

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

Nelson County

Audit Report No. 19-2019

April 8, 2019



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 Nelson County Children's Services Act (CSA) program. The Nelson County CSA program provided services and/or funding to 44 eligible youth and families in fiscal year (FY) 2018. The audit included review and evaluation of management oversight, operational, and fiscal practices. Based upon established statewide CSA performance measures reported as of fiscal year (FY) 2018, a significant achievement for the Nelson County CSA program was that one hundred (100%) of foster care youth were placed in family-based setting, which is 19% above the statewide average and exceeds the established state target by 15%.

However, there are additional opportunities to effect quality improvement in other areas of the CSA program. The audit concluded that there were major deficiencies¹ in compliance and internal controls particularly in reference to operational, governance, and fiscal practices. Conditions were identified that could adversely affect the effectiveness and efficient use of resources and compliance with statutory requirements. The following significant issues were identified:

- Expenditure reimbursements totaling \$7,550 (state share equals \$5,835.23) were requested and processed for payment of services where the requirements for compliance with State and local CSA policies and procedures were not met. CSA funds were used to pay court testimony fees that were the administrative responsibility of the local social services agency.
- Documentation of service planning activities requires strengthening to ensure compliance with program requirements. Seven client case files were examined to confirm that required documentation was maintained in support of and to validate FAPT and /or multi-disciplinary team (MDT) referral and CPMT funding decisions. Omissions from client case file documentation included: provider treatment plans, monthly progress reports, parental co-pay assessments, utilization reviews and discharge CANS.
- Adequate measures have not been established and/or implemented by the Nelson County CPMT to evaluate and ensure the accountability and effectiveness of the locally managed CSA program. Nelson County CPMT has not implemented a formal process documenting utilization management (UM) activity.

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


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Program Audit Manager


Annette E. Larkin, MBA
Program Auditor

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 Nelson County 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 in order to provide a reasonable basis for audit observations, recommendations, and conclusions. The audit was completed on April 8, 2019 and covered the period January 31, 2018 through December 31, 2018.

The objectives of the audit were:

- To determine whether adequate internal controls have been established and implemented over CSA expenditures.
- To determine the adequacy of training and technical assistance by assessing local government CSA staff knowledge and proficiency in implementing local CSA programs.
- To 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.
- To 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 implementation of quality improvements addressing prior audit observations reported by OCS and/or identified in the prior self-assessment evaluation completed by the Nelson County. The prior CSA program audit self-assessment validation was completed March 27, 2017.

The scope of the audit included youth and their families who received CSA funded services during calendar year 2018. Audit procedures included reviews of relevant laws, policies, procedures, and regulations; interviews with various CSA stakeholders; flowcharts of operational and fiscal processes; various tests and examination of records; and other audit procedures deemed necessary to meet the audit objectives.

BACKGROUND

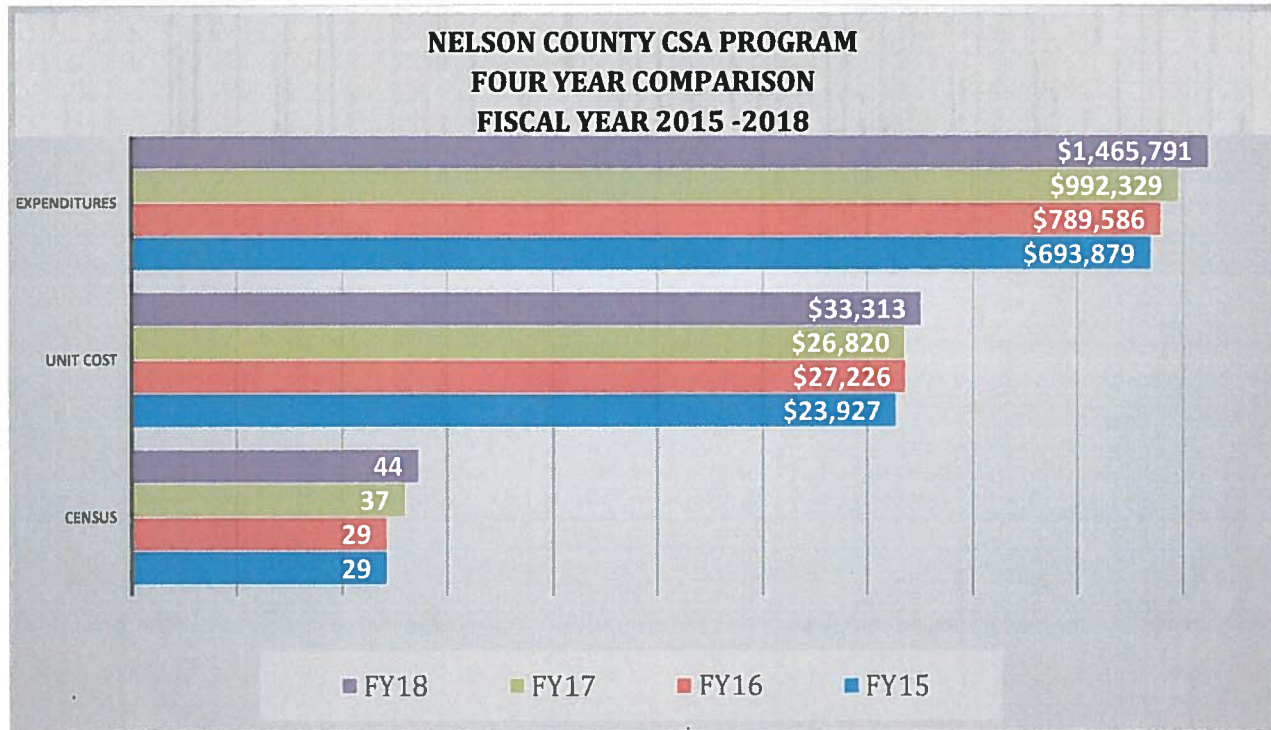
Nelson County was founded in 1807 and named in honor of Thomas Nelson, Jr., third governor of Virginia. It is located in central Virginia midway between the metropolitan areas of Charlottesville and Lynchburg. It borders the counties of Albemarle, Augusta, Appomattox, Amherst, Buckingham and Rockbridge. According to the US Census Bureau Quick Facts, the estimated population in 2017 was 14,943 and the median household income from 2013-2017 was \$53,834.

The Children’s Services Act (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for eligible youth and their families. The state funds, combined with local community funds, are managed by a local interagency team, referred to as the Community Policy and Management Team (CPMT) that plans and oversees services to youth. The CPMT is supported by a Family Assessment and Planning Team (FAPT) responsible for recommending appropriate services to eligible children and families, and a CSA Coordinator. Expenditure demographics for fiscal 2015 to 2018 are depicted below.

CSA Pool & Census Data by FY for the Nelson County (2015-2018)

| FY | Census | Census Change | Census % Change | Pool Expenditures | Expenditures \$ Change | Expenditures % Change | Unit Cost | Unit Cost % Change |
|----|--------|---------------|-----------------|-------------------|------------------------|-----------------------|-----------|--------------------|
| 15 | 29 | -4 | -12 | \$ 693,879 | \$ 85,382 | 14 | \$ 23,927 | 30 |
| 16 | 29 | 0 | 0 | \$ 789,568 | \$ 95,689 | 14 | \$ 27,226 | 14 |
| 17 | 37 | 8 | 28 | \$ 992,329 | \$ 202,761 | 26 | \$ 26,820 | -1 |
| 18 | 44 | 7 | 19 | \$ 1,465,791 | \$ 473,462 | 48 | \$ 33,313 | 24 |

Note: Changes recorded for FY 15 are based on difference from fiscal year 2014 to 2015



**MAJOR DEFICIENCIES
OBSERVATIONS AND RECOMMENDATIONS**

A) FISCAL ACTIVITIES

Observation #1:

Criteria:

Compliance and Internal Control

Expenditure reimbursements were requested and processed for payment of services where the requirements for compliance with State and local CSA policies and procedures were not met. Pursuant to Code Of Virginia (COV) § 2.2-5211 Item D, "... the community services board, the local school division, local social services agency, court service unit or Department of Juvenile Justice shall continue to be responsible for providing services identified in individual family service plans that are within the agency's scope of responsibility and that are funded separately from the state pool." As observed in case records of three (3) clients, CSA funds totaling \$7,550 (state and local share) were used to pay for court testimony in court actions that were initiated by the local social services agency. In each case, the court testimony was to terminate parental rights or terminate a pre-adoption agreement, which is an administrative function of social services. Virginia Department of Social Services (VDSS) has provided a budget line (BL) 855 *Staff & Operations Base Budget* within the Locality Automated System Expenditure Reimbursement (LASER) to charge expenditures for court testimony. Refer to the table below for a detailed breakdown of the expenditures by client.

| Client | Period | Total Expenditures | State Share |
|---------------|---------------------|---------------------------|--------------------|
| A | May – August 2018 | \$650 | \$548.21 |
| B | March – August 2018 | \$3,400 | \$2,335.12 |
| C | June –November 2018 | \$3,500 | \$2,951.90 |
| Total | | | \$ 5,835.23 |

Recommendations:

1. Prior to authorizing funding, the CPMT should ensure that the proposed expenditure meets the criteria for CSA funding and is not the responsibility of another agency.
2. 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 based on SEC Policy 4.7, Response to Audit Findings, of whether the identified actions are acceptable or any additional actions that may be required.

Client Comment:

“Nelson CPMT interpreted these testimonies as continuation of services and because of such, authorized payment. Now that CPMT has been made aware of the error and code this item has been corrected and all future testimony will not be paid with CSA funds. We would like to request forgiveness of payback of this error due to the sincere idea that this testimony was a continuation of the services provided to the client and paid for with CSA funds.”

B) PROGRAM ACTIVITIES

Observation #2:

Criteria: Compliance and Internal Control

Documentation of service planning activities requires strengthening to ensure compliance with program requirements. Seven (16%) out of 44 client case files were examined to confirm that required documentation was maintained in support of and to validate FAPT and /or multi-disciplinary team (MDT) referral and CPMT funding decisions. Client case files did not always contain sufficient information demonstrating compliance with CSA requirements key to the coordination and service planning by FAPT. Documentation missing from case files reviewed are documented in the table below.

| Description | # of Eligible Cases | Error Rate |
|---|---------------------|------------|
| 1. Provider treatment plans and/or monthly progress notes | 4/7 | 57% |
| 2. Utilization review of Individual Family Service Plan (IFSP) services | 3/7 | 43% |
| 3. Missing Discharge Child and Adolescent Needs and Strengths assessments (CANS) (2 eligible cases) | 2/2 | 100% |
| 4. Parental Co-pay Assessment (4 eligible cases) | 2/4 | 50% |

The non-compliance observation pertaining the discharge CANS was also identified in the CSA audit completed in March 2017. A quality improvement plan was submitted April 26, 2017 to address the observation. The CPMT, as the governing body, is responsible for on-going monitoring of the quality improvement plan to ensure timely implementation of the plan and the actions taken are continuously working as intended.

Insufficient data collection and poor document management in service planning may lead to increased operational and fiscal inefficiency and ineffectiveness of the local program. Further, this condition fosters an environment that makes the program more susceptible to potential loss of

accessibility to State funding in support of local programs as a result of non-compliance with CSA statutes regarding service planning and access to pool funds.

Recommendations:

1. The FAPT and/or the CSA Coordinator should ensure that minimum documentation requirements are met and maintained in client case files. Key documents include but are not limited to completed discharge CANS, provider treatment plans, monthly progress reports, parental co pay-assessments, and utilization reviews.
2. 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:

“The CSA coordinator will develop a standardized list for each file to be maintained in each file and reviewed periodically during the FY. The CPMT chair or designee will audit files for appropriate information at least annually.”

C) CPMT 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, items 6 and 13. CPMT monthly meeting minutes and accompanying reports did not evidence utilization management/utilization review (UM/UR) activities to include:

1. reviewing local and statewide data provided in the management reports on the number of children placed out of state, demographic, types of services provided, duration of services, services 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, relative’s homes, family-like settings, 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.

Recommendations:

1. The CPMT should periodically review local and statewide data provided in OCS management reports located on the CSA website specifically, but not limited to:
 - A. [State & Local CSA Performance Measures \(Excel Application\)](#)
 - B. [CSA Utilization Reports](#)
 - C. [OCS Reports to the General Assembly](#)
2. The CPMT should track and report on their progress in meeting their strategic goals and objectives to all stakeholders at least annually to bring about further awareness of the CSA program and to evidence a formal program evaluation activity. The CPMT should consider incorporating UM as a standing agenda item and documenting the results of UM activities in the meeting minutes.

Client Comment:

“The Nelson CPMT will develop a more in depth strategic plan to incorporate SMART goals. We will also implement utilization management into every case to assess for efficacy and appropriateness of services.”

Observation #4:

Criteria:

Compliance and Internal Control

Internal controls established by CSA statutes were not effectively implemented by the CPMT in order to safeguard against conflicts of interest. The parent representative serving on the CPMT did not complete the statement of economic interest (SOEI) form as required by (COV) §2.2-5205. The effectiveness of the controls to ensure accountability and appropriate use of CSA pool funds are reduced based on the increased opportunity for a single individual to not disclose personal financial interest.

Recommendations:

The CPMT should ensure all parties not representing a public agency complete the SOEI forms upon appointment and maintain filing in accordance with the Administrative Memo 18-02 dated January 16, 2018.

Client Comment:

“The SOEI will be mailed to applicable members of the FAPT and CPMT in the month of April and due for return by April 30, 2019. This will also be given to any future applicable members upon appointment.”

CONCLUSION

Our audit concluded that there were major deficiencies in compliance and internal controls over the Nelson County CSA program, particularly in reference to operational, governance, and fiscal practices. Conditions were identified that could adversely affect the effective and efficient use of resources, as well as compliance with statutory requirements. An exit conference was conducted on Wednesday, March 20, 2019 to present the audit results to the Nelson County CPMT. Persons in attendance representing the Nelson County CPMT were as follows:

Angela A. Rose, CPMT Chair, Nelson County DSS Director
Francee Laverty, CPMT Vice Chair, Region 10 Community Service Board
Candy McGarry, CPMT Fiscal Agent, Nelson County Director of Finance
Sandra Irby, Nelson County Public Schools
Jennifer Blodgett, Court Service Unit
Sam Hall, Health Department
Laura Cooper, Parent Representative
Allison Mc Garry, CSA Coordinator

Representing the Office of Children's Services was Annette Larkin, Program Auditor. We would like to thank the Nelson County CPMT and related CSA staff for their cooperation and assistance on this audit.

REPORT DISTRIBUTION

Scott Reiner, Executive Director
Office of Children's Services
Stephen A. Carter, County Administrator
Angela A. Rose, CPMT Chair
Candy McGarry, Fiscal Agent
and Director of Finance
Allison McGarry, CSA Coordinator