



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 14, 2013

MEMORANDUM

TO: Susan C. Clare, Executive Director

FROM: Stephanie Bacote, Program Auditor
Annette Larkin, Program Auditor
Ty Parr, Financial and Data Consultant

SUBJECT: Amelia County CSA – Requested Financial Review, File No. 43-2013

We have completed the requested financial review of expenditures processed by the Amelia County CSA program for fiscal year 2012 (July 1, 2011– June 30, 2012). The purpose of this review was to establish whether expenditure reimbursement requests submitted on behalf of Amelia County CSA were:

- incurred on behalf of youth and families eligible for CSA funding.
- supported by sufficient documentation required to initiate a requests for services and funding (i.e. IFSP, CANS, IEP, Consent to Exchange Information, etc.).
- composed of valid transactions that are accurately reported on Pool Fund financial reports.

Background

Amelia County CSA submitted the June 2012 Pool Fund Expenditure Report on September 27, 2012. Upon review of the report provided, the OCS Business Manager noted potential irregularities in the information provided. On October 3, 2012, the Office of Comprehensive Services requested a listing of individual payments/invoices that comprised the FY12 Pool Fund Reimbursement report for Amelia County. Amelia County CSA was unable to provide the requested information by the established due date. Due to the lack of supporting documentation, an onsite fiscal review was scheduled. Onsite reviews were conducted on November 28, 2012 and January 16, 2013. Because it was suspected that the FY12 Pool Fund Expenditure Report may have included expenditures incurred in FY 13, the review was expanded to include fiscal year 2013 transactions.

Scope and Conclusion

The scope of our 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 our 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 adequately verified.
 - Pool Fund Reimbursement Reports submitted in FY 12 included expenditures incurred in FY 11 and FY 12. Likewise, expenditure reimbursement reports submitted in FY 13 included FY 13, 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 \$198,129.37, 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 (see Attachment A for breakdown summary).
- 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.

Thank you for your patience and assistance throughout the review process. If you have any questions or require additional information, please let us know.

ATTACHMENT A
FY13 Pool Fund Reimbursement Requests

The FY13 Pool Fund Reimbursement state share expenditures totaled \$60,369.59. July 2012 and August 2012 requests included payments for services in FY 11 and FY 12. In accordance with fiscal policies and procedures, CSA expenditures are not reimbursable from prior fiscal years in subsequent periods.

The request for the period ending 9/30/12 is subject to appropriate action in accordance with the requirements of the Denial of Funds Policy as a result of non-compliance with CSA policies and procedures.

The following is the breakdown of the total state share of expenditures as reported:

Expenses from FY 11:	\$ 2,190.23
Expenses from FY 12:	\$24,483.15
<u>Expenses from FY 13:</u>	<u>\$33,696.21</u>
Total:	\$60,369.59