

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

Allegheny Highlands

***Audit Report No. 09-2020
October 22, 2020***



Office of Children's Services
Empowering communities to serve youth

TABLE OF CONTENTS

<i>Executive Summary</i>	
<i>Introduction</i>	<i>1</i>
<i>Background</i>	<i>2-3</i>
<i>Observations and Recommendations</i>	
<i>A) Fiscal Activities</i>	<i>4-6</i>
<i>B) Governance</i>	<i>6-7</i>
<i>C) Program Activities</i>	<i>7-8</i>
<i>D) Data Integrity</i>	<i>8-9</i>
<i>Conclusion</i>	<i>9</i>
<i>Report Distribution</i>	<i>10</i>

EXECUTIVE SUMMARY

The Office of Children's Services (OCS) has completed an audit of the Alleghany Highlands Children's Services Act (CSA) program. The program is a jointly managed program of Alleghany County and the City of Covington. The Alleghany Highlands CSA program provided services and/or funding for 109 youth and families during fiscal year (FY) 2019. The audit included review and evaluation of management oversight, operational, and fiscal practices. Based upon established statewide CSA Performance Measures – FY 2019, significant achievements by the Alleghany Highlands CSA program include:

Alleghany County:

1. Percent of youth indicating improvement in the Child and Adolescent Needs and Strengths (CANS) school domain exceeded the statewide average by 12.1%.
2. Percent of youth indicating improvement in the CANS child behavior/emotional needs domain exceeded the statewide average by 5%.
3. Percent of children who exit from foster care to a permanent living arrangement exceeded the established performance target by 5.7% and exceeded the statewide average by 15.4%.
4. Percent of youth receiving community-based services out of all CSA youth rose 5% over FY 18 and was 3.8% higher than the statewide average.

City of Covington:

1. Percent of youth indicating improvement in the CANS school domain exceeded the statewide average by 12.1%.
2. Percent of youth indicating improvement in the CANS child behavior/emotional needs domain rose 8.3% over FY 18 and exceeded the statewide average by 13.3%.
3. Percent of youth receiving community-based services out of all CSA youth exceeded the statewide average by 7.3%.

However, there are additional opportunities to effect quality improvements in other areas of the CSA program. Our audit concluded that there were deficiencies in internal controls that affected compliance with statutory requirements. The following significant issues were identified:

1. Expenditure reimbursements were requested and processed for payment of services where CSA compliance was not met. Specific non-compliance items identified were in the areas of (1) administration of the CANS assessment tool (initial and/or annual), (2) expenditures eligible for another funding source (Title IV-E), and (3) financial reporting errors resulting in an overpayment in state share. The total state share of questioned costs and overpayments equals \$18,381.91.

2. Adequate measures have not been established and/or implemented by Alleghany-Highland CPMT to evaluate and ensure the accountability and effectiveness of the locally managed CSA program. Alleghany Highland CPMT has not implemented a formal process documenting utilization management and utilization review (UM/UR) activities in accordance with Code of Virginia (COV) §2.2-5206.
3. Adequate controls over sharing sensitive and/or confidential information were not operating as intended. Public agencies that serve a child or family through a Family Assessment and Planning Team (FAPT) referral are required to obtain proper consent from the parent or guardian prior to sharing their information with partnering agencies. In three incidences, the consent to exchange information form was missing from the client case file which is a violation of the COV §2.2-5210 and/or the Family Educational Rights and Privacy Act (FERPA).

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



Stephanie S. Bacote, CIGA
Program Audit Manager



D. Brent Barcomb
Program Auditor

INTRODUCTION

The Office of Children's Services (OCS) has completed a financial/compliance audit of the Allegheny Highlands Children's Services Act (CSA) program. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require planning and performance of the audit pursuant to stated audit objectives in order to provide a reasonable basis for audit observations, recommendations, and conclusions. The audit was completed on October 22, 2020 and covered the period September 1, 2018 through August 31, 2019.

The objectives of the audit were to:

- Determine whether adequate internal controls have been established and implemented over CSA expenditures.
- Determine the adequacy of training and technical assistance by assessing local government CSA staff knowledge and proficiency in implementing local CSA programs.
- Assess whether operations have maintained high standards for sound fiscal accountability and ensured responsible use of taxpayer funds by evaluating fiscal activities of local CSA programs.
- Assess the level of coordination among local government CSA stakeholders and efforts to improve CSA performance by evaluating local CSA program's operational and utilization review practices.
- Assess implementation of quality improvements addressing prior audit observations reported by OCS as identified in a final report dated August 14, 2017.

The scope of this audit included all youth and their families who received CSA funded services during the audit period. Audit procedures performed included reviews of relevant laws, policies, procedures, and regulations; interviews with CSA stakeholders; various tests and examination of records; and other procedures deemed necessary to meet the audit objectives.

BACKGROUND

Located on the far western edge of Virginia, Alleghany County was created in 1822 from parts of Botetourt County, Bath County and Monroe County (now in West Virginia) and encompasses 449 square miles. The independent city of Covington serves as the county seat. According to the U.S. Census Bureau's Quick Facts, the July 1, 2019 population of Alleghany County was 14,860 and the median household income from 2014-2018 was \$47,794. The population of Covington was 5,538 and the median household income was \$39,432.

The Children's Services Act (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for youth and their families. State funds, combined with local community funds, are managed by a local interagency team, referred to as the Community Policy and Management Team (CPMT) who plan and oversee services to youth. The CPMT is supported in this initiative by one Family Assessment and Planning Team (FAPT) responsible for recommending appropriate services. Administrative services are managed through the local CSA office staffed by a full-time CSA Coordinator. Expenditure and demographic information for fiscal years 2017 to 2019 are depicted below:

CSA Pool & Census Data by Fiscal Year for Alleghany County (2017-2019)

Source: CSA Continuous Quality Improvement (CQI) Dashboard

At-A-Glance

<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
58	60	60
Distinct Child Count	Distinct Child Count	Distinct Child Count
2.0M	1.8M	1.7M
Gross Expenditures	Gross Expenditures	Gross Expenditures
1.9M	1.8M	1.7M
Net Expenditures	Net Expenditures	Net Expenditures
\$33,377	\$29,790	\$28,287
Average Expenditure	Average Expenditure	Average Expenditure
0.1924	0.1924	0.1924
Base Match Rate	Base Match Rates	Base Match Rates
0.1918	0.1926	0.1923
Effective Match Rate	Effective Match Rate	Effective Match Rate

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

Source: CSA Continuous Quality Improvement (CQI) Dashboard

At-A-Glance

<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
38	50	49
Distinct Child Count	Distinct Child Count	Distinct Child Count
1.4M	1.6M	1.8M
Gross Expenditures	Gross Expenditures	Gross Expenditures
1.4M	1.5M	1.7M
Net Expenditures	Net Expenditures	Net Expenditures
\$37,088	\$30,974	\$35,711
Average Expenditure	Average Expenditure	Average Expenditure
0.2496	0.2496	0.2496
Base Match Rate	Base Match Rates	Base Match Rates
0.2510	0.2491	0.2521
Effective Match Rate	Effective Match Rate	Effective Match Rate

OBSERVATIONS AND RECOMMENDATIONS

A) FISCAL ACTIVITIES

Observation #1:

Criteria Compliance and Internal Control

The Alleghany Highlands CSA program was reimbursed during the audit period for CSA funded services that did not meet criteria established by Code of Virginia (COV) statutes relevant to the Children's Services Act (CSA) and the CSA Policy Manual. All exceptions with questioned costs are from the City of Covington. Exceptions were noted as follows:

1. Per COV § 2.2-5212, access to the state pool of funds includes a determination through the use of a uniform assessment instrument and process. The Child and Adolescent Needs and Strengths (CANS) assessment is the approved uniform assessment instrument per CSA policy adopted in 2009. The CANS assessment is required initially, annually, and upon discharge from the CSA process. An initial or annual CANS had not been completed for three (3) out of the eleven (11) client case files examined, resulting in questioned cost of \$20,126.00 of which \$15,249.57 represents the (state share). (See Table A)
2. CSA pool funds were used in lieu of Title IV-E to fund foster care maintenance expenses for Title IV-E eligible youth, resulting in total questioned cost of \$2,231.07 of which \$1,709.53 represents the (state share). (See Table A)
3. Expenditures incurred for CSA funded services were not always recorded in the correct expenditure category for financial reporting. The exception was noted in one (1) of eleven (11) cases (9%) examined where the local match rate for the expense category used was less than the correct expense category, causing a state share overpayment of \$1,422.81. (See Table B)

TABLE A				
Client	Error Type	Period of Services	Total Expenditures	State Share
1	1a	4/10/18 -8/27/19	\$8,343.00	\$6,260.59
2	1a	2/19/19 -8/27/19	\$10,605.00	\$7,957.99
3	1b	9/1/18 -8/31/19	\$1,178.00	\$1,030.99
4 *	2	2/1/19 -4/30/19	\$1,927.07	\$1,477.91
6 *	2	2/1/19 - 2/28/19	\$152.00	\$115.81
7 *	2	2/1/19 - 2/28/19	\$152.00	\$115.81
Total			\$22,357.07	\$16,959.10

TABLE B								
Error Type	Client	Incorrect Expense Category	Match Rate	Correct Expense Category	Match Rate	Variance		
						Total Expense	Differential	Questioned Cost
3	8	TFC	0.2496	RCC	0.3120	\$ 22,801.40	0.0624	\$ 1,422.81
State Share of Questioned Costs/Overpayments – All Exceptions								\$ 18,381.91

Error Types: 1a-Annual CANS; 1b-Initial CANS; 2-Title IV-E /*Exceptions Identified from the Title IV-E Compliance Report; and 3-Financial Reporting Error (**Expense Category:** TFC – Treatment Foster Care; RCC – Residential Congregate Care)

Recommendation

1. Prior to recommending and authorizing funding, the Family Assessment and Planning Team and the Community Policy and Management Team (CPMT) should ensure that the proposed expenditure meets the criteria for CSA funding. Adequate documentation should be maintained as justification for CPMT funding decisions, such as but not limited to, the CANS (initial and annual) have been completed and expenditures are not eligible for another funding such as Title IV-E.
2. Quality assurance procedures practiced by the CPMT should include review of Title IV-E Compliance Reports (when they are issued) to identify and correct errors that affect CSA, and ensure disallowed IV-E expenditures are not shifted improperly to CSA.
3. The CSA Coordinator and CPMT should ensure proper expenditure reporting categories are used when recording expenditures, and conduct monthly reviews of completed financial reports to verify financial data is accurately presented.
4. The CPMT should submit a quality improvement plan, for review by the OCS Finance Office, including whether the CPMT agrees with the observation regarding questioned costs. Upon review and recommendations presented by OCS Finance staff, the CPMT will be notified of the final determination made by the Executive Director based on SEC approved Policy 4.7 Response to Audit Findings of whether the identified actions are acceptable or any additional actions may be required.

Client Comment

We are unable to respond to the CANS not being completed because the CSA Coordinator at that time left the agency in July 2019. Unaware of what efforts might have been made to ensure that the case managers were completing the CANS as required.

CSA funds will be reimbursed using IVE funds for Clients 6* and 7* for the expenditure that was incorrectly paid through CSA and not reimbursed at the time that the children became eligible for IVE.

We concur with the findings pertaining to Client 4*.

Unable to speak as to why the expenditure reporting categories were incorrect.

Observation #2:

Criteria

Compliance and Internal Control

Adequate measures were not always applied consistently to ensure effective and efficient use of financial resources that could be used to offset the costs incurred for CSA pool funded services and/or to meet the needs of the children and families. The CPMT is not effectively exploring all available funding sources prior to utilization of state pool funds. In two (2) of two (2) (100%) eligible case files reviewed, parental co-payment assessments were not completed or were missing from the client files as required by § 2.2-5206 (3). A review of financial reports documenting

refunds collected indicated that there were zero collections of parental contributions for Allegheny County in FY 19 and zero collections for Covington in FY 17-19.

Recommendation

1. Parental co-payment assessments should be documented in accordance with established statutes, policies, and procedures.
2. The FAPT and/or the CSA Coordinator should ensure that minimum documentation requirements are met and maintained in client case files.
3. Periodic case file reviews should be performed at least annually to establish quality control of client records and to ensure compliance with CSA statutory requirements.

Client Comment

Case file reviews will be required no less than bi-annually to ensure all required documentation and assessments are completed.

B) GOVERNANCE

Observation #3:

Criteria	Compliance and Internal Control
----------	---------------------------------

Formal performance measures and utilization management practices and procedures to assess overall program effectiveness have not been established in accordance with COV § 2.2-5206 (6) and (13). CPMT monthly meeting minutes and accompanying reports did not evidence utilization management (UM) activities to include:

1. review of local and statewide data provided in management reports on the number of children served, children placed out of state, demographics, types of services provided, duration of services, service expenditures, child and family outcomes, and performance measures.
2. tracking the utilization and performance of residential placements using data and management reports to develop and implement strategies for returning children placed outside of the Commonwealth, preventing placements, and reducing lengths of stay in residential programs for children who can appropriately and effectively be served in their home, relatives homes, family-like setting, or their community.

Utilization management is a key element in the Community Policy and Management Team's (CPMT) monitoring activities and assessing the appropriateness and effectiveness of services purchased, which is critical to ensure the CPMT is well informed when carrying out its decision-making responsibilities.

Recommendation

The Alleghany Highlands CPMT should review and analyze data in management reports provided by OCS management at least annually and provide this information to all stakeholders to bring about further awareness of the CSA program to evidence a formal program evaluation activity. OCS Management reports available on the CSA website include:

- [OCS Continuous Quality Improvement Dashboard](#)
- [CSA Utilization Reports](#)
- [OCS Reports to the General Assembly](#)

Client Comment

Utilization management needs to occur regularly and all recommendations in this section will be followed.

C) PROGRAM ACTIVITIES

Observation #4:

Criteria

Compliance and Internal Control

COV §2.2-5210 requires that consent to exchange information be obtained from the parent and/or legal guardian to share client information collected by partnering agencies and other providers with local CSA representatives. Failure to document that consent was properly obtained increases the likelihood of non-compliance with CSA and other agency statutory requirements and potential liability due to the unauthorized exposure of protected information. Instances of non-compliance were noted in 27% (3 of 11) cases as follows, and applies to the City of Covington:

1. One (1) of five (5) (20%) clients tested eligible for special education services evidenced by an Individualized Education Plan (IEP) was missing a Consent to Exchange Information. As directed by OCS Administrative Memo #18-01, issued January 11, 2018, "Without such information, CPMTs cannot verify that the students are statutorily eligible for CSA funded services and would therefore be unable to authorize the use of CSA funds to cover the costs of private educational placements required by the student's IEP. Where the local CSA office is unable to confirm eligibility to access state pool funds due to the absence of consent, the local school division would have been responsible for \$38,617 in expenditures incurred that were funded by CSA during the audit period. Further, discussion of students' educational services/placements without verification of consent to share information is in violation of the Family Educational Rights and Privacy Act (FERPA).
2. Two (2) of eleven (11) (18%) files tested were missing Consent to Exchange Information forms.

Recommendation

1. The Alleghany Highlands CSA Office and FAPT should ensure that consent to exchange information forms have been completed at the time of referral or immediately prior to the start

of the FAPT meeting for all CSA funded cases, including IEP referrals, to be in compliance with OCS directives and the Family Educational Rights and Privacy Act.

2. Consent to exchange forms should be retained in the case file and in accordance with record retention policies.

Client Comment

Unable to comment as to why the Consent to Exchange information forms were not with the cases reviewed. We will ensure all required forms are completed and in the case files.

D) DATA INTEGRITY

Observation #5:

Criteria Internal Control

Adequate measures were not always consistently applied to ensure the integrity of information for financial reporting purposes. Expenditures incurred for CSA funded services were not recorded in the correct expenditure category and/or the service name code category for four (4) of eleven (11) (36%) cases examined. For two (2) cases, the local match rate for the correct expenditure category was less than the match rate used, causing an overpayment of the local match of \$2,143.23. In the third case, the same match rate applied to both the correct and incorrect expenditure categories; therefore, there was no fiscal impact as noted in the Financial Reporting Error chart below. In the last case, expenditures were all reported incorrectly under the same service name category as noted in the Service Name Code chart below.

Financial Reporting Error							
Client/Locality	Incorrect Expense Category	Match Rate	Correct Expense Category	Match Rate	Variance		
					Total Expense	Differential	Potential Savings
9/Alleghany	FCCG	0.2405	FFC	0.1924	\$ 25,872.79	0.0481	\$ 1,244.48
10/Alleghany	RCC	0.2405	ESCC	0.1924	\$ 18,685.00	0.0481	\$ 898.75
11/Covington	TFC	0.2496	FFC	0.2496	\$ 136.74	0.0000	\$ 0.00
Total Potential Savings							\$ 2,143.23
1) FCCG – Foster Care in Congregate Care; 2) FFC – Family Foster Care; 3) RCC – Residential Congregate Care; 4) ESCC – Educational Services Congregate Care; 5) TFC – Treatment Foster Care							

Service Name Code Error					
Client	Service Name Code		Description	Expense Recorded	Expense Required
	Recorded	Required			
8/Covington	31		Residential Case Management	\$ 22,863.62	
		3	Assessment/Evaluation		\$ 1,000.00
		30	Residential Room and Board		\$ 6,844.20
		31	Residential Case Management		\$ 6,100.00
		32	Residential Room and Board		\$ 8,919.42

Recommendation

1. The CSA office should ensure that the proper expenditure categories are used prior to local expenditure payment processing and subsequent remittance of expenditure reimbursement requests to OCS. In case of uncertainty, the local CSA should contact the Office of Children's Services for guidance.
2. The CPMT should establish a quality assurance process that includes, but is not limited to, periodic review of financial transactions to ensure accuracy in data reporting.

Client Comment

Unable to comment as to why proper expenditure categories were not utilized. QA process to be established and will seek guidance as necessary from OCS.

CONCLUSION

This audit concluded that there were deficiencies in internal controls relating to expenditure reimbursements, utilization management, confidentiality, and financial reporting. Conditions were identified that affected compliance with statutory requirements pertaining to governance and oversight of operational and fiscal transactions. An exit conference was conducted on September 3, 2020 to present the audit results to the Allegheny Highlands CPMT. Persons in attendance representing the Allegheny Highlands CPMT were:

CPMT: Sandra Crawford, 25th District Court Services Unit - CPMT Chair; Dawn Riddle, Allegheny Highlands DSS Director

CSA Staff: Angela Rice, Acting CSA Coordinator

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

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

REPORT DISTRIBUTION

Scott Reiner, Executive Director
Office of Children's Services
Jonathan Lanford, Alleghany County Administrator
Krystal Onaitis, Covington City Manager
Saundra Crawford, CPMT Chair
Donna Kimberlin, Fiscal Agent, Alleghany County
David Bryant, Jr., Fiscal Agent, City of Covington
Amber McHale, CSA Coordinator