- 10:55 a.m. **Proposed SEC Policy on Response to Audit Findings – *Janet Van Cuyk***
 - Summary of Public Comment Received / Fiscal Impact Estimate
 - **Action Item** – OCS Response to Audit Findings (SEC Policy 4.7)
 - Approval of Proposed Policy for October 1, 2017 implementation
- 11:30 a.m. **Member Updates**
- 12:00 Noon **Adjournment**

2017 Meeting Schedule: December 14

DRAFT

**STATE EXECUTIVE COUNCIL (SEC)
FOR CHILDREN'S SERVICES**

Richmond/Henrico Rooms

1604 Santa Rosa Road

Richmond, VA

Thursday, June 15, 2017

SEC Members Present:

The Honorable William A. (Bill) Hazel, Jr., M.D., Secretary of Health and Human Resources (*Chair*)
Jack Barber, Interim Commissioner, Virginia Department of Behavioral Health

and Developmental Services

The Honorable Richard "Dickie" Bell, Member, Virginia House of Delegates

The Honorable Mary Biggs, Member, Montgomery County Board of Supervisors

Sophia Booker, Service Recipient Representative

Bob Hicks for Dr. Marissa Levine, Commissioner, Virginia Department of Health

The Honorable Catherine Hudgins, Member, Fairfax County Board of Supervisors

Cindi Jones, Director, Department of Medical Assistance Services

Maurice Jones, City Manager, City of Charlottesville

Sandra Karison for Karl Hade, Executive Secretary of the Supreme Court of Virginia

The Honorable Sheila Olem, Council Member, Town of Herndon

Elizabeth O'Shea, Parent Representative

Greg Peters, President and CEO, UMFS

R. Morgan Quicke, County Administrator, Richmond County

Margaret Schultze, Commissioner, Virginia Department of Social Services

The Honorable Frank Somerville, Presiding Judge, 16th Judicial District, Juvenile and Domestic
Relations District Court

Tamara Temoney, Ph.D., Chair, State and Local Advisory Team (SLAT)

Angela Valentine for Andrew Block, Director of the Department of Juvenile Justice

SEC Members Absent:

John Eisenberg, for Steven Staples, Ed.D., Superintendent of Public Instruction, Virginia Department
of Education

Courtney Gaskins, Ph.D., Director of Program Services, Youth for Tomorrow

Jeanette Troyer, Parent Representative

The Honorable Jennifer Wexton, Member, Senate of Virginia

Other Staff Present:

Scott Reiner, Executive Director, OCS

Janet Van Cuyk, Assistant Director, OCS

Eric Reynolds, Assistant Attorney General, Office of the Attorney General

Stephanie Bacote, Program Audit Manager, OCS

Donald Barcomb, Program Auditor, OCS

Marsha Mucha, Administrative Staff Assistant, OCS

Kristi Schabo, Program Consultant, OCS

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Call to Order and Approval of Minutes

Secretary Hazel called the meeting to order at 9:35 a.m. and welcomed everyone. Introductions were made. Dr. Hazel provided members with a brief update on activities at the state and national level of interest to the Health and Human Resources Secretariat.

The minutes of the March 23, 2017 meeting were approved without objection. (*Catherine Hudgins and Sheila Olem abstained.*)

Public Comment

There was no public comment.

Executive Director's Report

Mr. Reiner reported on the following items:

- OCS is participating for the first time in a data matching event with the Virginia Longitudinal Data System (VLDS). Results are pending.
- Members were provided with a FY2017 Training Progress Report. As of June 14, over 3,000 persons have been provided training through conferences, specifically designed trainings, and/or on-line training modules on CSA.
- An online course is being developed on the use of special education wraparound funds and should be ready by July 1, 2017. OCS has also started designing a set of courses for CPMT members highlighting their roles and responsibilities. It was suggested that OCS work with the Virginia Municipal League (VML) and the Virginia Association of Counties (VACo) to provide training on CSA to their memberships.
- The FY2018 Training Plan was submitted for approval (*first reading at March meeting*). The Training Plan was approved without objection.
- At this point in time, FY2017 CSA expenditures are approximately 6 ½ percent greater than FY2016. The greatest increase in expenditures (75 percent) is seen in private day education.
- Budget amendment Item 1#6c directs staff of the legislative money committees to examine the options and determine the actions necessary to better manage the quality and costs of private day educational programs currently funded through the CSA. Mr. Reiner noted that he has reached out to the staff of these committees and offered assistance from OCS as it is needed.
- This year's CSA conference had a total of over 650 participants. Overall conference evaluations have been good. Next year's conference, which will celebrate the 25th anniversary of CSA, will be held May 1 and 2, 2018 with the pre-conference session scheduled for April 30.
- OCS staff convened the initial meeting of a work group to examine and recommend revisions to the service delivery and pricing model for independent living arrangements for youth over the age of 18 enrolled in the VDSS Fostering Futures Program. Representation on the work group includes OCS, VDSS, LDSS and private providers.

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SLAT Report

Tamara Temoney, SLAT Chair reported that SLAT has finalized their work plan for the upcoming year. SLAT members have decided to focus their work on gaining a better understanding of congregate care, prevention of congregate care and discharge planning.

Dr. Temoney explained that action steps have been developed in each of the three areas (i.e. exploring barriers for potential prevention services, reviewing California's plan for youth in foster care, finding examples of effective discharge planning and expected outcomes). The SEC approved the SLAT work plan without objection.

Dr. Temoney also reported that Charles Walsh (*primary*) and Ivy Sager (*alternate*) have been recommended by the Virginia Association of Community Services Boards for reappointment to SLAT for a three-year term beginning July 1, 2017. A motion was made by Jack Barber, seconded by Sheila Olem and carried to approve the reappointments to SLAT.

Proposed SEC Policy on Response to Audit Findings

Janet Van Cuyk provided background information on the proposed policy. She explained that a public comment period on the Notice of Intent to Develop Policy concluded on May 31 and she noted the summary of public comments received.

Ms. Van Cuyk requested that the SEC approve the proposed policy, SEC Policy 4.7, *Response to Audit Findings with Regard to CSA*, for advancement to the Proposed Stage of policy making. If advanced to the Proposed Stage, the proposed policy will be open for a 60-day public comment period; analyzed for fiscal impact; and reviewed by the Attorney General to ensure statutory authority for the proposed policy-making action.

Proposed policy, SEC Policy 4.7 was approved for advancement to the Proposed Stage on a motion by Greg Peters, seconded by Mary Biggs and carried.

SEC Policy Initiative

Janet Van Cuyk reported that over the course of 24 years, SEC policies have been adopted in varying formats. The SEC has also adopted guidelines that have not been fully incorporated into the Policy Manual. In order to prepare for a subsequent substantive review of all SEC approved documents, OCS is recommending the SEC to authorize OCS to reformat and revise each of the SEC policies to achieve clarity and consistency. This review will not result in any policy changes.

The technical review and revision of the Policy Manual and incorporation of SEC approved guidelines that are already incorporated by reference into or substantially included in the text of the policies was approved on a motion by Margaret Schultze, seconded by Mary Biggs and carried.

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Presentation

Chris Gordon, Chief of Staff for Community Health Services and Leslie Hoglund, Director, Division of Population Health Data with the Virginia Department of Health presented on Virginia's Plan for Well-Being. After the presentation, members discussed how activities of the SEC might enhance/contribute to the goals of the Plan and future collaboration.

Member Updates

Dr. Hazel asked members to report on activities within their agencies and organizations. Members reported on upcoming conferences and events. Members continue to work within their agencies, serve on workgroups and advocate through their associations for improvements to services and service delivery for the children, youth and families of Virginia.

Next Meeting and Adjournment

There being no further business the meeting was adjourned at 12:25 p.m.



COMMONWEALTH of VIRGINIA

Scott Reiner, M.S.
Executive Director

OFFICE OF CHILDREN'S SERVICES
Administering the Children's Services Act

MEMORANDUM

TO: State Executive Council for Children's Services

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

RE: Deficit Provision Act Notification

DATE: September 21, 2017

In accordance with the Appropriations Act (Chapter 836, Section 4-3.01), I am providing you with the following information. The required form has been submitted to the Department of Planning and Budget.

Section 4-3.01 Requirements

Section 4-3.01 of Chapter 836 prohibits agencies from obligating or expending general fund amounts in excess of appropriations or obligating or expending at a rate that would result in expenditures in excess of nongeneral fund revenue collections and appropriations, without prior approval by the Governor. The prohibition from incurring a deficit applies to legislative, judicial, and executive branch, and independent agencies that are designated in the Appropriation Act by title and assigned a three digit agency code by DPB.

Agency analysis and monitoring of expenditures against cash, allotments, and appropriations are critical to avoid incurring a deficit at the close of the fiscal year. Agencies must alert DPB as soon as possible if a problem is detected and anticipated at year-end close. Any agency currently aware of potential deficits should notify DPB immediately. Do not wait until year-end close is underway.

Agencies should not assume that expenditures in excess of appropriations will be met from unappropriated nongeneral funds, by transfers from other current appropriations, or from appropriation of a prior-year, unexpended balances. Each agency's request for an appropriation allotment or any other action which requires executive approval will be treated (in the absence of any specific statement to the contrary) as the representation that approval of the request will neither directly nor indirectly result in a deficit.

Pursuant to § 4-3.01, if any agency violates any of the prohibitions stated above and incurs an unauthorized deficit, the Governor is directed to withhold approval of such excess obligation or expenditure. The section stipulates that there will be no reimbursement of said excess, nor shall there be any liability or obligation upon

the state to appropriate funds to address the unauthorized deficit. Instead, those members of the governing board of any such agency who shall have voted therefore, or its head if there be no governing board, making any such excess obligation or expenditure shall be personally liable for the full amount of such unauthorized deficit and, at the discretion of the Governor, shall be deemed guilty of neglect of official duty and be subject to removal from his/her position.

Required Form

Section 4-3.01 also requires the Governor to bring the deficit provision to the attention of the members of the governing board of each state agency or the agency head if there is no governing board. Consistent with this provision, the agency head is directed to acknowledge the receipt of this notification by completing the form found in *Appendix A*.

A signed form is required from each cabinet secretary and all agency heads in the legislative, judicial, and executive branches and the independent agencies. Acknowledgement cannot be delegated and must contain the original signature of the cabinet secretary or agency head.

The heads of agencies with governing boards must also provide each board member with a copy of this notice and of §4-3.01. The governing boards are those specified as supervisory boards in §2.2-2100, Code of Virginia. Agency heads are also requested to provide the material to any board members and fiscal officers who may be appointed in the future.

Visit the [Help Center](#) to learn more about the features of the State Budget Portal.

VIRGINIA STATE BUDGET

2017 Session

Budget Bill - HB1500 (Chapter 836)

Bill Order » Deficit Authorization and Treasury Loans » Part 4: General Provisions » Item 4-3.01

Deficits

Item 4-3.01

§ 4-3.00 DEFICIT AUTHORIZATION AND TREASURY LOANS

§ 4-3.01 DEFICITS

a. GENERAL:

1. Except as provided in this section no state agency shall incur a deficit. No state agency receiving general fund appropriations under the provisions of this act shall obligate or expend moneys in excess of its general fund appropriations, nor shall it obligate or expend moneys in excess of nongeneral fund revenues that are collected and appropriated.

2. The Governor is authorized to approve deficit funding for a state agency under the following conditions:

a) an unanticipated federal or judicial mandate has been imposed,

b) insufficient moneys are available in the first year of the biennium for start-up of General Assembly-approved action, or

c) delay pending action by the General Assembly at its next legislative session will result in the curtailment of services required by statute or those required by federal mandate or will produce a threat to life, safety, health or property.

d) Such approval by the Governor shall be in writing under the conditions described in § 4-3.02 a Authorized Deficit Loans of this act and shall be promptly communicated to the Chairmen of the House Appropriations and Senate Finance Committees within five calendar days of deficit approval.

3. Deficits shall not be authorized for capital projects.

4. The Department of Transportation may obligate funds in excess of the current biennium appropriation for projects of a capital nature not covered by § 4-4.00 Capital Projects, of this act provided such projects a) are delineated in the Virginia Transportation Six-Year Improvement Program, as approved by the Commonwealth Transportation Board; and b) have sufficient cash allocated to each such project to cover projected costs in each year of the Program; and provided that c) sufficient revenues are projected to meet all cash obligations for such projects as well as all other commitments and appropriations approved by the General Assembly in the biennial budget.

b. UNAUTHORIZED DEFICITS: If any agency contravenes any of the prohibitions stated above, thereby incurring an unauthorized deficit, the Governor is hereby directed to withhold approval of such excess obligation or expenditure. Further, there shall be no reimbursement of said excess, nor shall there be any liability or obligation upon the state to make any appropriation hereafter to meet such unauthorized deficit. Further, those members of the governing board of any such agency who shall have voted therefor, or its head if there be no governing board, making any such excess obligation or expenditure shall be personally liable for the full amount of such unauthorized deficit and, at the discretion of the Governor, shall be deemed guilty of neglect of official duty and be subject to removal therefor. Further, the State Comptroller is hereby

directed to make public any such unauthorized deficit, and the Director, Department of Planning and Budget, is hereby directed to set out such unauthorized deficits in the next biennium budget. In addition, the Governor is directed to bring this provision of this act to the attention of the members of the governing board of each state agency, or its head if there be no governing board, within two weeks of the date that this act becomes effective. The governing board or the agency head shall execute and return to the Governor a signed acknowledgment of such notification.

c. **TOTAL AUTHORIZED DEFICITS:** The amount which the Governor may authorize, under the provisions of this section during the current biennium, to be expended from loans repayable out of the general fund of the state treasury, for all state agencies, or other agencies combined, in excess of general fund appropriations for the current biennium, shall not exceed one and one-half percent (1 1/2%) of the revenues collected and paid into the general fund of the state treasury as defined in § 4-2.02 b. of this act during the last year of the previous biennium and the first year of the current biennium.

d. The Governor shall report any such authorized and unauthorized deficits to the Chairmen of the House Appropriations and Senate Finance Committees within five calendar days of deficit approval. By August 15 of each year, the Governor shall provide a comprehensive report to the Chairmen of the House Appropriations and Senate Finance Committees detailing all such deficits.



[CSA Statistics Home](#) > [CSA Pool Reporting](#)

CSA POOL REIMBURSEMENT REQUEST REPORT COMPARISON (FY14 -FY17)

Today's Date: **September 11, 2017** Net Total Expenditures of each Fiscal Year.
 Net Total Expenditures include all reports with a status of 1 or greater (All non-pended reports)

EXPENDITURE DESCRIPTION	NET TOTAL EXPENDS FY14	NET TOTAL EXPENDS FY15	NET TOTAL EXPENDS FY16	NET TOTAL EXPENDS FY17	\$ CHG	% CHG
NUMBER OF REPORTS	1,617	1,622	1,607	1,686	79	
1. MANDATED SERVICES / RESIDENTIAL / CONGREGATE CARE						
1a. Foster Care - IV-E children in Licensed Residential Congregate Care ; pool expenditures for costs not covered by IV-E (i.e., non room-and-board)	3,142,980	3,447,613	3,110,499	3,044,568	-65,931	-2.1%
1b. Foster Care - all others in Licensed Residential Congregate Care	19,041,759	20,053,075	17,896,275	15,603,141	-2,293,134	-12.8%
1c. Residential Congregate Care - CSA Parental Agreements ; DSS Noncustodial Agreements	9,207,522	10,167,830	11,472,375	12,073,607	601,233	5.2%
1d. Non-Mandated Services/Residential/Congregate	1,432,070	1,209,325	1,046,970	919,692	-127,278	-12.2%
1e. Educational Services - Congregate Care	36,616,882	39,342,556	41,257,713	42,685,532	1,427,819	3.5%
- School Referred Residential - Non-Educational Services	0	0	0	0	0	0%
2. OTHER MANDATED SERVICES						
2a. Therapeutic (Treatment) Foster Care - IV-E	25,105,829	28,252,759	30,705,050	34,109,651	3,404,600	11.1%
2a.1 Therapeutic (Treatment) Foster Care	46,762,228	44,777,390	40,588,651	36,153,174	-4,435,477	-10.9%
2a.2 Therapeutic (Treatment) Foster Care - CSA Parental Agreements ; DSS Noncustodial Agreements	670,522	435,216	523,937	489,075	-34,861	-6.7%
2b. Specialized Foster Care - IV-E ; Community Based Services	1,676,903	1,857,713	1,126,321	-5,376	-1,131,697	-100.5%
2b.1 Specialized Foster Care	4,061,212	4,452,580	2,649,069	-46,008	-2,695,077	-101.7%
2c. Family Foster Care - IV-E ; Community Based Services	1,070,859	1,343,363	1,907,894	2,145,779	237,885	12.5%

Pool Totals Comparison by Category - Statewide

2d.	Family Foster Care Maintenance only	3,335,411	3,938,209	2,673,711	-5,005	-2,678,716	-100.2%
2e.	Family Foster Care – Children receiving maintenance and basic activities payments; Independent living Stipend/Arrangements	10,172,294	9,395,457	14,028,563	17,991,568	3,963,005	28.2%
2f.	Community - Based Services	29,113,633	31,290,851	34,326,314	39,203,998	4,877,684	14.2%
2f.1	Community Transition Services – Direct Family Services to Transition from Residential to Community	2,033,166	1,406,063	1,336,246	1,111,507	-224,739	-16.8%
2g.	Alternative Day Placement/ SPED Private Day	107,398,834	119,136,595	132,969,544	147,645,938	14,676,394	11.0%
2h.	Wrap Services for Students with Disabilities	1,743,980	1,767,747	1,841,355	2,349,092	507,738	27.6%
2i.	Psychiatric Hospitals/Crisis Stabilization Units	14,315	276,593	209,844	224,168	14,324	6.8%
3.	Non-Mandated Services/Community-Based	3,632,937	3,887,372	3,902,649	3,663,829	-238,820	-6.1%
	GRAND TOTALS:	306,233,334	326,438,306	343,572,978	359,357,930	15,784,952	4.6%



COMMONWEALTH of VIRGINIA

Scott Reiner, M.S.
Executive Director

OFFICE OF CHILDREN'S SERVICES
Administering the Children's Services Act

MEMORANDUM

TO: State Executive Council for Children's Services

FROM: Janet Van Cuyk, Assistant Director
Office of Children's Services

VIA: Scott Reiner, Executive Director

RE: SEC Policy 4.7 (Response to Audit Findings) – Request for Final Approval

DATE: September 21, 2017

I. Action Requested

The State Executive Council for Children's Services (SEC) is requested to provide final approval the proposed SEC Policy 4.7, Response to Audit Findings with Regard to Children Services Act, pursuant to SEC Policy 2.4, Public Participation in Policy-making Actions.

If approved the policy would become effective October 1, 2017 and be applicable to as yet not completed audits beginning with the FY2017 – FY 2019 cycle. Audits in this cycle will be considered the "base" year for any findings that may result in action as a "second or subsequent" finding under the proposed policy.

II. Background

Section 2.2-2648 of the *Code of Virginia* authorizes the SEC to establish interagency programmatic and fiscal policies, provide for the administration of necessary functions that support the work of the Office on Children's Services (OCS), establish and oversee the operation of an informal review and negotiation process with the OCS Executive Director and a formal dispute resolution procedure before the SEC when the Executive Director or SEC finds that a community policy and management team (CPMT) failed to comply with any provision of, and deny state funding to a locality where a CPMT fails to comply with the CSA or other applicable statutes or policies.

SEC Policy 4.6, Denial of Funds, sets forth the procedures to follow for investigating or determining noncompliance with applicable statutes, regulations, or policies applicable to the Children's Services Act (CSA).

Section 2.2-2648 of the *Code of Virginia* authorizes the OCS to develop and provide for the consistent oversight for program administration and compliance with state policies and procedures; provide an informal review and negotiation process; and implement, in collaboration with participating state agencies, policies, guidelines and procedures adopted by the SEC.

OCS employees conduct audits of local CSA programs, procedures, and practices through interview, observation, and the review of documentation to determine compliance, in whole or in part, with the requirements of relevant state or federal statutes, including the applicable Appropriations Act provisions, regulations, or policies, whether specific to the CSA or promulgated by the agencies participating in the CSA, that govern the operations of local CSA programs.

The report completed by the OCS auditors is reviewed by the OCS Executive Director where a determination is made, if applicable, as to the type of noncompliance and whether the locality will be required to reimburse the expended state pool funds. The categories and actions outlined in this proposed SEC Policy 4.7, Response to Audit Findings with Regard to Children Services Act, are consistent with current OCS practices.

The SEC's Finance and Audit Committee developed the substance of this policy. The committee advanced the concept and the level designations for consideration by the SEC at the Notice Stage and the SEC approved this proposed policy for public comment at the Proposed Stage at its meeting on June 15, 2017.

III. Public Comment

A public comment period at the Proposed Stage was open from June 19, 2017, through August 20, 2017. Below in tabular format is a summary of the public comments received and the responses of the OCS for consideration by the SEC. Full text copies of all of the public comments received are available for your review.

IV. Conclusion

The proposed SEC Policy 4.7 is intended to provide clarity to localities on OCS's response to audit findings of noncompliance and guidance for the OCS Executive Director for objective, consistent responses to such findings. The proposed draft reflects responses to the public comments received as described in this memorandum.

The SEC is requested to authorize final approval of the proposed (as revised) SEC Policy 4.7, Response to Audit Findings with Regard to Children Services Act, pursuant to SEC Policy 2.4, Public Participation in Policy-making Actions.

#	Commenter	Summary of Comments	OCS Response
1	Gloucester County CPMT (via the OCS website)	<p>1. Section 4.7.4.2 Noncompliance Level Two Finding, B.3.: "CPMT did not approve services and expenditures in a timely manner but did so within a reasonable (e.g. 30 day) time period". This seems to be open to interpretation based on what timely manner may be to one person vs. another. It is suggested that guidance be provided on what is recommended in the user's guide if this timely manner statement remains. While vague can be good, it can also serve the opposite purpose.</p>	<p>Thank you for submitting Gloucester County's comments on the Proposed Stage of SEC Policy 4.7.</p> <p>1. The proposed policy has been revised to remove references to "timely". The specific items referred to in this comment have also been removed from this area of the proposed policy.</p>
2	Sarah Snead, President Virginia Association of Local Human Services Officials	<p>1. Proposed policy is a reasonable action, concern is with potential unintended consequences. SEC should ensure the audit process maintains a balance between the state's oversight function and locality's authority to make program and funding decisions.</p> <p>2. The language of the proposed policy has moved away from a collaborative, quality improvement process to a more punitive process that places localities in increased financial risk.</p> <p>3. OCS audits should focus on compliance to CSA policy. Audit findings such as "inadequate documentation", "inadequate fiscal controls", "sufficient evidence", "timely manner", "obsolete", "incomplete" are open to</p>	<p>1. Thank you for submitting VALHSO's comments on the Proposed Stage of SEC Policy 4.7. The comment that the SEC should ensure the audit process maintains a balance between the state's oversight function and locality's authority to make program and funding decisions is appreciated and is the intent of the proposed policy.</p> <p>2. The proposed policy memorializes existing practice with regard to OCS response to audit findings that have been in place for years. There is no intent to move to a more punitive mode of response to audit findings, but rather to balance statutorily required oversight with a quality improvement oriented process. The policy provides a framework for consistency in the response to audit findings.</p> <p>3. The proposed policy has been revised to provide the specific statutory and policy bases for potential areas of noncompliance. Additionally, the questioned terms were either removed or further defined for clarity and exactitude. Local CSA programs have the right to dispute</p>

<p>any audit findings they disagree with and to have the OCS and the SEC make a final determination of their validity.</p> <p>4. With regard to other external audit findings (e.g., independent financial audits) being taken into consideration during an OCS audit, OCS is willing to and already does so. However, due to the complexity of the CSA program, few independent financial audits are familiar with, nor explore in detail, compliance with CSA requirements. The OCS audit is responsible for ensuring accountability for the use of state CSA funds and cannot delegate that to other, external audit processes.</p> <p>5. It is unclear what further specificity is desired. SEC Policy 3.4 (“Dispute Resolution Process”) specifies the due process for appealing a fiscal sanction. Over the past three years of audits, a relatively small number of findings have resulted in a denial of funds and an even smaller number have resulted in informal appeals to the OCS. No denial of funds action has progressed to a formal hearing before the SEC. The commenters proposed “Responses to Noncompliance Findings” are insufficient to meet the statutory requirements of the SEC to deny funding where the CPMT fails to provide services that comply with the Children’s Services Act.”</p> <p>6. OCS agrees that the CSA program is complex. The definitions of noncompliance however, are derived directly from statute, regulation or policy. OCS audits examine a relatively small sample of cases, therefore limiting the potential adverse impact of administrative errors. Allowing a threshold of error where state pool funds have been used inappropriately would be in contradiction to statutory language as provided in the</p>	<p>interpretation and could allow the audit to invade the purview of the local CPMT.</p> <p>4. Other external audit findings (e.g., independent financial audits) should be taken into consideration during an OCS audit.</p> <p>5. The proposed policy does not clearly define the fiscal parameters related to denial of funds and/or fund recovery. Further definition is required related to what is included in the fiscal sanction process. A due process for appealing fiscal sanctions as well as a graduated system of denial and withholding of funds should be included in the policy (example provided).</p> <p>6. The proposed policy should include an allowable threshold of errors as is common with other audit processes. The audit process should take into consideration the complexity of a local CSA program, the fact that it is a multi-agency process and reflect that in the definition of noncompliance. There should be an</p>	<p>interpretation and could allow the audit to invade the purview of the local CPMT.</p> <p>4. Other external audit findings (e.g., independent financial audits) should be taken into consideration during an OCS audit.</p> <p>5. The proposed policy does not clearly define the fiscal parameters related to denial of funds and/or fund recovery. Further definition is required related to what is included in the fiscal sanction process. A due process for appealing fiscal sanctions as well as a graduated system of denial and withholding of funds should be included in the policy (example provided).</p> <p>6. The proposed policy should include an allowable threshold of errors as is common with other audit processes. The audit process should take into consideration the complexity of a local CSA program, the fact that it is a multi-agency process and reflect that in the definition of noncompliance. There should be an</p>
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	accepted threshold of administrative errors that are inherent to a complex program such as CSA.	Authority section of the proposed policy. Establishing a “tiered” level of noncompliance findings in the proposed policy represents a recognition that not all noncompliance findings are “created equal” and to deny funds only in the most serious instances or where the locality has failed to correct previously identified findings.
<p>3</p> <p>Catherine Pemberton, President Virginia League of Social Services Executives</p>	<p>These comments are identical to Commenter 2.</p>	<p>Thank you for submitting the comments of Virginia League of Social Services Executives on the Proposed Stage of SEC Policy 4.7.</p> <p>Please see Responses to Commenter 2.</p>
<p>4</p> <p>Kimberly Irvine, Director York County – City of Poquoson DSS</p>	<p>These comments are identical to Commenter 2.</p>	<p>Thank you for submitting the comments of the York County-Poquoson DSS on the Proposed Stage of SEC Policy 4.7.</p> <p>Please see Responses to Commenter 2.</p>
<p>5</p> <p>Phyllis Savides, Chair Albemarle County CPMT Kaki Dimock, Chair Charlottesville CPMT</p>	<p>These comments are identical to Commenter 2.</p>	<p>Thank you for submitting the comments of the Albemarle County and Charlottesville CPMTs on the Proposed Stage of SEC Policy 4.7.</p> <p>Please see Responses to Commenter 2.</p>

<p>6 Dean Lynch, Executive Director Virginia Association of Counties</p>	<p>1. VACo is supportive of establishing a formal policy that outlines how the OCS will respond to findings of noncompliance with policy or statute. Concerned that some of the proposed examples of noncompliance are subjective and could result in a locality being penalized for failure to follow what an auditor believes to be best practices.</p> <p>2. The proposed policy does not set out an allowable threshold for administrative errors and should take into consideration that some minor instances of noncompliance are inevitable in a program involving multiple state and local agencies.</p> <p>3. Level Three findings should be limited to the most serious errors or those which could jeopardize children's safety.</p> <p>a. Remove "funding was not approved by the CPMT" as it seems to suggest that the CPMT approve individual expenditures at the case level, which is not required by Code.</p>	<p>1. Thank you for submitting the comments of the Virginia Association of Counties (VACO) on the Proposed Stage of SEC Policy 4.7. VACO's recognition of the appropriateness of a policy such as that proposed is appreciated. Instances of possible subjectivity and "best practice" considerations have been revised in the proposed policy to be more precise and objective.</p> <p>2. OCS audits examine a relatively small sample of cases, therefore limiting the potential adverse impact of administrative errors. Allowing a threshold of error where state pool funds have been used inappropriately would be in contradiction to statutory language as provided in the Authority section of the proposed policy. Establishing a "tiered" level of noncompliance findings in the proposed policy represents a recognition that not all noncompliance findings are "created equal" and to deny funds only in the most serious instances or where the locality has failed to correct previously identified findings.</p> <p>3. Regarding the specific suggestions to move specific examples of noncompliance findings to lower tiers:</p> <p>a. The Code (§2.2-5206 (9)) requires that all CSA expenditures be authorized by the CPMT. The audit process accepts evidence of such authorization through either case specific action approval or in a "bulk action" of a list of expenditures submitted to CPMT for review without action on each individual case. For example, CPMT minutes indicating approval of all cases presented would constitute compliance for audit purposes.</p> <p>b. These examples represent fundamental issues in which CSA cannot be held responsible for inaccurate</p>
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	<p>b. Similarly, “payment for VEMAT when the VDSS policy was not followed” and “Title IV-E funding denied due to error” should be moved to Level Two.</p> <p>c. Services within the scope of another agency is broad a subject to interpretation.</p> <p>4. For Level Two findings, recovery of pool funds for a second instance of noncompliance is overly punitive, particularly considering that some of the examples of noncompliance would be a subjective decision by an auditor, such as “inadequate documentation”.</p> <p>5. Suspension of all state pool reimbursements for a second instance of a Level One finding is unduly punitive that could also be determined in accordance with a subjective standard, e.g., “lack of evidence of long-range planning”.</p>	<p>reimbursement to localities due to failure to follow the approved policies of the Department of Social Services. The integrity of the VEMAT and Title IV-E processes are critical to the accountability of CSA expenditures. This is consistent with the § 2.2-2648 (D) (20) and the SEC Denial of Funds policy 4.6.</p> <p>c. This example has been edited for clarity. Additional potential occurrences not provided in the proposed policy are subject to the policies of other agencies and consultation with those agencies occurs before any finding of noncompliance.</p> <p>4. The proposed policy has been edited to provide the specific documentation requirements as provided in SEC Policy 3.5 (Records Management) to remove any subjectivity. A first occurrence of such a finding requires only a corrective action plan which should be monitored by the locality for implementation in order to resolve the finding.</p> <p>5. Eliminating any opportunity to suspend funds for repeated Level One findings on a subsequent audit is likely to diminish the value of the quality improvement aspect of the audit process as requiring only a corrective action plan may or may not result in any quality improvement. The proposed policy has been edited to use the term “lack of documentation” which is a “yes/no” indicator. While recommendations for improvement may be offered when documentation is present but deemed less than “ideal” by the auditor, this would not constitute a finding of noncompliance. Local CSA programs have the right to dispute any audit findings they disagree with and to have</p>
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	<p>6. In the absence of clear violations of policy, regulation or statute, OCS's audit function should focus on making recommendations to localities on best practices rather than penalizing localities for errors.</p>	<p>the OCS and subsequently, the SEC make a final determination of their validity.</p> <p>6. There needs to be a balance between recommendations for best practices and the need for the OCS to carry out its statutory responsibilities to monitor and respond to findings of noncompliance. The proposed policy has been revised to more clearly define the policy, regulation or statute involved in such findings and to remove issues of best practice from consideration as noncompliance findings.</p>
<p>7 Janet Areson, Director of Policy Development Virginia Municipal League</p>	<p>1. VML supports the comments submitted by Commenters 2, 6 and 8.</p> <p>See Commenter 2 Items 3 and 6</p> <p>See Commenter 6 Items 4 and 5</p> <p>2. Level three findings with state pool reimbursements should be limited to the most serious errors – clear violations of law or regulation that could jeopardize a child's safety, such as placement with an unlicensed provider. Any actions must be in line with the requirements of the Code of Virginia.</p>	<p>Thank you for submitting the comments of the Virginia Municipal League (VML) on the Proposed Stage of SEC Policy 4.7.</p> <p>1. Please see responses to relevant items from Commenters 2, 6, and 8.</p> <p>2. The actions in the proposed policy are in accordance with the <i>Code of Virginia</i> as specified in the Authority section of the policy.</p>

<p>8</p>	<p>Sarah Snead, Deputy County Administrator Emily Russell, Assistant County Attorney Chesterfield County</p>	<p>1. The draft policy unlawfully broadens the authority of the Council and OCS to deny funding to CPMTs. a. Provides a legal interpretation limiting the SEC's authority to deny funds. b. The use of examples throughout the policy is problematic in that it suggests denial of funds for instances that are not a basis for denial under the law. c. Some examples include subjective language (e.g., funding was not approved by the CPMT, services were within the scope of responsibility of another agency, CPMT did not approve services and expenditures in a timely manner, missing or inadequate financial documentation). 2. Please define "participating agency". 3. Throughout the draft policy, attempts to restate the law have led to over-broadening or over-narrowing of the legal requirements. Rather than attempt to restate the law, we suggest amending the draft policy to make references to the CSA, specific policies, and/or state laws generally. 4. It is unclear how the informal review and negotiation process implemented by OCS relates to noncompliance findings under the draft policy. Please clarify the general process.</p>	<p>Thank you for submitting Chesterfield County's comments on the Proposed Stage of SEC Policy 4.7.</p>
		<p>a. and b. The actions in the proposed policy are in accordance with the <i>Code of Virginia</i> as specified in the Authority section of the policy.</p>	
		<p>c. The examples have either been revised or the statutory or policy authority added to the proposed policy.</p>	
		<p>2. A definition has been added to the proposed policy.</p>	
		<p>3. The proposed policy has been revised to provide the specific references suggested.</p>	
		<p>4. The determination regarding denial of funds as provided for in the proposed policy precedes any activity under the SEC Dispute Resolution Policy (Policy 3.4). The findings to be made by the OCS Executive Director under the proposed policy occur prior to and will lead to a written finding in accordance with Section 3.4.2 of the SEC Dispute Resolution policy.</p>	

	<p>5. The Code (§2.2-2648 (D) (19) requires that a plan of correction should be submitted in accordance with the dispute resolution process and following a formal written finding of such noncompliance. The proposed policy does not align with the requirements of the Code.</p> <p>6. Suggest replacing all references to “case-specific” with “child-specific”.</p> <p>7. Prior to acting on the proposed policy, the OCS should provide training on standard operating procedure before penalizing a CPMT through the audit process.</p> <p>8.a. The definitions of “audit” and “noncompliance finding” are too broad. References back to comment 1.</p> <p>8.b. Please clarify whether a “noncompliance finding” is the same as a “formal written finding” as described in § 2.2-2648 (D) (19).</p> <p>9. Suggest revision of the Section 4.7.4.1 (A) of the proposed policy to read: “General Parameters: Audit findings in the category are case-specific and occur when CSA state pool funds have been reimbursed when</p>	<p>5. The plan of correction specified in the proposed policy occurs following a noncompliance finding and is a standard requirement of audit practice. This is not a substitute for any of the steps in the dispute resolution process, rather it precedes that process and may occur in the absence of a Request for Reconsideration.</p> <p>6. The proposed policy has been revised in accordance with this suggestion.</p> <p>7. There are no “standard operating procedures” in the CSA due to the extensive local flexibility provided. All of the requirements covered in the proposed policy reside in statute, regulation or established policy. In addition to the “in-person” training events referenced in the comment, the OCS has developed an extensive CSA User Guide, a set of on-line resources and a robust technical assistance program to provide necessary and requested information about CSA requirements to local CPMTs. The CSA Audit Self-Assessment Workbook is a comprehensive and detailed document covering all areas of audit compliance. Through a now completed audit cycle, all localities have had the opportunity to better understand the requirements for compliance with CSA audits.</p> <p>a. Please see responses to comment 1.</p> <p>b. The revised definition of a “noncompliance finding” in the proposed policy addresses this issue.</p> <p>9. The provision of services authorized to be paid for with CSA funds must be in compliance with not only the CSA and SEC policies, but also with other state and federal statutes, regulations and policies pertaining to the</p>
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	<p>the expenditure is not authorized by the CSA." Several examples re then provided from Section 4.7.4.1 (B) of the proposed policy. Similar comments and examples are provided for Level Two and Level One findings in the proposed policy with the result of limiting the scope of the authority of the OCS and the SEC to deny funds.</p> <p>10. The Code grants the SEC authority to deny funds but does not grant such authority to the executive director of the OCS.</p> <p>11. Sections 4.7.6 and 4.7.7 are misnumbered.</p>	<p>provision of those services, including those statutes, regulations and policies of the participating agencies.</p> <p>10. SEC Policy 4.6 (E) authorizes the OCS, as the administrative entity of the SEC pursuant to § 2.2-2649 (A), to deny state funding. The Code (§ 2.2-2648 (19) directs the SEC to establish the process which includes the right of appeal to the SEC which holds final authority over denial of funds should the locality wish to avail itself of that right. Item 285, subsection B.1.e of the Appropriations Act directs the OCS to deny funding to any locality not in compliance with federal and state requirements pertaining to special education and foster care services funded with CSA funds.</p> <p>11. The listed sections have been correctly numbered.</p>
<p>9 Patricia Harrison, Deputy County Executive for Health and Human Services and Chair, Fairfax-Falls Church CPMT</p>	<p>1. Development of policy for state audits and clarification about how the Office for Children's Services (OCS) will respond to audit findings is necessary and helpful to local administration of the program.</p> <p>2. Our CPMT concurs with and endorses the public comments provided by VALHSO and VACo (relevant points summarized).</p> <p>3. Provides a detailed table with suggestions as follows: a. In Section 4.7.4.1 replace "required to be paid" with existing language from policy.</p>	<p>1. Thank you for submitting the comments from Fairfax-Falls Church CPMT and the Fairfax County on the Proposed Stage of SEC Policy 4.7 and for your endorsement of the value of a CSA policy for state audits and clarification about how OCS will respond to audit findings.</p> <p>2. Please see responses to Commenters 2 (VALHSO) and 6 (VACo).</p> <p>a. The proposed policy has been revised to reflect this comment.</p>

	<p>b. Modify language about “funding not approved by the CPMT”</p> <p>c. Suggests that utilization of state pools funds in violation of participating agency statutes, regulations, or policies (specifically the VEMAT and Title-IV examples found in Section 4.7.4.1.6.a. and b.) are not major <u>violations</u> of agency statutes, regulations, or policies and should be moved to a Level 2 finding as the demonstrate documentation errors which should not negate state support for provision of mandated services to children who have categorical eligibility based on being in foster care.</p> <p>d. Suggestions concerning Section 4.7.4.1.7 (“Services within the scope of another agency”)</p> <p>e. In Section 4.7.4.2.2 reword to be specific about time frames about emergency placements.</p> <p>f. In Section 4.7.4.2.4, subjective quality of this finding is problematic.</p> <p>g. In Section 4.7.4.3.5 and 4.7.4.3.7, localities must comply with annual fiscal audits reported to the state APA. OCS audits of these activities are duplicative and should be eliminated from OCS audits.</p>	<p>b. The proposed policy has been revised to reflect aspects of the comment.</p> <p>c. Examples given in Section 4.7.4.1.B.6 all represent either a misuse of CSA state pool funds when other funding sources were available or the requirements specified in the policies of a participating agency were not followed in accordance with SEC Policy 4.6.</p> <p>d. The examples and language have been revised for precision in the proposed policy. The intent of this item is to avoid CSA state pool funds being inappropriately utilized in contradiction to the relevant guiding authorities and funding of participating agencies. It only applies in instances where state CSA pool funds have been expended, thus bring such expenditures under the purview of the CSA audit process.</p> <p>e. This example has been removed from this section of the proposed policy.</p> <p>f. Language in the proposed policy has been revised to refer to specific statutory or SEC policy and removed subjective nature in favor of presence/absence of required documentation.</p> <p>g. With regard to other external audit findings (e.g., independent financial audits) being taken into consideration during an OCS audit, OCS is willing to and already does so. However, due to the complexity of the CSA program, few independent financial audits are</p>
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<p>familiar with, nor explore in detail, compliance with CSA requirements. The OCS audit is responsible for ensuring accountability for the use of state CSA funds and cannot delegate that to other, external audit processes. The criteria utilized are the Audit Standards promulgated by Virginia Department of Accounts (Agency Risk Management and Internal Control Standards (ARMICS)).</p> <p>4. Error thresholds have been addressed in responses to prior Comments (See Commenter 6, Item 2).</p>	<p>4. Presents a proposed set of levels in which denial of funds would be reserved for violations of regulations, policies and Code that could jeopardize youth safety and well-being or for when documentation of eligibility for CSA funds was not provided. Currently proposed Level 3 findings not meeting this criterion should be moved to a lower level of institute a threshold of error model. Corrective action rather than denial of funds is the appropriate response to all violations not meeting the suggested definition. For proposed Level 1 finds, provide the CPMT with the opportunity to receive feedback and develop a response would seem appropriate.</p>	<p>Thank you for submitting the comments from the Goochland County Office of Children’s Services and the Goochland CPMT on the Proposed Stage of SEC Policy 4.7.</p> <p>1. The proposed policy memorializes existing practice with regard to OCS response to audit findings that have been in place for years. There is no intent to move to a more punitive mode of response to audit findings, but rather to balance statutorily required oversight with a quality improvement oriented process. The policy provides a</p>
<p>10</p>	<p>Mills Jones Goochland County Office of Children’s Services</p>	<p>1. The language of the proposed policy has moved away from a collaborative, quality improvement process to a more punitive process that places localities in increased financial risk.</p>

	<p>2. Level One findings should not require corrective action. Second instances of a Level One finding should require the locality to submit a corrective action plan. Specific concerns over FAPT and CPMT membership requirements in rural locality such as Goochland and “vague” standard of proof.</p> <p>3. Level Two findings should require corrective action on a first instance, but recovery of state pool funds on a second instance is overly punitive, especially where some examples of noncompliance would be determined by a subjective decision of the auditor. Recommend requiring a corrective action on second instance of noncompliance and withhold funds only if not received.</p> <p>4. Level Three findings should be limited to the most serious errors such as clear violations of regulation or Code or those which could jeopardize children’s safety. Even in such instances, corrective action should be only utilized on subsequent findings of noncompliance even for such violations. Remove “CPMT approval of funding”.</p>	<p>framework for consistency in the response to audit findings.</p> <p>2. Identification of areas of noncompliance, or even for improvement, without requiring some form of corrective action would diminish the quality improvement value of the audit process. Acceptable corrective action for CPMT and FAPT membership requirements may include any evidence of efforts to meet the requirement.</p> <p>3. The proposed policy has been revised in numerous places to remove subjective interpretation. Additionally, localities have any opportunity to discuss (and request modification of) findings with the auditors prior to issuance of the final audit report and have access to the SEC Dispute Resolution process where they disagree with a finding by the auditor or the OCS Executive Director. The SEC has statutory obligations to deny funds where violations of statute, regulation and/or policy are determined.</p> <p>4. The Level Three findings provided in the proposed policy reflect expenditures not authorized by statute, regulation, or policy and are appropriate for denial of funds. The CPMT “approval” section has been revised in the proposed policy to reflect the specific language found in § 2.2-5206 (9) of the Code.</p>
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<p>11</p> <p>Jessica Webb, CSA Coordinator</p> <p>Rosie Jordan CPMT Chair</p> <p>City of Salem</p>	<p>1. The CPMT appreciates the efforts to standardize and objectify OCS responses to audit findings. However, the current proposed policy appears to be punitive rather than collaborative in the approach to ensuring accountability.</p> <p>2. The proposed policy goes beyond the existing authority contained in the SEC Denial of Funds policy by adding the authority to the OCS Executive Director to suspend pool fund reimbursements which is beyond what the Denial of Funds policy addresses as a response to noncompliance.</p> <p>3. The examples of noncompliance within each level of the proposed policy should cite the policy or code that is related.</p> <p>4. Concern that the policy would allow recovery or suspension of funds in the event of “best practice” concerns rather than code requirements. Provides example re: documentation in Level Two and suggestions regarding Level One.</p> <p>5. Specific concerns over FAPT and CPMT membership requirements. Suspension of funds should only occur if efforts toward compliance are not being made.</p>	<p>Thank you for submitting the comments of the City of Salem’s CSA Program on the Proposed Stage of SEC Policy 4.7.</p> <p>1. The proposed policy memorializes existing practice with regard to OCS response to audit findings that have been in place for years. There is no intent to move to a more punitive vs. quality improvement mode of response to audit findings, but rather to balance the statutorily required oversight with a quality improvement oriented process. The policy provides a framework for consistency in the response to audit findings.</p> <p>2. The temporary denial of pool funds reimbursements is limited in two ways: it is only applicable to a second (repeated) incidence of the same finding of noncompliance and it is a temporary action. Once the locality corrects the finding, all pool fund reimbursements will be released.</p> <p>3. The proposed policy has been revised to address this comment.</p> <p>4. The proposed policy has been revised to clarify/eliminate any instances in which an adverse result regarding finding would occur for what might be considered “best practice” findings as opposed to noncompliance with statute, regulation or policy. Each example of a Level One findings has been “attached” to the specific statute, regulation or policy.</p> <p>5. Identification of areas of noncompliance, or even for improvement, without requiring some form of corrective action would diminish the quality improvement value of the audit process. Acceptable corrective action for CPMT</p>
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<p>and FAPT membership requirements may include any evidence of efforts to meet the requirement.</p> <p>6. The OCS audit process is not authorized to limit itself to “fiscal only” findings” All expenditures of state CSA pool funds are subject to various statutory, regulatory or policy requirements and the SEC is obligated to deny funds where noncompliance is identified. Handling findings as recommendations does not fulfill this requirement of the SEC. The OCS is not staffed to conducted more frequent audits on a regular basis. As the CSA program is a collaborative partnership, some responsibility for self-monitoring by the locality is expected.</p> <p>7. It is not clear how the proposed responses differ from those in the currently proposed policy.</p>	<p>6. The OCS has a three-year audit plan while localities have requirements for annual fiscal audits. OCS should provide more frequent, focused audits of program expenditures to reduce potential liability for a local government. If audits remain comprehensive, all elements related to program practice should be handled as recommendations and responses to findings under this policy should be constrained to any fiscal findings.</p> <p>7. A table of suggested response to audit findings at each of the three levels is provided.</p>	
<p>Thank you for submitting the comments of the Roanoke County CSA Program on the Proposed Stage of SEC Policy 4.7.</p> <p>Please see Responses to Commenter 11.</p>	<p>These comments are identical to Commenter 11.</p>	<p>12 Jessica Webb, CSA Coordinator</p> <p>Cheryl Jordan, CPMT Chair</p> <p>Roanoke County</p>
<p>Thank you for submitting the comments of the City of Roanoke CSA Program on the Proposed Stage of SEC Policy 4.7.</p> <p>Please see Responses to Commenter 11.</p>	<p>These comments are essentially identical to Commenter 11.</p>	<p>13 Julie Payne, CSA Coordinator</p> <p>Steven Martin, CPMT Chair</p> <p>City of Roanoke</p>



COMMONWEALTH of VIRGINIA

Scott Reiner, M.S.
Executive Director

OFFICE OF CHILDREN'S SERVICES
Administering the Children's Services Act

MEMORANDUM

TO: State Executive Council for Children's Services

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

RE: SEC Policy 4.7 (Response to Audit Findings) – Fiscal Impact Analysis

DATE: September 21, 2017

State Executive Council for Children's Services (SEC) Policy 2.4 (Public Participation in Policy-making Actions) requires (Section 2.4.7.E.1.) that the SEC shall consider the potential fiscal impact of any proposed policy. The Office of Children's Services (OCS), in conjunction with local government representatives, is responsible for providing an analysis of the fiscal impact of the proposed policy based on the best available information. This memorandum provides the fiscal impact analysis of Proposed SEC Policy 4.7, *Response to Audit Findings*, which will be considered for adoption at the SEC meeting on September 21, 2017.

Process:

1. OCS compiled a summary of all funding denied as a result of the OCS audit process during the first full audit cycle during the past five year period.¹
2. OCS solicited input from the Virginia Association of Counties (VACo) and the Virginia Municipal League (VML) as designated representatives of local government. The information compiled by OCS was shared with VACo and VML.
3. VACo and VML provided written input regarding the potential fiscal impact of the proposed policy.
4. OCS has integrated that input with its own analysis that is presented in this memorandum.

¹ The audit cycle is intended to be three years but was extended due to staffing limitations. Additional audit personnel will allow the three-year cycle to be completed in the projected time frame, beginning with the FY2017-2019 period.

Summary of Prior Denial of Funds Resulting from OCS Audits:

- The period summarized was from FY2012 to FY2016.
- All findings from routine audits during this period were considered.
- Excluded findings/denials of funds included those resulting from:
 - late reimbursement filings outside of the annual September 30 deadline (not resulting from audit findings); and
 - “non-routine” findings subsequent to self-reported non-compliance or reports of non-compliance received from other participating agencies.
- There were 124 completed audits.
 - several localities had a combined CPMT/combined audit.
- 59 of the 124 programs (48%) had potential recoveries totaling \$2.4 million.
- Denial of funds occurred in 21 programs (36% of the 59 programs with potential denials and 17% of all programs audited) totaling \$730,000 (30% of potential denials)
- The median denial was under \$3,624. Five programs accounted for 89% of the denied funds (maximum \$177,000).
 - Only one of the five largest denials resulted in an appeal to the OCS and the amount (\$169,000) denied was the result of a negotiated, agreeable settlement.
 - No appeals to the SEC under Policy 3.4 (*Dispute Resolution*) have been requested.
- The total state share reimbursement to localities over the three-year audit cycle was \$667 million
 - Denied funds accounted for less than 1% (.00109) of the state share reimbursed to localities.

Input from VACo and VML:

In a letter submitted on September 5, 2017, VACo and VML provided the following:

“We are not able to quantify the proposed effect of this proposed policy on localities, as errors could vary substantially among localities or even within local programs due to the differences in costs for individual cases. In addition, as you know the actual state reimbursement for cases varies depending upon the base local match rate, whether services are provided in the community or in a residential setting, and whether the child is eligible for Medicaid.”

The following additional observations were offered:

- “The audit results from FY2012-2016 suggest that large amounts of state funding could be at risk for localities... (reiterates data from analysis of audits provided above) ... it is impossible to know whether the same pattern will hold in future years.”
- “Of concern is ... nearly half of the programs audited had identified errors. It would appear that the majority of the programs identified as making errors (39) were cited for lesser offenses, such as those that would be Level Two or Level One offenses under the proposed policy.”
- Suggestions mirroring those provided in the public comments submitted by VACo and VML (and responded to by OCS) are also offered, not specific to the fiscal impact analysis.

Analysis by OCS:

1. OCS concurs with VACo and VML that it is impossible to accurately quantify the potential impact of the proposed policy as the number and nature of issues of noncompliance are unknown at this time. With that in mind, OCS offers the following considerations:
 - The proposed policy reflects existing practice.
 - The baseline audit cycle for Level Two and Level One findings of noncompliance will be the current (FY2017-2019) one, meaning that second or subsequent findings under the proposed policy would not be applicable until the FY2020-2022 cycle, providing localities the full benefit of additional opportunities to implement corrective action before any adverse action might be taken.
 - As localities enter the second “round” of audits, they have had the benefit of the first audit which has provided a comprehensive review of all applicable areas of compliance and pointed out areas for improvement (if applicable). Where necessary, corrective action plans have been submitted.
 - Localities have the opportunity to review all audit findings through the CSA website to educate themselves as to the nature of noncompliance findings identified for all CSA programs.
 - OCS has developed and disseminated a comprehensive *Self-Assessment Workbook* which serves as a detailed guide to all areas reviewed in the audit process.
 - OCS provides training through multiple forums (e.g., Annual CSA Conference, Annual New CSA Coordinator Academy, the CSA User Guide, learning course in the Commonwealth of Virginia Knowledge Center; locality specific training on request) as well as continuous technical assistance in response to inquiries about any aspect of the local operation of the CSA.
 - It is hoped and anticipated that the number of findings of noncompliance will decrease as local CSA programs avail themselves of the resources described.

Conclusion:

OCS concurs with VACo and VML that it is not possible to quantify the fiscal impact of the proposed policy. While there is potential for larger denials in the future, it is hoped that ongoing quality improvement efforts at local CSA programs, supported by the activities of the OCS, will result in stable or decreased numbers/amounts of denials of funds. The dispute resolution process (SEC Policy 3.4) remains available to localities to address these matters.

SEC POLICY 4.7

RESPONSE TO AUDIT FINDINGS WITH REGARD TO THE CHILDREN'S SERVICES ACT

4.7.1 PURPOSE

To provide guidance to the Office of Children's Services (OCS) and improve consistency and transparency for localities when the OCS Executive Director is carrying out his or her duties under the State Executive Council for Children's Services (SEC) Policy 4.6 (Denial of Funds) in responding to OCS audit noncompliance findings by local Children's Services Act (CSA) programs.

4.7.2 AUTHORITY

Section 2.2-2648 of the *Code of Virginia* authorizes the SEC, paraphrased in relevant part, to do the following:

- (i) Establish interagency programmatic and fiscal policies which support the purposes of CSA (subdivision D (3))
- (ii) Provide for dispute resolution procedures for administrative actions that support the purposes of the CSA (subdivision D (4));
- (iii) Provide for the administration of necessary functions that support the work of the OCS (subdivision D (6));
- (iv) Establish and oversee the operation of an informal review and negotiation process with the OCS Executive Director and a formal dispute resolution procedure before the SEC, to include formal notice and an appeals process, should the Executive Director or SEC find, upon a formal written finding, that a community policy and management team (CPMT) failed to comply with any provision of CSA (subdivision D (19)); and
- (v) Deny state funding to a locality, in accordance with (iv) in this section, where the CPMT fails to provide services that comply with CSA and other applicable statutes or policies (subdivision D (20)).

Section 2.2-2649 of the *Code of Virginia* authorizes the OCS to:

- (i) Develop and provide for the consistent oversight for program administration and compliance with state policies and procedures (subdivision B (3));
- (ii) Provide an informal review and negotiation process pursuant to § 2.2-2648 D (19); and
- (iii) Implement, in collaboration with participating state agencies, policies, guidelines and procedures adopted by the State Executive Council (subdivision B (7)).

4.7.3 DEFINITIONS

"*Audit*" means a review by OCS employees of a local CSA program's policies, procedures, and practices through interview, observation, and the review of documentation to determine

Adopted: *September 21, 2017*

Effective: *DATE*

Revised: *N/A*

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compliance, in whole or in part, with the requirements of a state or federal ~~statute~~ laws and regulations, including the applicable Appropriations Act provisions, ~~regulation, or policy, whether it is specific to the CSA or are these~~ or policies promulgated by the SEC or the participating agencies of the CSA, that ~~govern~~ govern or direct the operations of local CSA programs.

"Case specific finding" means a noncompliance finding emerging from an expenditure of CSA state pool funds for an individual child and/or family.

"Noncompliance finding" means the local CSA a finding made by the Executive Director of the Office of Children's Services that a CPMT, in its implementation of the CSA program, has not met the requirements, in whole or in part, of a complied with the provisions of the Children's Services Act (§§ 2.2-5200 et seq.), the policies of the State Executive Council, any state or federal statute, including law pertaining to the provision of services pursuant to the CSA, the applicable provisions of the Appropriations Act provisions, regulation, or policy, whether it is specific to the CSA or are these any policies promulgated by the participating state agencies that governs the operations of local CSA programs (as identified in § 2.2-2648(B)) pertaining to the services funded pursuant to the CSA. There are three levels of noncompliance findings as outlined herein. A finding of non-compliance shall provide the basis for the to a "formal written finding as described in this SEC policy § 2.2-2648 (D) (19).

"Participating agencies" means any of the child-serving agencies required by § 2.2-5205 to serve on the Community Policy and Management Team and to implement the CSA in a locality.

4.7.4 NONCOMPLIANCE FINDING LEVELS

The subsection delineates three levels of noncompliance findings as defined above. The parameters and examples provided in each level are not exhaustive but illustrative and shall guide OCS in determining into which level any noncompliance finding is categorized based on the noncompliance finding's similarity to the general parameters and specific examples provided below.

4.7.4.1 Level Three Noncompliance ~~Level Three Finding~~

A. *General Parameters:* Audit findings in this category are case specific and occur when CSA state pool funds have been reimbursed when the expenditure is not authorized by statute, regulation, or policy.

B. *Examples of Level Three Specific Noncompliance ~~Level Three Findings~~:*

1. The child and/or family are ineligible for CSA funding per §§ 2.2-5211 and 2.2-5212 of the *Code of Virginia* or documentation of eligibility (e.g., an Individualized Education Program [IEP] or a Child in Need of Services [CHINS] eligibility determination) was not available for review during the audit.
2. Use of CSA funding ~~was reimbursed~~ for services required to be paid through an alternative for which another appropriate federal or state funding source (e.g., failure to

- ~~utilize Title IV-E or Medicaid funds in eligible cases~~, was available.
3. Medicaid funding was not sought and/or denial of Medicaid funding was not documented despite the service being reimbursable by Medicaid and the child is covered under Medicaid, in accordance with Item 285, section D. of the Appropriations Act.
 4. Services were not recommended by a Family Assessment or Planning Team (FAPT) or Multidisciplinary Team (MDT) in accordance with § 2.2-5208 (8) and/or an Individual and Family Service Plan (IFSP) was not developed, except where a local CPMT policy allows such expenditures to be exempt from FAPT or IFSP requirements (e.g., "maintenance only" foster care or IEP-mandated placements) in accordance with § 2.2-5208 (4).
 5. The funding of services was not ~~approved~~authorized by the CPMT as required by § 2.2-5206 (9).

~~Utilization of the state pool funds violated participating agency~~6. Violations of statutes, regulations, or policies of the participating agencies in the provision of services, such as:

- a. Payment for Enhanced Foster Care Maintenance when the Virginia Department of Social Services' (VDSS) Virginia Enhanced Maintenance Assessment Tool (VEMAT) policy was not followed;
 - b. Title IV-E funding was denied due to error; or
 - c. The local DSS used an unapproved/unlicensed foster home placement.
7. Services were within the scope of responsibility of another agency as specified in the statutes, regulations, policies, and/or guidance of a participating agency (e.g., services to students with disabilities provided in the public school setting; administrative costs of a local DSS such as paternity testing, routine drug screening of biological parents where the VDSS has allocated funds for that purpose, or legal services related to prosecuting child abuse and neglect; case management by a local DSS for youth committed to the Department of Juvenile Justice (DJJ));
 8. The service provider did not meet licensing requirements for the specific service (e.g., behavioral health providers or other providers [LCPA, day care] requiring licensure by VDSS).
 9. The use of a non-Medicaid provider, when the child and/or family were Medicaid eligible, and there is no substantiation that a Medicaid provider was unavailable or inappropriate in accordance with Item 285, section D. of the Appropriations Act.
 10. Failure to refund to CSA recoveries made against previously claimed costs (e.g., child support collections, Title IV-E recoveries, or retroactive Medicaid payments for services).
 11. Failure to correct erroneous expenditure reports that require adjustments to CSA match rate categories.

~~Expenditures claimed~~12. Claiming reimbursement for expenditures after September 30 which were incurred in the previous fiscal year in violation of SEC Policy 4.5.2.

4.7.4.2 Level Two Noncompliance ~~Level Two~~ Finding

- A. *General Parameters:* Findings in this category are case specific and involve a violation of an applicable statute, regulation, or policy but, had the requirements been followed, would

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have been eligible for reimbursement through state pool funds. Findings may be mitigated by corrective action already implemented on a case-specific basis (e.g., FAPT or CPMT action was not timely made but was taken in a reasonable time thereafter).

B. *Examples of Specific Level Two Noncompliance ~~Level Two~~ Findings:*

1. Assessments with the mandatory uniform assessment instrument (i.e., CANS) are not completed in accordance with ~~established requirements (e.g., initial, annual, or discharge assessments);~~ § 2.2-2648 (11), 2.2-5212 (A), and SEC Policy 3.6.
 1. ~~FAPT did not adopt recommendations and/or an IFSP was not developed in a timely manner (e.g., an LDSS emergency placement was not heard by FAPT within 14 days of placement, but the requirements were completed within a reasonable (e.g., 30 day) time period), except where CPMT policy allows an exemption to the requirement;~~
 2. ~~CPMT did not approve services and expenditures in a timely manner but did so within a reasonable (e.g., 30 day) time period;~~
 3. ~~There was missing or inadequate documentation (e.g., utilization review, missing elements of an IFSP, parental contribution assessments, provider progress notes, CHINS eligibility determinations, parental participation in service planning, VEMAT documentation, or parental agreements) during the audit but enough information was available to determine the service was eligible for state pool fund reimbursement; and~~
2. The CPMT did not have the child-specific documentation required under SEC Policy 3.5 (Records Management) or to demonstrate eligibility for CSA funded services per § 2.2-5212 and/or SEC Policy 4.1.
3. There was missing, incomplete, or inaccurate financial documentation (e.g., purchase orders, invoices, or vendor contracts) but enough documentation to determine that the service was eligible for state pool fund reimbursement per SEC Policy 3.5 and Audit Standards promulgated by Virginia Department of Accounts Agency Risk Management and Internal Control Standards (ARMICS).

4.7.4.3 Level One Noncompliance ~~Level One~~ Finding

- A. *General Parameters:* Audit findings in this category are ~~not child case~~ specific but represent failure to meet administrative and operational standards required statutory, regulatory, or policy requirements.
- B. *Examples of Specific Level One Noncompliance ~~Level One~~ Findings:*

1. The CPMT's policies are incomplete, obsolete, and/or practices do not align comply with applicable statutes, regulations, or policies; § 2.2-5206 and Item 285 of the Appropriations Act.
2. The CPMT does not have documentation of long-range community ~~lack of evidence~~

planning and utilization management activities per § 2.2-5206 (4).

3. CMPT and FAPT ~~and CPMT~~ membership does not meet statutory requirements, ~~and meaningful efforts to correct this noncompliance are not provided~~; per § 2.2-5205 and § 2.2-5207.

Required Statement 4. Statements of Economic Interest ~~submissions of~~ designated CPMT and FAPT ~~and CPMT~~ members are not completed in compliance with ~~statutory requirements~~; § 2.2-5205 and § 2.2-5207.

There are inadequate 5. The CPMT's fiscal controls (e.g., separation of purchasing and payment authority) do not meet the Audit Standards promulgated by Virginia Department of Accounts Agency Risk Management and Internal Control Standards (ARMICS).

There are inadequate 6. CSA-related information technology security controls (e.g., users sharing accounts or passwords) ~~and~~ do not meet Information Technology policy SEC-501 promulgated by the Virginia Information Technology Agency (VITA).

7. The locality failed to properly reconcile CSA reimbursement requests with other fiscal systems, per Audit Standards promulgated by Virginia Department of Accounts Agency Risk Management and Internal Control Standards (ARMICS).

4.7.5 REVIEW OF FINDINGS BY OCS

The OCS Executive Director shall review (i) the audit report; (ii) any response, including corrective actions and quality improvement plans from the locality, (iii) the recommendation of the auditor(s); and (iv) any OCS internal staff review prior to responding to the noncompliance finding. After such review, the OCS Executive Director shall issue a written response describing the findings made and action to be taken.

4.7.6 RESPONSES TO NONCOMPLIANCE FINDINGS

4.7.6.1 Response to Level Three Noncompliance Findings

The OCS Executive Director shall (i) require a corrective action plan and (ii) recover the noncompliant state pool fund reimbursements upon the first and any second or subsequent Level Three Noncompliance ~~Level Three~~ Finding.

4.7.6.2 Response to Level Two Noncompliance Findings

- A. *First Level Two Noncompliance Finding:* The OCS Executive Director shall require the locality to submit a corrective action plan on the first instance of Level Two Noncompliance ~~Level Two~~ Finding.
- B. *Second or Subsequent Level Two Noncompliance Finding:* The OCS Executive Director shall (i) require a corrective action plan and (ii) recover the state pool funds on any second or subsequent Level Two Noncompliance Finding. Subsequent findings may occur on the next regularly scheduled audit or on any occasion on which follow-up monitoring of previously agreed upon corrective action occurs.

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4.7.6.3 Response to Level One Noncompliance Findings

- A. ~~First Noncompliance~~ Level One Noncompliance Finding: The OCS Executive Director shall require the locality to submit a corrective action plan on the first instance of Level One Noncompliance ~~Level One~~ Finding.
- B. ~~Repeat Level One Noncompliance~~ Level One Finding: The OCS Executive Director shall ~~suspend temporarily deny~~ state pool fund reimbursements on any second or subsequent instance of a Level One Noncompliance ~~Level One~~ finding until the corrective action plan is implemented. Subsequent findings may occur on the next regularly scheduled audit or on any occasion on which follow-up monitoring of previously agreed upon corrective action occurs.
- C. *Corrective Action Plan Compliance*: Once a local CSA program is in compliance with all applicable requirements of a Level One Noncompliance ~~Level One~~ Finding resulting in suspension of state pool fund reimbursements, all funds will be retroactively released and new requests for reimbursement will be approved.

4.7.6.7 APPEAL OF OCS RESPONSE

~~An~~

~~The CPMT may~~ appeal ~~of the~~ findings and action taken by the Executive Director of OCS ~~shall be pursued by the CPMT~~ in accordance with SEC Policy 3.4 (Dispute Resolution Process).

4.7.7.8 POLICY REVIEW

This policy will be subject to annual review by the SEC Finance and Audit Committee to determine whether there are necessary modifications that should be recommended to the findings in each Noncompliance Finding Level.

SEC POLICY 4.7

RESPONSE TO AUDIT FINDINGS WITH REGARD TO THE CHILDREN'S SERVICES ACT

4.7.1 PURPOSE

To provide guidance to the Office of Children's Services (OCS) and improve consistency and transparency for localities when the OCS Executive Director is carrying out his or her duties under the State Executive Council for Children's Services (SEC) Policy 4.6 (Denial of Funds) in responding to OCS audit noncompliance findings by local Children's Services Act (CSA) programs.

4.7.2 AUTHORITY

Section 2.2-2648 of the *Code of Virginia* authorizes the SEC, paraphrased in relevant part, to do the following:

- (i) Establish interagency programmatic and fiscal policies which support the purposes of CSA (subdivision D (3))
- (ii) Provide for dispute resolution procedures for administrative actions that support the purposes of the CSA (subdivision D (4));
- (iii) Provide for the administration of necessary functions that support the work of the OCS (subdivision D (6));
- (iv) Establish and oversee the operation of an informal review and negotiation process with the OCS Executive Director and a formal dispute resolution procedure before the SEC, to include formal notice and an appeals process, should the Executive Director or SEC find, upon a formal written finding, that a community policy and management team (CPMT) failed to comply with any provision of CSA (subdivision D (19)); and
- (v) Deny state funding to a locality, in accordance with (iv) in this section, where the CPMT fails to provide services that comply with CSA and other applicable statutes or policies (subdivision D (20)).

Section 2.2-2649 of the *Code of Virginia* authorizes the OCS to:

- (i) Develop and provide for the consistent oversight for program administration and compliance with state policies and procedures (subdivision B (3));
- (ii) Provide an informal review and negotiation process pursuant to § 2.2-2648 D (19); and
- (iii) Implement, in collaboration with participating state agencies, policies, guidelines and procedures adopted by the State Executive Council (subdivision B (7)).

4.7.3 DEFINITIONS

"*Audit*" means a review by OCS employees of a local CSA program's policies, procedures, and practices through interview, observation, and the review of documentation to determine

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compliance, in whole or in part, with the requirements of a state or federal laws and regulations, including the applicable Appropriations Act provisions, or policies promulgated by the SEC or the participating agencies of the CSA, that govern or direct the operations of local CSA programs.

"Case specific finding" means a noncompliance finding emerging from an expenditure of CSA state pool funds for an individual child and/or family.

"Noncompliance finding" means a finding made by the Executive Director of the Office of Children's Services that a CPMT, in its implementation of the CSA program, has not complied with the provisions of the Children's Services Act (§§ 2.2-5200 et seq.), the policies of the State Executive Council, any state or federal law pertaining to the provision of services pursuant to the CSA, the applicable provisions of the Appropriations Act, or any policies promulgated by the participating state agencies (as identified in § 2.2-2648(B)) pertaining to the services funded pursuant to the CSA. There are three levels of noncompliance findings as outlined herein. A finding of non-compliance shall provide the basis for the "formal written finding as described in § 2.2-2648 (D) (19).

"Participating agencies" means any of the child-serving agencies required by § 2.2-5205 to serve on the Community Policy and Management Team and to implement the CSA in a locality.

4.7.4 NONCOMPLIANCE FINDING LEVELS

The subsection delineates three levels of noncompliance findings as defined above. The parameters and examples provided in each level are not exhaustive but illustrative and shall guide OCS in determining into which level any noncompliance finding is categorized based on the noncompliance finding's similarity to the general parameters and specific examples provided below.

4.7.4.1 Level Three Noncompliance Finding

A. *General Parameters:* Audit findings in this category are case-specific and occur when CSA state pool funds have been reimbursed when the expenditure is not authorized by statute, regulation, or policy.

B. *Examples of Level Three Specific Noncompliance Findings:*

1. The child and/or family are ineligible for CSA funding per §§ 2.2-5211 and 2.2-5212 of the *Code of Virginia* or documentation of eligibility (e.g., an Individualized Education Program [IEP] or a Child in Need of Services [CHINS] eligibility determination) was not available for review during the audit.
2. Use of CSA funding for services for which another appropriate federal or state funding source was available.
3. Medicaid funding was not sought and/or denial of Medicaid funding was not documented despite the service being reimbursable by Medicaid and the child is covered under Medicaid, in accordance with Item 285, section D. of the Appropriations Act.

4. Services were not recommended by a Family Assessment or Planning Team (FAPT) or Multidisciplinary Team (MDT) in accordance with § 2.2-5208 (8) and/or an Individual and Family Service Plan (IFSP) was not developed, except where a local CPMT policy allows such expenditures to be exempt from FAPT or IFSP requirements (e.g., "maintenance only" foster care or IEP-mandated placements) in accordance with § 2.2-5208 (4).
5. The funding of services was not authorized by the CPMT as required by § 2.2-5206 (9).
6. Violations of statutes, regulations, or policies of the participating agencies in the provision of services, such as:
 - a. Payment for Enhanced Foster Care Maintenance when the Virginia Department of Social Services' (VDSS) Virginia Enhanced Maintenance Assessment Tool (VEMAT) policy was not followed;
 - b. Title IV-E funding was denied due to error; or
 - c. The local DSS used an unapproved/unlicensed foster home placement.
7. Services were within the scope of responsibility of another agency as specified in the statutes, regulations, policies, and/or guidance of a participating agency (e.g., services to students with disabilities provided in the public school setting; administrative costs of a local DSS such as paternity testing, routine drug screening of biological parents where the VDSS has allocated funds for that purpose, or legal services related to prosecuting child abuse and neglect; case management by a local DSS for youth committed to the Department of Juvenile Justice (DJJ));
8. The service provider did not meet licensing requirements for the specific service (e.g., behavioral health providers or other providers [LCPA, day care] requiring licensure by VDSS).
9. The use of a non-Medicaid provider, when the child and/or family were Medicaid eligible, and there is no substantiation that a Medicaid provider was unavailable or inappropriate in accordance with Item 285, section D. of the Appropriations Act.
10. Failure to refund to CSA recoveries made against previously claimed costs (e.g., child support collections, Title IV-E recoveries, or retroactive Medicaid payments for services).
11. Failure to correct erroneous expenditure reports that require adjustments to CSA match rate categories.
12. Claiming reimbursement for expenditures after September 30 which were incurred in the previous fiscal year in violation of SEC Policy 4.5.2.

4.7.4.2 Level Two Noncompliance Finding

- A. *General Parameters:* Findings in this category are case specific and involve a violation of an applicable statute, regulation, or policy but, had the requirements been followed, would have been eligible for reimbursement through state pool funds. Findings may be mitigated by corrective action already implemented on a case-specific basis (e.g., FAPT or CPMT action was not timely made but was taken in a reasonable time thereafter).

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B. Examples of Specific Level Two Noncompliance Findings:

1. Assessments with the mandatory uniform assessment instrument (i.e., CANS) are not completed in accordance with § 2.2-2648 (11), 2.2-5212 (A), and SEC Policy 3.6.
2. The CPMT did not have the child-specific documentation required under SEC Policy 3.5 (Records Management) or to demonstrate eligibility for CSA funded services per § 2.2-5212 and/or SEC Policy 4.1.
3. There was missing, incomplete, or inaccurate financial documentation (e.g., purchase orders, invoices, or vendor contracts) but enough documentation to determine that the service was eligible for state pool fund reimbursement per SEC Policy 3.5 and Audit Standards promulgated by Virginia Department of Accounts Agency Risk Management and Internal Control Standards (ARMICS).

4.7.4.3 Level One Noncompliance Finding

A. *General Parameters:* Audit findings in this category are *not* case specific but represent failure to meet administrative and operational standards required statutory, regulatory, or policy requirements.

B. Examples of Specific Level One Noncompliance Findings:

1. The CPMT's policies and/or practices do not comply with § 2.2-5206 and Item 285 of the Appropriations Act.
2. The CPMT does not have documentation of long-range community planning and utilization management activities per § 2.2-5206 (4).
3. CMPT and FAPT membership does not meet statutory requirements per §2.2-5205 and § 2.2-5207.
4. Statements of Economic Interest for designated CPMT and FAPT members are not completed in compliance with § 2.2-5205 and § 2.2-5207.
5. The CPMT's fiscal controls (e.g., separation of purchasing and payment authority) do not meet the Audit Standards promulgated by Virginia Department of Accounts Agency Risk Management and Internal Control Standards (ARMICS).
6. CSA-related information technology security controls (e.g., users sharing accounts or passwords) do not meet Information Technology policy SEC-501 promulgated by the Virginia Information Technology Agency (VITA).
7. The locality failed to properly reconcile CSA reimbursement requests with other fiscal systems per Audit Standards promulgated by Virginia Department of Accounts Agency Risk Management and Internal Control Standards (ARMICS).

4.7.5 REVIEW OF FINDINGS BY OCS

The OCS Executive Director shall review (i) the audit report; (ii) any response, including corrective actions and quality improvement plans from the locality, (iii) the recommendation of the auditor(s); and (iv) any OCS internal staff review prior to responding to the noncompliance

finding. After such review, the OCS Executive Director shall issue a written response describing the findings made and action to be taken.

4.7.6 RESPONSES TO NONCOMPLIANCE FINDINGS

4.7.6.1 Response to Level Three Noncompliance Findings

The OCS Executive Director shall (i) require a corrective action plan and (ii) recover the noncompliant state pool fund reimbursements upon the first and any second or subsequent Level Three Noncompliance Finding.

4.7.6.2 Response to Level Two Noncompliance Findings

- A. *First Level Two Noncompliance Finding*: The OCS Executive Director shall require the locality to submit a corrective action plan on the first instance of Level Two Noncompliance Finding.
- B. *Second or Subsequent Level Two Noncompliance Finding*: The OCS Executive Director shall (i) require a corrective action plan and (ii) recover the state pool funds on any second or subsequent Level Two Noncompliance Finding. Subsequent findings may occur on the next regularly scheduled audit or on any occasion on which follow-up monitoring of previously agreed upon corrective action occurs.

4.7.6.3 Response to Level One Noncompliance Findings

- A. *First Level One Noncompliance Finding*: The OCS Executive Director shall require the locality to submit a corrective action plan on the first instance of Level One Noncompliance Finding.
- B. *Repeat Level One Noncompliance Finding*: The OCS Executive Director shall temporarily deny state pool fund reimbursements on any second or subsequent instance of a Level One Noncompliance finding until the corrective action plan is implemented. Subsequent findings may occur on the next regularly scheduled audit or on any occasion on which follow-up monitoring of previously agreed upon corrective action occurs.
- C. *Corrective Action Plan Compliance*: Once a local CSA program is in compliance with all applicable requirements of a Level One Noncompliance Finding resulting in suspension of state pool fund reimbursements, all funds will be retroactively released and new requests for reimbursement will be approved.

4.7.7 APPEAL OF OCS RESPONSE

The CPMT may appeal the findings and action taken by the Executive Director of OCS in accordance with SEC Policy 3.4 (Dispute Resolution Process).

4.7.8 POLICY REVIEW

This policy will be subject to annual review by the SEC Finance and Audit Committee to determine whether there are necessary modifications that should be recommended to the findings in each Noncompliance Finding Level.