

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

City of Hopewell

Audit Report No. 01-2023

August 29, 2023



Office of Children's Services
Empowering communities to serve youth

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EXECUTIVE SUMMARY

The Office of Children's Services has completed an audit of the City of Hopewell Children's Services Act (CSA) program. The City of Hopewell CSA program provided services and/or funding for approximately 83 youth and families in fiscal year 2023 (FY23). The audit included reviewing and evaluating management oversight, operational, and fiscal practices. Based upon established statewide CSA performance measures reported for fiscal year 2022, significant achievements for the Hopewell CSA program were as follows:

- Ninety-eight percent (98%) of the youth and families received community-based services, an increase of 4% over the previous year and exceeding the statewide average by 11%.
- Percent of children in foster care in family-based placements exceeds the statewide target by 12% and is 23% above the statewide average.
- Foster care exits to permanency surpassed the statewide average by 7%.

However, additional opportunities exist to improve quality in other CSA program areas. The audit concluded that there were major deficiencies¹ in compliance and internal controls, particularly regarding fiscal, governance, and operational practices. Conditions that could adversely affect the effectiveness and efficient use of resources and compliance with statutory requirements were identified. Some observations were also identified in the prior audit report dated April 22, 2021 (repeat observations). The following significant issues were identified:

- Hopewell was reimbursed \$38,780 (state share) in fiscal years 2022-2023 for expenditures incurred that did not meet compliance requirements. At least one exception was noted in 50% (7/14) of the client files reviewed, including significant exceptions such as: (a) funding emergency placements not referred for Family Assessment Planning Team (FAPT) assessment within 14 days of placement and (b) missing annual Child and Adolescent Needs and Strengths (CANS) assessments.
- All potentially eligible refunds and pool fund reimbursement requests have not been collected and reported. Seven (7) clients served may have been eligible SSA/SSI (social security) benefits beneficiaries. CSA Policy 4.5.2 Pool Fund Reimbursement requires localities to report at least quarterly all CSA-eligible expenditures and applicable refunds in accordance with appropriate expenditure-reporting categories and refund classification.

The Office of Children's Services appreciates the cooperation and assistance provided on behalf of the CPMT and other CSA staff. The body of the full report includes formal responses from the CPMT to the reported audit observations.



Stephanie S. Bacote, CIGA
Program Audit Manager

¹ Major deficiency is defined as an internal control deficiency or combination of deficiencies that severely reduces the likelihood that the entity can achieve its' objectives." Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework, May 2013.

INTRODUCTION

The Office of Children's Services has completed a financial/compliance audit of the City of Hopewell Children's Services Act 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 to provide a reasonable basis for audit observations, recommendations, and conclusions. The audit was completed on August 29, 2023, and covered May 1, 2022 through April 30, 2023.

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 the local CSA program.
- Assess the level of coordination among local government CSA stakeholders and efforts to improve CSA performance by evaluating the local CSA program's operational and utilization review practices.
- Assess the implementation of quality improvements addressing prior audit observations reported by OCS in the final report dated April 22, 2022.

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

BACKGROUND

The City of Hopewell is in the Tri-Cities area of the Richmond Metropolitan Statistical Area. Hopewell was established in 1613 and is the second oldest continuously occupied settlement in the United States. According to the U.S. Census Bureau, State and County Quick Facts, the population estimate as of July 1, 2022 is 22,962. The median household income from 2017-2021 was \$44,209.

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. The state funds, combined with local community funds, are managed by local interagency teams, referred to as the Community Policy and Management Team (CPMT), which plans and oversees services to youth. The City of Hopewell CPMT has established three Family Assessment and Planning Teams (FAPT) responsible for recommending appropriate services to eligible children and families. The CPMT is supported administratively by a CSA Coordinator. Expenditure demographics for fiscal years 2019 to 2023 are depicted below.

Source: CSA Data and Outcomes Dashboard
(Web link: [Data and Outcomes Dashboard \(CQI\)](#))

<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
92	92	82	90	83
Distinct Child Count	Distinct Child Count	Distinct Child Count	Distinct Child Count	Distinct Child Count
\$3.4M	\$3.1M	\$2.9M	\$3.1M	\$3.0M
Net Expenditures	Net Expenditures	Net Expenditures	Net Expenditures	Net Expenditures
\$0.9M	\$0.8M	\$0.8M	\$0.8M	\$0.8M
Local Net Match	Local Net Match	Local Net Match	Local Net Match	Local Net Match
\$37,141	\$33,493	\$35,426	\$34,982	\$36,148
Average Expenditure	Average Expenditure	Average Expenditure	Average Expenditure	Average Expenditure
0.2667	0.2667	0.2667	0.2667	0.2667
Base Match Rates	Base Match Rates	Base Match Rate	Base Match Rate	Base Match Rates
0.2631	0.2626	0.2624	0.2605	0.2612
Effective Match Rate	Effective Match Rate	Effective Match Rate	Effective Match Rate	Effective Match Rate

CQI dashboard data consist of information submitted by individual Virginia localities for youth receiving CSA-funded services in the reporting period.

**MAJOR DEFICIENCIES
OBSERVATIONS AND RECOMMENDATIONS**

A) PROGRAM AND FISCAL ACTIVITIES

Observation #1:	
Criteria:	Compliance and Internal Control – Repeat Observation

Hopewell CSA was reimbursed \$38,780 (state share) in fiscal years 2022-2023 for expenditures incurred that did not meet compliance requirements. Fourteen (14) client case files were examined to confirm that required documentation was maintained to support and validate Family Assessment and Planning Team (FAPT) service planning recommendations and Community Policy and Management Team funding decisions. At least one exception was noted in 50% of the client files reviewed. Exceptions noted in Tables A and B below are deemed significant, as they are critical to evidencing the appropriateness of services and compliance with CSA funding requirements.

Table A Client File Review Exceptions – Fiscal Impact				
Exception Rate	Exception Description (Code)			
(4/14)	1. Ineligible Expense: FAPT referral and assessment did not occur within 14 days of emergency placements. (COV 2.2-5209)			
(1/14)	2. Missing an annual CANS assessment (CSA Policy 3.6, Mandatory Uniform Assessment) – Repeat Observation			
Exception Code	Service Description	Period	Total Cost	State Share
1	Treatment Foster Care	Feb 2022 – Mar 2022	\$17,081	\$12,550
2	Special Ed. – Private Day	Nov 2022 – Apr 2023	\$35,770	\$26,230
Total			\$52,851	\$38,780
Reimbursement Due to CSA				\$38,780

Table B Client File Review Exceptions – No Fiscal Impact	
Exception Rate	Exception Description (Code)
2/14	3. Incomplete/missing documentation: purchase orders (CSA Policy Manual Section 3.5, Records Management)
7/14	4. Financial reporting errors: expenditure category, mandate type, and/or service name (CSA Policy Manual Section 4.5.2,

Similar observations were reported in the prior audit of the Hopewell CSA Program dated April 22, 2022.

Recommendations:

1. CPMT should utilize a checklist that documents deliberations of individual funding authorizations. Section 7 of the CSA User Guide includes a “CAN CSA Pay” process flow that could be adapted for such purposes. The completed checklist should be maintained with the CPMT minutes.
2. Periodic case file reviews should be performed by someone other than the CSA Coordinator to establish quality control of client records and to ensure compliance with CSA statutory requirements. The CPMT should “review 10% of the total CSA caseload quarterly,” as stated in the quality improvement plan dated 10/27/17.
3. The CSA Office and the CPMT Fiscal Agent should periodically review expenditure reports (preferably monthly) to verify transaction coding is accurate and immediately correct identified errors.
4. The CPMT should submit a quality improvement plan for review by the OCS Finance Office, including whether the CPMT agrees with the observations 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 of whether the identified actions are acceptable or any additional actions that may be required.

Client Comment:

No response provided.

Observation #2:

Criteria: Compliance and Internal Control – Repeat Observation

All potentially eligible refunds have not been collected and reported along with pool fund reimbursement requests, including SSA/SSI (social security) beneficiary payments and Division of Child Support Enforcement (DCSE) collections. CSA Policy 4.5.2 Pool Fund Reimbursement requires localities to report at least quarterly all CSA-eligible expenditures and applicable refunds in accordance with appropriate expenditure-reporting categories and refund classification. The prior audit report dated April 2022 included similar observations to the current exceptions described below:

- Seven (7) clients served may have been eligible beneficiaries of social security benefits during the review period. Inquiries to the Hopewell Department of Social Services have yielded very few results. A case manager notes that one client’s records acknowledged the need to “apply for a payee change and determine eligibility for other siblings.” There is no record that those activities have been completed for six (6) of the seven clients. In May 2023, Hopewell DSS began receiving payments for the seventh client. It remains unclear whether the funds received included accumulated payments that could be used to offset prior expenses funded by CSA and a refund has not yet been recorded.

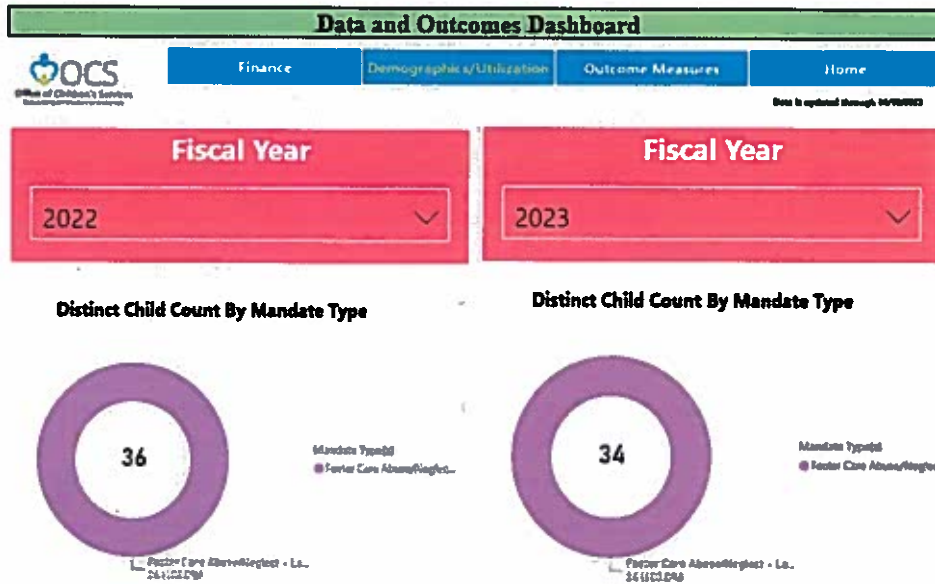
- While the CSA Coordinator has demonstrated efforts to ensure the collection and reporting of SSA/SSI benefits. There is no documentation to address the status of DCSE collections. Financial and demographic data collected are presented in Exhibits 1 and 2.

Exhibit 1

FY	Vendor Refunds	Parental Co-Pay	SSA, SSI, VA, Benefits	Support through DCSE	Reclaimed Under IV- E	Other	Total
21	\$7,727.25	\$0.00	\$8,623.11	\$0.00	\$25,545.70	\$0.00	\$38,896.06
22	\$724.00	\$0.00	\$1,795.14	\$0.00	\$0.00	\$0.00	\$2,519.14
23	\$1,565.00	\$0.00	\$0.00	\$0.00	\$5,957.13	\$0.00	\$7,522.13

Source: <https://csa.virginia.gov/OCSPoolReports/PoolReports/RefundReport>

Exhibit 2



Recommendations:

In accordance with SEC Policy 4.5.2, the CPMT should determine if there were any:

- child support collections for the current and previous fiscal years,
- eligible/uncollected SSA/SSI benefits, and
- report the refunds in LEDRS with their subsequent pool reimbursement.

Client Comment:

See Attachment

CONCLUSION

Our audit concluded that there were major deficiencies in compliance and internal controls over the City of Hopewell CSA program. Conditions were identified pertaining to operating and fiscal practices of the locally administered program that could adversely affect the effective and efficient use of resources and compliance with statutory requirements. An exit conference was conducted on July 17, 2023, to present the audit results to the City of Hopewell CPMT. Persons in attendance representing the City of Hopewell CPMT were as follows:

Ray Spicer, Hopewell Department of Social Services (CPMT Chair)

Jermaine Harris, Hopewell City Public Schools

Tim Beard, 6th District Court Service Unit

Brian Ellsworth, District 19 Community Services Board

Dorothy Gerard, CPMT Fiscal Agent

Wanda Brown, CSA Manager

Michael Terry, Hopewell Finance Director

Stephanie Bacote, Program Audit Manager, represented the Office of Children's Services.

We thank the City of Hopewell Community Policy and Management Team and CSA staff for their cooperation and assistance on this audit.

REPORT DISTRIBUTION

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

Dr. Concetta Manker, Hopewell City Manager

**Ray Spicer, CPMT Chair
Hopewell Department of Social Services**

Dorothy Gerard, CPMT Fiscal Agent

Wanda Brown, CSA Manager

ATTACHMENT – CLIENT COMMENTS

Observation 2:

“Regarding the matter of SS reimbursements, I am also providing the following procedures we are working on to ensure that moving forward we have a structured means to ensure that reimbursements are being made efficiently and timely to Title IV-E and/or CSA. The following is a rough draft of the procedures. We have scheduled a follow up meeting for this Tuesday to finalize the procedures before presenting to our CPMT for review and approval. We are currently updating our CSA Policies and Procedures and these will be included.

1. DSS caseworker will be responsible for notifying DSS Finance Office when there are pending SSA/SSI case applications for foster children.
2. DSS caseworker will be responsible for providing no less than monthly updates to DSS Finance Office regarding the status of SSA/SSI case applications.
3. Once SSA/SSI eligibility is determined on an application, DSS Finance Office will establish special welfare account/dedicated account (depending on SSA/SSI benefit).
4. DSS Finance Office will notify CSA Office and DSS caseworker regarding established SSA/SSI special welfare/dedicated account.
5. DSS Finance will inquire with DSS case worker/CSA Office regarding any required reimbursable expenses, which shall also include Title IV-E reimbursements. The CSA Office will submit copies of paid invoices for reimbursement to DSS Finance.
6. DSS Finance will forward information to Title IV-E eligibility benefit worker to assess eligibility for Title IV-E reimbursement. Title IV-E as required will receive reimbursement before CSA.
7. DSS Finance Office will complete required paperwork to have a check written to CSA/Title IV-E for deposit into appropriate account.”