

***COMPREHENSIVE SERVICES ACT
PROGRAM AUDIT***

City of Virginia Beach

Audit Report No. 03-2013

October 08, 2013



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EXECUTIVE SUMMARY

The Office of Comprehensive Services has completed an audit of the Virginia Beach Comprehensive Services Act for At Risk Youth and Families program. Our audit concluded that there were material weaknesses in internal controls, particularly in reference to governance and accountability of the \$10.1 million combine allocation of (state and local) funding. Conditions were identified that could adversely impact the effectiveness and efficient use of resources, as well as non-compliance with statutory requirements. It is to be noted while significant internal weaknesses were identified we did not find any mismanagement of the \$10.1 million allocated to Virginia Beach CSA Program. The following significant issues were identified:

- The local management structure of Virginia Beach CSA Program does not have the required participations level of its CPMT established by CSA statute and the by-laws established by the Virginia Beach CPMT that governs member participation.
- Policies and procedures adopted by the CPMT contain contradictory language to the Code of Virginia surrounding the approval of expenditures to access CSA pool funds, and the completion of CANS.
- The CPMT has not documented a formal plan to substantiate coordination of long-range planning that includes an assessment of the current risks, strengths and needs of the existing system, as well as establishing and documenting measurable criteria for evaluating the effectiveness of the local CSA program.
- Fiscal practices and procedures adopted by the CPMT need strengthening to increase the operational effectiveness, specifically relating to lines of authority and responsibility, execution of transactions, and monitoring.

The Office of Comprehensive Services appreciates the cooperation and assistance provided on behalf of the City of Virginia Beach Community Policy and Management Team and other CSA staff. Formal responses from the City of Virginia Beach Community Policy and Management Team to the reported audit observations are included in the body of the full report.

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INTRODUCTION

The Office Comprehensive Services has completed a financial/compliance audit of the City of Virginia Beach Comprehensive Services Act for At-Risk Youth and Families program. The audit was conducted in accordance with generally accepted government 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 7, 2013 and covered the period April 1, 2012 through March 31, 2013.

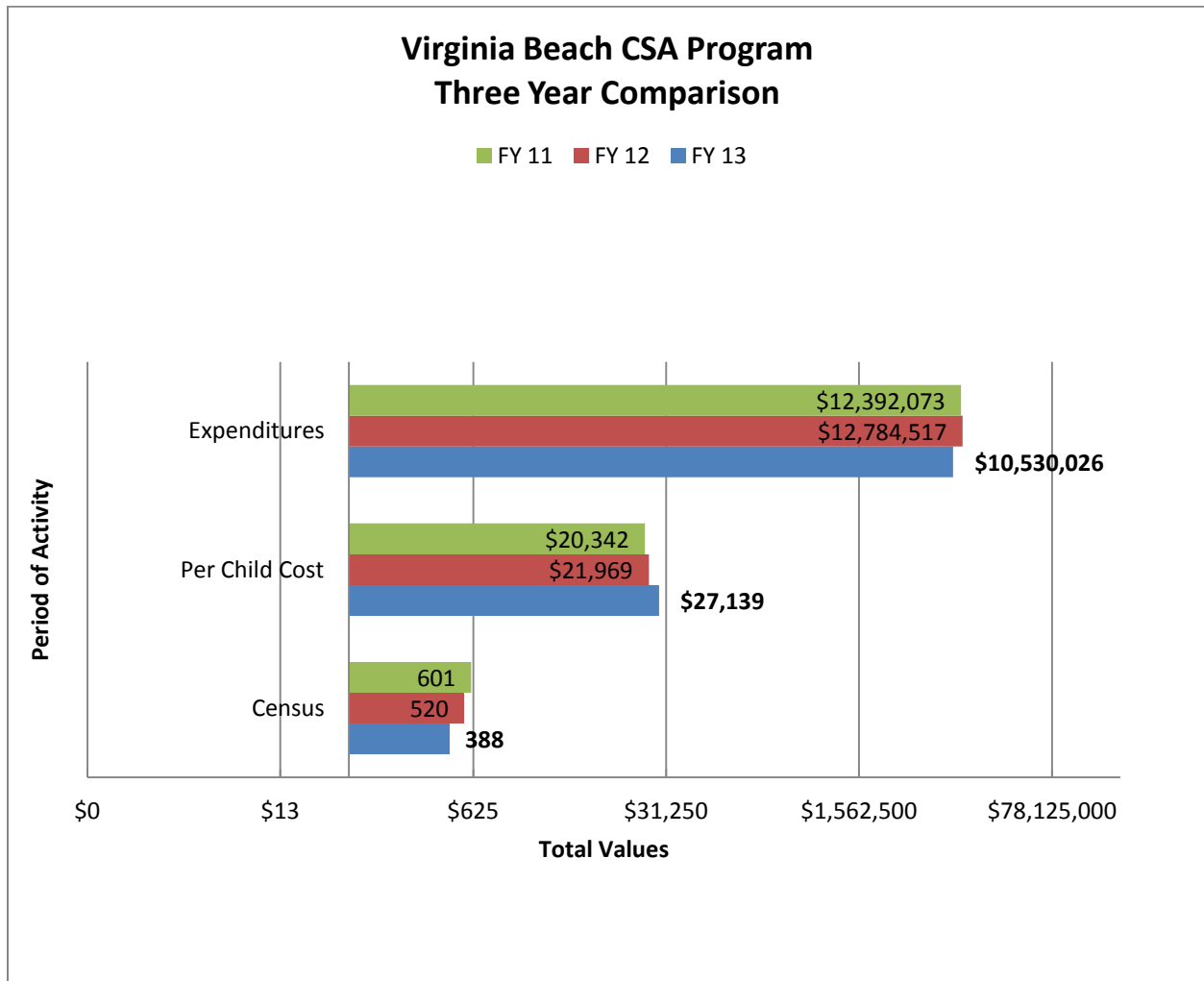
The objectives of the audit were to:

- 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 local CSA programs.
- To 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.

The scope of our audit included all youth and their families who received CSA funded services during fiscal years 2012 – 2013. Audit procedures performed included reviews of relevant laws, policies, procedure, 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

The Comprehensive Services Act for At-Risk Youth and Families (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for at-risk youth and their families. Of the approximate \$300 million appropriated by the Virginia General Assembly and local governments to fund CSA, the total combined state and local allocation for the Virginia Beach was \$9.83 million for fiscal year 2013. The \$9.83 million was used to provide services to approximately 388 youths. Based on reported figures for fiscal year 2012, the average per capita cost for CSA in the City of Virginia Beach is \$29. The total reimbursed cost for the City of Virginia Beach in FY 12 was \$12.78 million which is a 3% increase in expenditures between FY 11 and FY 12. Although expenditures have increased the number of youth served has decreased by 13% resulting in an increase in unit cost per child of 8% in FY 12. The expenditures for FY 13 is expected to decrease by 18% coinciding with a reduction of youth served by 25% resulting in an increase 24% in cost per child served. The charts below depict a comparison for fiscal years 2011 through 2013 for Virginia Beach.

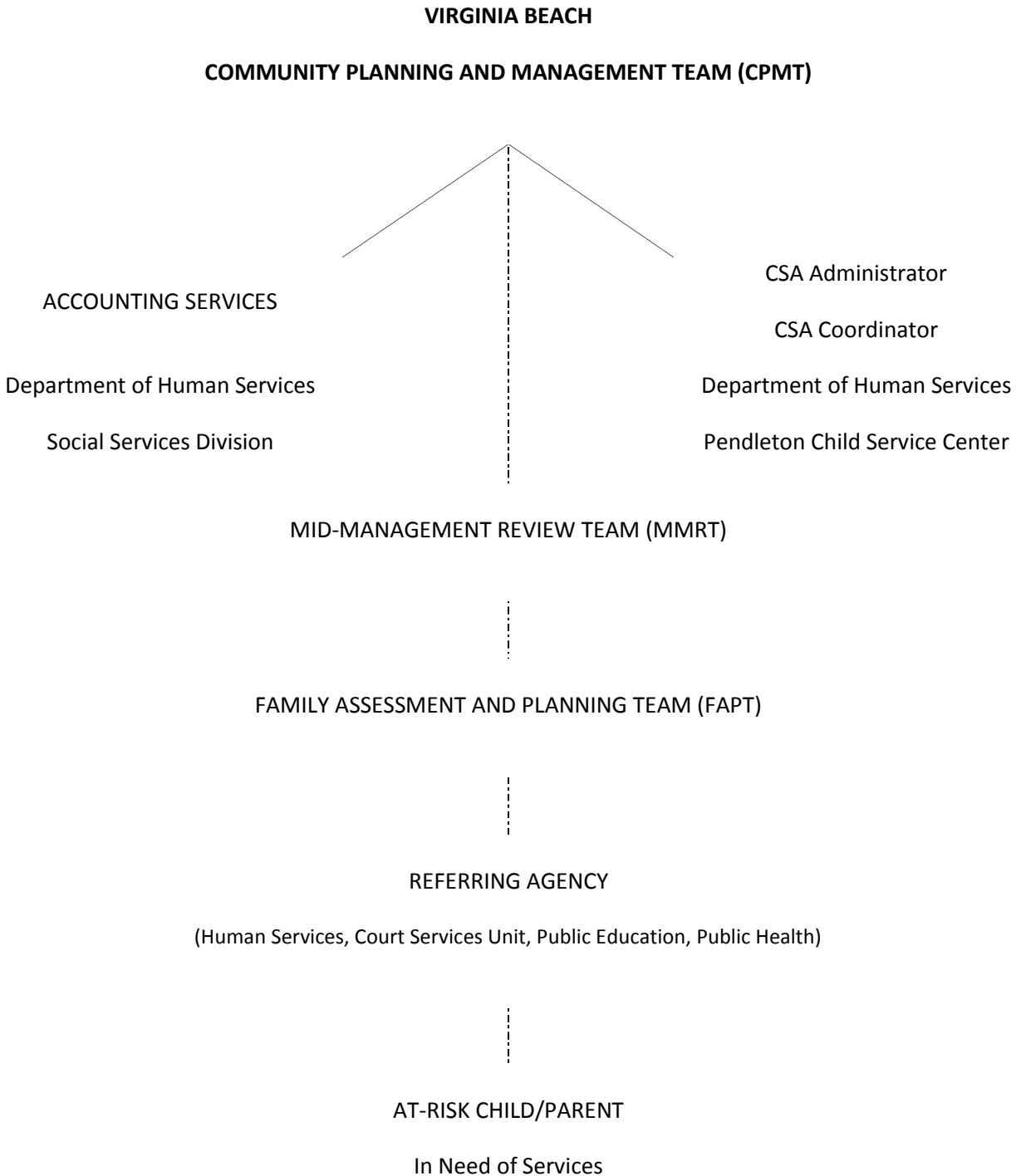


Source: CSA Website, Statewide Statistics, Pool Expenditure Reports. The FY 2013 census amount is based on the third quarter information as the four quarter data set reports were not available.

http://www.csa.virginia.gov/publicstats/csastats09/rankings/expenditures_child_locality.cfm?RequestTimeout=500&export_fvqtr=20133

The state funds, combined with local community funds, are managed by local interagency teams, referred to as “Community Policy and Management Team (CPMT) who plan and oversee services to youth. The Virginia Beach CPMT was established to comply with this statute. The CPMT is supported in this initiative administratively by a CSA Administrator, Department of Human Services (DHS) Pendleton Child Services, a CSA Coordinator (DHS) Pendleton Child Services and Accounting Services from the DHS Social Services Division. In addition the CPMT is also supported by a Mid-Management Review Team (MMRT) which is a second tier to the CPMT responsible for authorizing expenditures and quality assurance for the CSA program and one Family Assessment and Planning Team (FAPT) responsible for recommending appropriate services to at risk children and families. The local management structure for the City of Virginia Beach CPMT is as follows:

City of Virginia Beach Community Policy and Management Team Local Organizational Chart



OBSERVATIONS AND RECOMMENDATIONS

A) CPMB ADMINISTRATION

Observation 1: The local management structure of Virginia Beach CSA Program does not have the required participations level of its CPMT established by CSA statute and the by-laws established by the Virginia Beach CPMT that governs member participation. While the Virginia Beach CMPT acknowledged membership of the parent and court services representatives, active participation in CPMT meeting is an ongoing concern. Based on information collected during the audit, it was determined that both the parent and court services representative missed 100% of the CPMT meetings. Per Virginia Beach CPMT By-Laws regarding attendance “failure of a member to attend at least 75% of the regularly scheduled CPMT meetings within any calendar year shall automatically constitute cause for removal; provided, however, that the same requirements of notice and opportunity for hearing shall apply.” Therefore; according to Virginia Beach CPMT By-Laws the parent and court services representatives are not members of the board as of July 23, 2012. The absence of the parent and court service representatives of the governing body responsible for the administration and implementation of the local CSA program represents a material weaknesses in oversight and governance of the program, which may ultimately impede the intent of CSA to create a collaborative system of services that is contingent upon the participation of the member agencies to provide the expertise in their respective areas.

Criteria: COV § 2.2-5200 COV § 2.2-5205 and the City of Virginia Beach CPMT By-Laws Article III Section 1d

Recommendation: The Virginia Beach CPMT in coordination with local government officials should ensure that court service actively participates in the CPMT quarterly meeting. The CPMT should report, in writing to their City Council, repeated instances of non-compliance by any of the member local government officials and agencies. The CPMT should also initiate a recruiting campaign to meet the requirements for a parent representative.

Client Comments: “We do not "have the required participation levels of its CPMT established by the CSA statute and the by-laws established by the Virginia Beach CPMT that governs member participation" is erroneous. The CSA statute does not define how often a CPMT must

meet nor does it establish policies about team participation. The Virginia Beach by- laws do state that failure of a member to attend at least 75% of the regularly CPMT meetings within any calendar year shall be cause for removal. At issue is the absence of the Court Services Unit Director and a parent representative during the audit period. We acknowledge cause for removal but we chose not to act on the removals due to extenuating circumstances. Both individuals are still members of the CPMT.”

Auditor Note:

Statutory requirements, CPMT By-laws, and policies and procedures established by the local CSA program sets the criteria in which the auditor used to evaluate the effectiveness of the governance and the operation of Virginia Beach CSA program. As the statutory requirement does not define how often a CPMT must meet or how often a member must participates, Virginia Beach CPMT By- Laws set that criteria. The auditor reviewed CPMT Board minutes for the audit period under review and there is no evidence that the CPMT had elected to amend their attendance requirement nor is there any acknowledgment regarding the extenuating circumstances of the two absence parties. Moreover, there is no statutory requirement prohibiting the CSU representative sending an alternate in her absences or the Virginia Beach CPMT having an alternate parent representative.

Observation 2:

Policies and procedures adopted by the CPMT contain contradictory language to the Code of Virginia surrounding the approval of expenditures to access CSA pool funds, and the completion of CANS.

- Virginia Beach’s policy states, “the FAPT is authorized to approve the funding of non-residential services to include daycare, in-home services and outpatient services.” This policy creates an internal control weakness in segregation of duties where the same entity, the FAPT recommends services and approves funding for those services. Although this is a written policy it is not practiced by the Virginia Beach CSA office as the Mid-Management Review Team (MMRT) – a second tier to the CPMT – approves funding for services recommended by FAPT.
- Virginia Beach’s referral process states that case managers and families will complete the FAPT referral packet which includes a signed/dated consent to exchange information; a recent CANS if the child is above age 4, a child and family worksheet, and a proposed individual family service plan. This policy is in direct contradiction to

the state statutes as there are no minimum age requirements to complete the CANS assessment: All children accessing CSA funds must be assessed using the CANS assessment. Again, although Virginia Beach's written policy states that CANS assessments are not completed for children under the age of five, this policy is not practiced. CANS assessment are completed on children under the age of five and are maintained in the CSA client folder. The assessments are not placed in the CANVaS system since there is no module for children under the age of five, in accordance with standard state practice.

Criteria: COV§2.2-5206
CSA Manual 3.1.5 Duties and Responsibilities
COV § 2.2-2648 subdivision D11 and COV § 2.2-5210
DOA Agency Risk Management and Internal Control Standards, Control Activities
Virginia Beach CSA Policies and Procedures Manual

Recommendation: Virginia Beach CPMT should revise their policies regarding FAPT funding approvals for non-residential services and the completion of CANS assessments to access pool fund to align with the requirements of the Code of Virginia and SEC policies to ensure compliance with the applicable statutes and to reflect actual practices of the local CSA program.

Client Comments: "Observation 2 references contradictory language to the Code of Virginia surrounding approval of certain expenditures by FAPT. The auditor acknowledged that we did not practice this policy. The policy error consisted of one word that needed to be changed to make the policy consistent. Clearly this was an over sight of editing as the correct policy was practiced. The same is true of the issue with the CANS where the policy was not changed in the manual when the change became effective (regarding the ability to use the CANS on children four years of age and younger) but we changed our practices to be compliant. The auditor was able to view in the client records that we were compliant in assessing all children with the CANS. We were remiss in not amending the policy but since the practice was evident, we cannot accept that internal controls were weak. To date both policies have been amended".

Auditor Note: As stated above, statutory requirements, CPMT By-laws, and policies and procedures established by the local CSA program sets the criteria in which

the auditor used to evaluate the effectiveness of the governance and the operation of Virginia Beach CSA program. When written policies and procedures do not reflect the actual practices of an organization then an internal control weakness exist. When errors appear in an organization policies and procedure manual it potentially could lead to the misapplication of the policy. If workers had followed Virginia Beach CSA policy and procedure manual then statutory requirements would not have been met.

Observation 3: The CPMT has not documented a formal plan to substantiate coordination of long-range planning that includes an assessment of the current risks, strengths and needs of the existing system, as well as establishing and documenting measurable criteria for evaluating the effectiveness of the local CSA program. The ability and likelihood of the CPMT to adequately monitor and provide oversight of the local CSA program is an essential component of organizational governance. The absence of a formal planning, coordination, and program evaluation to ensure that the goals and objectives of the program are met ultimately impacts the CPMT efforts to better serve the needs of youth and families in the community and to maximize the use of state and community resources.

Criteria: [COV § 2.2-5206](#), Items 4, 6, and 13, CSA Manual 3.1.5 Duties and Responsibilities, Toolkit [Coordinated Long Range Planning](#) DOA Agency Risk Management and Internal Control Standards, Control Environment, Virginia Beach CPMT By Laws – Article IV- Powers and Duties

Recommendation: As required by CSA statute and local policies, the City of Virginia Beach CPMT must develop procedures for documenting long-range planning that ensures the development of resources and services needed by children and families in their city. The process should include development of formal risk assessment process and measurable criteria to be used for evaluating program effectiveness, including but not limited to: (1) 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, (2) preventing placements, and (3) reducing lengths of stay in residential programs for children who can appropriately and effectively be served in their home, relative's homes, family-like setting, or their community.

Client Comments: “ We acknowledge we have not written such an extensive plan but what was not acknowledged by the auditor was the large amount of

planning and assessment that various CPMT members participate in and represent CSA in throughout the City. CPMT does perform the CSA's Gap Analysis every year so we are in touch with the strength and needs of our system. We have a number of ongoing practices that assess the program effectiveness of CSA routinely”.

Auditor Note:

Documentation to support the efforts of CPMT members in planning and assessments in various workgroups throughout the City was not provided. Attachment A to this report is the documentation provided to substantiate long range planning for the CSA program. The auditor acknowledges that the CPMT did complete the Gap Survey; however, it is not a substitute to the statutory requirement to complete a strategic plan. Moreover, we were told that the CSA program was included in the City of Virginia Beach’s Strategic Plan; however, upon review of the plan located on the City’s website CSA is not mentioned. It is to be noted that the auditor located the City’s strategic plan on the city’s official website and it was not provided to her by the members of the CPMT.

Observation 4:

Policies, procedures, and guidelines established by the CPMT are outdated and do not reflect current local CSA practices and procedures, which could lead to inconsistent application and enforcement of internal controls governing the activities of the local CSA program.

- Virginia Beach policies and procedures manual was last updated May 20, 2011, however, it contains a wait list policy section in which the auditor was told is no longer applicable to the CSA operations. It applied to non-mandated cases only and was established when Virginia Beach had an abundance of non-mandated requests and had encumbered all non-mandated funds.
- Second, there are references to CAFAS in the Utilization Management Process section of the manual. CAFAS was officially replaced by the CANS on July 1, 2009.
- Third, Virginia Beach CSA policy manual includes an Appendix A “A Family Partnership –DHS policy”, which is a policy adopted by DHS Division of Social Services. This policy contains contradictory language to other local CSA policies. The auditor inquired about the discrepancies and was told that the CSA office was not consulted in the development of the policy and nor does CSA office follow the policy, although it was included in their manual. This policy references CSA, FAPT and the CPMT. We were also told that cases going before

the Family Partnership team do not access CSA funds prior to going before FAPT.

- Fourth, Virginia Beach CSA policy manual includes an Administrative Directive regarding Comprehensive Services Act –Fee Recovery Directive which references that the CPMT has adopted the Virginia Beach Department of Human Services Reimbursement Policy and Procedures Manual (AI 4.09) as operating guidelines for all cases. Two cases were identified to having balances past due of 90 days or greater that were not referred to debt –set off as outlined in Department of Human Services Reimbursement Policy and Procedures Manual (AI 4.09). Since the CPMT has adopted DHS Administrative Directive, then the CSA Office should follow the debt-set off policy.
- Lastly, the roster of the CPMT was not updated in the policy manual to reflected current memberships.

Incorporated in the CSA policy manual is a section regarding an annual review of CSA policies and procedures. The policy states the manual is to be reviewed by the CSA Administrator, CSA Coordinator, and the CPMT Chair and all proposed amendments would be presented at the next CPMT meeting for discussion. In the January 28, 2013, CPMT board meeting minutes, it is mentioned that the policies and procedures manual for CSA have been reviewed and the only changes were to the team’s roster.

Criteria:

[COV § 2.2-5206](#), Item 17

CSA Manual 3.1.5 Duties and Responsibilities

DOA Agency Risk Management and Internal Control Standards, Control Activities

Recommendation:

Virginia Beach CPMT should initiate an immediate review of their policies and procedures, which should be revised as necessary to reflect current state and local CSA practices and requirements. The CPMT should also implement a process for managing procedure reviews to include, but not limited to: effective dates, evidence of periodic reviews, mandatory dates for updating procedures, and CPMT approval of adopted procedures.

Client Comments: We agree there were some typos but to suggest that typos or outdated policies (such as the Wait List) would lead to the inconsistent application and enforcement of internal controls appears too strong. The third bullet under Observation 4 states that cases "going before the Family Partnership team do not access CSA funds prior to going before FAPT." That is not necessarily true; the case may well have accessed services approved by FAPT prior to the meeting. Additionally, the reference to the inconsistencies between the Family Partnership- DHS Policy and the CSA manual were explained to the auditor prior to her citing it as an issue. It was a new policy we had not seen previously. It was sent, at the auditor's request (email of 3/27/13), as an attachment but is not actually part of the CSA Manual. We are working with DHS to iron out any conflicting messages.

The auditor also stated we did not follow Fee Recovery policies as she found two cases with past due balances. We do follow such policies but the policy allows for extenuating circumstances and such was the case in both instances. The last item in Observation 4 referred to the CPMT roster not being updated in the manual. It was updated effective July 2013. This was correct but again we do not believe this affected the oversight or quality of our program.

Auditor Note: As stated above, statutory requirements, CPMT By-laws, and policies and procedures established by the local CSA program sets the criteria in which the auditor used to evaluate the effectiveness of the governance and the operation of Virginia Beach CSA program. When written policies and procedures do not reflect the actual practices of an organization or when known policies of other departments reference to your operation are not consistent with your organization then an internal control weakness exist. Documentation was not provided to evident that the two cases with past due accounts had extenuating circumstances.

B) PROGRAM ACTIVITIES

Observation 5: Internal controls established by CSA statutes were not effectively implemented by the CPMT in order to safeguard against separation of duties pertaining to the referral of services and approval of access to CSA pool funds by eligible youth and their families. The following instances was observed that demonstrated that the established controls were not working as intended.

- The auditor noted in five cases the social services representative of the Mid-Management Review Team (MMRT) substituted for an absent social services FAPT representative. In one of the five cases several MMRT members substituted for many of the FAPT members. The MMRT approves funding for services recommended by the FAPT. The effectiveness of the controls to ensure accountability and appropriate use of CSA pool funds are significantly reduced based on the increased opportunity for the same individuals to engage in the referral and approval of CSA funded services.
- The auditor also noted poor attendance by the FAPT members specifically parent, CSU, and social services representatives. The absence of a significant portion of the FAPT members represents a material weakness in the overall intent to have a collaborative system of services that is contingent upon the participation of the member agencies to provide the expertise in their respective areas. If FAPT members are unable to attend the meeting they should send their designated alternate, which should be someone that does not serve on the MMRT.

Criteria: Code of Virginia § 2.2-5200; §2.2-5206, §2.2-5207 and §2.2-5208
DOA Agency Risk Management and Internal Control Standards, Control Activities, Virginia Beach CSA Policies and Procedures Manual

Recommendation: The CPMT should ensure that the FAPT has designated team members and assigned alternates that do not serve on the MMRT. The CPMT should consult with agency heads regarding inactive members and seek other employees at a supervisory level whose schedules permit them to attend weekly FAPT meetings. Another alternative that the CPMT may consider is having more than one FAPT team given their caseload. The CPMT should recruit volunteers to serve as the alternate parent representative for the FAPT. Moreover, the CPMT should develop policies surrounding attendance and participation at FAPT meetings to ensure the overall intent of a collaborative system is achieved.

Client Comments: “We have experienced some issues with attendance and have already addressed the matter. All participating agencies and individuals are committed to proper attendance but all parties are involved in the human services delivery field which can be chaotic to schedules. A parent representative has been secured for FAPT. It should be noted

that it is extremely difficult to fill this volunteer position due to the time required. It is a systemic issue across the state.”

Observation 6:

Information and data security practices and procedures pertaining to CSA client records and data have not been consistently applied to ensure that sensitive and confidential information maintained is adequately secured from unauthorized access and/or alteration. Instances of inadequacies in data security were noted as follows:

- Final Child and Adolescent Needs and Strengths (CANS) Assessments documented in client case records indicated the status as “open”. Nine out of thirty-six cases test had assessments with an “open” status ranging between 45 days to 550 days. Open CANS data can be manipulated and/or incomplete, which may reduce the reliability, integrity and validity of the data. After the auditor brought this weakness to the attention of the CSA Coordinator, CANS were subsequently closed. In addition, the auditor noted in four cases CANS assessments were completed but were not entered into CANVaS. In one of the four cases mentioned the auditor noted that the three assessments completed on the client were later entered in CANVaS.

Virginia Beach has a centralized system where case managers forward all paper “bubble sheet” CAN assessments to the CSA Coordinator to be entered into the CANVaS system. This policy change was implemented to address control weaknesses identified earlier by the locality with case managers not entering the CANS assessment into CANVaS. Virginia Beach has one person to enter all the assessments into CANVaS. Assessments are completed every three months for all youth receiving CSA funding with the exception of routine foster care cases which is completed annually.

- Seven case managers were identified to have expired/gaps in their CANS certification. The policies and procedures for access to CANVaS, states that certification on the use of CANS must be renewed annually. The CANVaS system is designed so that users whose CANS certification has expired will not be permitted to complete an assessment. In addition, the system provides users with 90, 60 and 30 day notification prior to the expiration of users’ certification. However, since Virginia Beach has

centralized its data entry for their CANS assessment; these system controls will not work. The auditor identified one assessment that was completed and the case manager certification had expired. The case manager completed the certification the day following the completion of the assessment.

- One instance was identified where access to the CANVaS system was not deactivated. One employee who had data entry only access retired on 12/31/12, but her account was still activated as of 7/15/13. Per the policies and procedures for access to CANVaS when an employee leaves their position supervisors must contact the Help Desk directly or the Designated Super User/Report Administrator for their locality to deactivate a user's account. Leaving accounts open could potentially jeopardize the confidentiality of the information that has been entered.
- Record retention and destruction policies were not consistently adhered to per Virginia Beach CSA Policy Manual. One case file ending in 5771 was destroyed 5/23/12, although the data set showed expenditures were incurred in the fourth quarter of FY 2012.

Criteria: COV § 2.2-2648.D.13; CSA Manual 3.1.6 Confidentiality; 3.2.8, Confidentiality; Policies and Procedures for Access to CANVaS; Virginia Beach Local Policy on Uniform Assessment Tool. COV § 42.1-85

Recommendation: Virginia Beach CPMT should reevaluate its current practice of a centralized data entry CANS system given its case load and volume of assessments. The CPMT should assess the feasibility having the case managers enter the assessments with constant monitoring by supervisors and/or the CSA Coordinator to ensure assessments are completed in CANVaS. Caseworkers entering their own assessment would mitigate the risk of lapses in CANS certification. In addition, the CSA Coordinator or CSA Administrator should periodically review individuals with access to automated applications and ensure security requirements, active and inactive users are identified, and accounts are removed in a timely manner. Lastly, Virginia Beach should consult and adhere to the Library of Virginia Records Retention policy prior to the destruction of case records.

Client Comments: "Nine out of thirty -six were left open but we are not convinced this creates a security breach. The CANVaS system is a secure server which can only be accessed by password. Additionally, the CANVaS

website states that cases left open after 60 days may be deleted from the system at any time. However we are establishing policies to ensure the timely closure of CANVaS cases. We are also changing our process so that case managers enter their data directly into the system.”

“The auditor also stated that we did not follow record retention and destruction policies because one file had been destroyed in 2008 and expenditures were made on the case in 2012. The case in question was reopened after the destruction of the first record. The CSA DATA Set system uses the social security number as an identification number. This is not an unlikely event as the Virginia Records Retention policy dictates that CSA case be destroyed three years after closure. We cannot predict when cases will be reopened.”

Auditor Note: The auditor afford Virginia Beach CSA office an opportunity to provide supporting documentation demonstrating that the case destroyed was an old case and that they client returned to CSA for services; however, no documentation was provided.

C) FISCAL ACTIVITIES

Observation 7: Practices and procedures adopted by the CPMT for contracting and purchasing of services need strengthening to increase the operational effectiveness in terms of establishing clear lines of authority and responsibility, execution of transactions, and monitoring. The CPMT has delegated its authorization authority to the MMRT to approve expenditures for services.

While reviewing contracts and Purchase Order (PO), we observed that the CSA Coordinator is signing the contract and the PO. The CSA Coordinator serves in several capacities in Virginia Beach CSA structure. He is the FAPT and MMRT Chairpersons and a member of the CPMT. As a member of each team he does not have any voting privileges; however, we identified four instances where the CSA Coordinator signed PO authorizing funding for services as the Chairperson for the MMRT. This presents an internal controls weakness in segregation of duties as the same person should not execute contracts and be responsible for the daily procurement activities and approval of funding. Their procedures state that the case manager’s MMRT representative signs the PO.

Criteria: COV § 2.2-5205; CSA Manual Section 3.1.2.b Agency Representatives.

Virginia Beach CSA policy and procedures “Responsibility for signing contracts and placement agreements DOA Agency Risk Management and Internal Control Standards, Control Activities.

Recommendation: Virginia Beach CPMT should strengthen its current policy by designating that all contacts and placement agreements be signed by the CSA Administrator. In addition, the CPMT should ensure that policies are followed and that the case manager’s MMRT representative, in accordance with local policy, signs the PO to authorize funding.

Client Comments: “The CSA Coordinator signed purchase orders in the absence of others. This has occurred, usually in cases where services are required immediately. All services have been approved in the correct manner. Also, the CSA Administrator began signing all contracts in June of 2013 after the auditor suggested that be done.”

Observation 8: Expenditure reimbursements were requested and processed for payment of services where the requirements for compliance with local and State CSA policies and procedures were not met. Fiscal records reviewed indicated instances of procedural non-compliance and internal control weaknesses in reviews, approvals/authorizations, and documentation. Examples of the non-compliance and internal control weaknesses identified are below:

- In four cases, the CSA Office did not seek proper authorization from the MMRT to provide services to clients. Virginia Beach procedure states the MMRT representative of the case manager assigned to the case is to sign the PO to authorize the expense. In six instances the CSA Coordinator signed the PO as the MMRT Chairperson, thus creating an internal control weakness as mentioned in MDP 7. The estimated questioned cost totaled \$4,517.30

- Two cases did not come before FAPT or an approved Multi-disciplinary team (MDT) to access CSA pool funds. Virginia Beach has a policy to access funds through a MDT for onetime payment request of \$1,500 or less. Virginia Beach was approved to have a MDT in April 2000. In the approval letter concerns were raised regarding the lack of participation from public schools and a parent representative. In both instances only members from social services

were consulted on these cases which does not constitute a multidisciplinary team. The total questioned cost is \$624.30

- In one case Virginia Beach expended \$280 for “supervised visitation” at Pendleton Child Services that are not eligible for CSA funding. When the provided services are within an agency's scope of responsibility then CSA pool funds cannot be accessed.
- On seven PO the vendor did not sign the PO. The fiscal policy states that invoices are not paid unless the vendor signs and returns the PO.

Criteria:

COV § 2.2-5205; COV § 2.2-5206; COV § 2.2-5211 CSA Manual Section 3.1.2.b Agency Representatives. Virginia Beach CSA policy and procedures “Responsibility for signing contracts and placement agreements; “Approval and payment process for CSA MDT;” DOA Agency Risk Management and Internal Control Standards, Control Activities.

Recommendation:

The Virginia Beach CPMT should ensure that current fiscal policies and practices comply with statutory requirements regarding allowable cost. In addition, the CPMT should ensure that current fiscal practices are followed in accordance with their local policies regarding proper authorization of expenditures and obtaining vendor signatures on PO prior to payments. Virginia Beach CPMT should consult with OCS on the appropriate action to be taken where CSA pool funds were not appropriately expended.

Client Comments:

“The cases were heard by the MMRT and the expenditures were approved by the team. The case managers' MMRT representative should have signed the PO but, in their absence, the CSA Coordinator did so. The service/expenditure was approved by the team. Also noted was that seven vendors did not sign a PO although they submitted the appropriate billing information. While the policy is not to pay unless the vendor signs and returns the PO, Virginia Beach fiscal policy is to pay vendors within 30 days of receipt of the bill. This creates a conflict for us and, in these few cases, we made exceptions to the policy.”

Auditor Note:

As stated above, statutory requirements, CPMT By-laws, and policies and procedures established by the local CSA program sets the criteria in which the auditor used to evaluate the effectiveness of the governance and the operation of Virginia Beach CSA program. When written policies and procedures do not reflect the actual practices of an organization then an internal control weakness exist. Moreover, the CPMT should ensure that

vendor return signed POS in a timely matter to ensure the City meets prompt pay requirements.

CONCLUSION

Our audit concluded that there were material weaknesses in internal controls over the Virginia Beach's CSA program, particularly in reference to governance and accountability of the \$9.83 million of allocated (state and local) funding. Conditions were identified pertaining to the management structure in place between April 1, 2012 – March 31, 2013; operating, and fiscal practices of the locally administered program that could adversely impact the effectiveness and efficient use of resources, as well as non-compliance with statutory requirements. An exit conference was conducted on August 21, 2013 to present the audit results to the Virginia Beach CPMT. Persons in attendance representing the Virginia Beach CPMT were: Robert R. Matthias, CPMT Chair, Aileen Smith, Deputy Director, Director of Community Services Board, DHS Susan Dye, CSA Administrator, Randy Thompson, Business Administrator, DHS, Fiscal Agent and Terry Griffin, CSA Coordinator. Representing the Office of Comprehensive Services was: Annette Larkin, Program Auditor.

We would like to thank the Virginia Beach Policy and Management Team and related CSA staff for their cooperation and assistance on this audit.

REPORT DISTRIBUTION

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