



COMMONWEALTH of VIRGINIA

Susan Cumbia Clare, M.Ed.
Executive Director

OFFICE OF COMPREHENSIVE SERVICES
Administering the Comprehensive Services Act for At-Risk Youth and Families

February 15, 2013



Dear Mr. [REDACTED]:

The Office of Comprehensive Services (OCS) audit team has concluded the special review of [REDACTED] FY2012 reported expenditures under the Comprehensive Services Act (CSA). This special review was conducted at my request based on the inability of [REDACTED] to provide documentation to support reported expenditures and to address irregularities noted by the OCS Business Manager in the final FY2012 Pool Fund Reimbursement Request. Based on evidence reviewed during onsite visits, the scope of the review was increased to include review of the FY2013 expenditures that had been submitted to date.

The purpose of this review was to establish whether expenditure reimbursement requests submitted on behalf of [REDACTED] were:

- composed of valid transactions that are accurately reported on Pool Fund financial reports,
- incurred on behalf of youth and families eligible for funding under CSA, and
- supported by sufficient documentation of compliance with CSA statutory requirements for utilization of funds.

Based on the conclusions and recommendations of the review team (attached), I have determined the following:

1. In FY2012 [REDACTED] reported and received state reimbursement for expenditures totaling \$301,058 that were ineligible for state reimbursement. Repayment to the Commonwealth of the state reimbursement in the amount of \$197,129 is appropriate. Expenditures were determined to be ineligible for state reimbursement for the following reasons:
 - a. reported expenditures could not be substantiated through purchase orders, invoices, and/or payment records,
 - b. compliance with statutory requirements of the CSA was not documented, e.g., review by a family assessment and planning team, authorization of funding by the community policy and management team, development of an individualized family services plan or evidence

- of an individualized educational program, completion of the required uniform assessment, or implementation of utilization review requirements, and
- c. expenditures were not requested in accordance with reporting requirements, i.e., represented services from prior fiscal years.
2. [REDACTED] submitted a final FY2012 Pool Fund Reimbursement Request for expenditures totaling \$31,219 that are ineligible for state reimbursement. Denial of reimbursement for the state share for these expenditures in the amount of \$21,016 is appropriate. Expenditures were determined to be ineligible for state reimbursement for the following reasons:
 - a. reported expenditures could not be substantiated through purchase orders, invoices, and/or payment records,
 - b. compliance with statutory requirements of the CSA was not documented, and
 - c. expenditures were not requested in accordance with reporting requirements, i.e., represented services from a prior fiscal year.
 3. [REDACTED] submitted a FY2013 Pool Fund Reimbursement Request including expenditures totaling \$94,610 that are ineligible for state reimbursement. Denial of reimbursement of the state share for these expenditures in the amount of \$60,370 is appropriate. Expenditures were determined ineligible for state reimbursement for the following reasons:
 - a. reported expenditures could not be substantiated through purchase orders, invoices, and/or payment records,
 - b. compliance with statutory requirements of the CSA was not documented, and
 - c. expenditures were not requested in accordance with reporting requirements, i.e., represented services from prior fiscal years.
 4. Unless otherwise negotiated by [REDACTED] with this office, recovery of the \$197,129 will be accomplished through reduction to future Pool Fund Reimbursement Requests beginning July 2014. OCS will establish an automated debit to collect repayment according to the following schedule:
 - July 1, 2014: \$50,000
 - July 1, 2015: \$50,000
 - July 1, 2016: \$50,000
 - July 1, 2017: \$47,129
 5. [REDACTED] has taken action since October 2012 to improve compliance with the requirements of the CSA and to implement internal controls for proper management of funds under the CSA. Further, [REDACTED] has identified and paid with 100% local funds vendor invoices that were identified as past due and not eligible for state reimbursement. Such action demonstrates the commitment of [REDACTED] to improving its performance to address specific deficits that have been identified.

The development of a corrective action/program improvement plan is appropriate to establish proper procedures and controls and to sustain implementation of those procedures and controls moving forward. Recommendations for strategies that might be included in this plan are outlined in the attached document. OCS requests receipt of the corrective action/program improvement plan for review and approval no later than April 1, 2013. If the corrective action/program improvement plan is satisfactorily implemented and sustained through May 31, 2016, the portion of repayment remaining after that date will be forgiven. OCS will conduct

onsite verification of satisfactory implementation of identified strategies in the plan at least once annually beginning FY2014.

I wish to allow [REDACTED] every opportunity to provide additional evidence to mitigate the above determinations. Though records could not be produced during or subsequent to the onsite visits, this office will consider all evidence that is received by the close of business on March 1, 2013. Such evidence might include properly executed Individualized Educational Programs with associated invoices and payment records, required uniform assessments (CANS), and evidence of utilization review. Should such documentation be sufficient to warrant reduction to the repayment amount, [REDACTED] will be notified of adjustments to the amount and to the repayment schedule.

The denial by the Office of Comprehensive Services of financial reimbursement is an issue that can be appealed through the CSA Dispute Resolution Process. This process is described in the CSA Policy Manual, Section 3.4 which may be found at the following web address:
http://www.csa.virginia.gov/html/csa_manual_dev/stage.cfm?page=34.cfm

Please accept my appreciation for the cooperative and proactive attitudes displayed by [REDACTED] throughout this review process. Feel free to call me should you have any questions.

Sincerely,



Susan C. Clare, Executive Director
Office of Comprehensive Services

Cc: Dr. William Hazel, Chair, State Executive Council

[REDACTED]
Ty Parr, Data and Finance Specialist, OCS
Charles Savage, Business Manager, OCS

Attachment

Amelia County CSA Financial Review February 2014

Scope and Conclusions

The scope of the review included interviews with Amelia County CSA staff, examination of expenditure payment documents (invoices, purchase orders, warrant registers, etc.), inspections of CSA client case files, and other audit procedures deemed necessary to meet the stated objectives. Due to the small number of clients served (17), all (100%) case files and related transactions were reviewed. The review was conducted in accordance with generally accepted government auditing standards and was completed on February 7, 2013.

The results of the test work concluded that adequate internal controls governing financial activities had not been established and implemented. Specifically, there was insufficient segregation of duties, lack of documentation to support the validity of transactions, inaccuracies in financial reporting, and poor management oversight. These conditions afforded an environment conducive to non-compliance with CSA statutory requirements, local policies and procedures, as well as the dissemination of information that is unreliable and lacks integrity.

The following deficiencies were evidenced during the field review:

Segregation of Duties/Management Oversight

- Financial reports were created, approved and submitted by the CSA Coordinator using the previous Fiscal Agent's system access, as acknowledged by the previous fiscal agent. This practice also circumvents standard industry procedures pertaining to information security that discourages sharing of user accounts and/or passwords.
- CSA Coordinator was reported as a payee of CSA funding without supporting documentation indicating authorization by appropriate management. The CSA Coordinator was also responsible for accounts payable processing.

Financial Reporting

- Reported expenditures could not be reconciled with actual expenditures in 3 of 9 reporting periods. Most notable, the CSA Coordinator made pen/ink changes to the June 2012 Pool Fund Report increasing expenditures and refunds that could not be verified.
- Pool Fund Reimbursement Reports submitted in FY 12 included expenditures incurred in FY 11. Likewise, expenditure reimbursement reports submitted in FY 13 included FY 12 and FY 11 expenditures.
- Financial recoveries of Social Security and Child Support check payments were deposited into a special welfare account by the Treasurer's office. These deposits cannot be reconciled with the local CSA financial system or Pool Fund Reimbursement requests as the CSA Coordinator reported posting inaccurate and inconsistent recoveries.
- Payments were made directly from the locality's Special Welfare Accounts rather than the CSA expenditure pool fund, which results in an understatement of actual expenditures incurred.

Documentation/Validity of Transactions

- CPMT approved contracts have not been established to document scope of services and terms of agreement with private providers.
- Purchase orders and/or invoices could not be produced to support expenditures processed in FY 12 and FY 13.

- Insufficient documentation was maintained to justify service rates and subsequent rate modifications recorded on payment documents.
- In lieu of full payments, multiple partial payments were made to settle outstanding invoices. The partial payments occurred across fiscal years.
- State monies were used to pay interest charges on late payments for one invoice.

Non-Compliance

- Case files examined did not contain evidence of current and completed documents that are necessary to initiate a referral of services or as justification for enhanced funding as follows:
 - Consent to Exchange Information
 - CANS
 - IEP (where applicable)
 - IFSP (along with FAPT notes)
 - VEMAT (where applicable)
- There was no documentation to validate that utilization management/utilization reviews (UM/UR) were performed to evaluate the effectiveness of the services provided to clients served.

Recommendations

- The Office of Comprehensive Services should consider seeking recoupment of \$197,129.37, which represents the state share of FY12 funds previously reimbursed expenditures incurred that could not be substantiated and/or where statutory requirements for CSA pool funding were not met.
- Based upon non-compliance with CSA policies and procedures applicable to the FY 12 and FY 13 pended pool fund reimbursement reports, the Office of Comprehensive Services should take appropriate action in accordance with the requirements of the Denial of Funds Policy. The state share of the FY 12 pended report totals \$21,016.48. The state share of the FY13 pended reports total \$60,369.59.
- The Office of Comprehensive Services should require the Amelia County CPMT to prepare and submit a corrective action plan addressing the deficiencies outlined in this memorandum.
- The duties of the CSA Coordinator should be segregated from the processing of vendor payments and approval of reimbursement requests.
- The CPMT should develop and adopt information security policies prohibiting the sharing of password and user identifiers amongst CSA staff/stakeholders in accordance with standard industry practices. In addition, evidence should be maintained that these policies are communicated at least annually to all CSA staff/stakeholders.
- The CSA Fiscal Agent should be provided payment and refund history to verify total expenditure reimbursements requested and accuracy of the reporting categories. The payment/refund history and pool fund report should be reconciled to the county general ledger account prior to approving reimbursement requests.
- The CPMT should develop a standard vendor contract that establishes the scope and terms of services to be provided. Fiscal policies and procedures should address designation of individuals authorized to sign contracts, as well as requirements to document justification of payment rates, use of purchase orders, and invoice processing.
- The CPMT should evaluate the feasibility of adopting prompt payment guidelines that align with the requirements of their local government and/or Commonwealth of Virginia's Prompt Pay Act. Prompt payment policies promote sound cash management and improved vendor relationships by ensuring timely payments for goods received and services rendered.
- The CPMT should establish minimum documentation requirements for CSA financial records and client case files, as well as conduct periodic quality assurance reviews to ensure compliance. At

minimum, files should contain documents referenced on the CSA Documentation Inventory Checklist. The CSA Coordinator should ensure that files are maintained in accordance with the requirements.

- The CSA Coordinator should ensure that case files reflect activities of the FAPT to substantiate that eligibility for services/funding, assessments (CANS/IEP/VEMAT), confidentiality (consent forms), recommendations (IFSP/IEP), and progress reporting (UM/UR) are performed in accordance with statutory requirements.