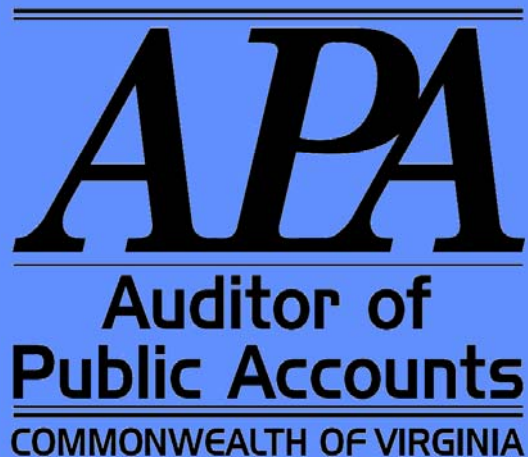


**OFFICE OF COMPREHENSIVE SERVICES
FOR AT-RISK YOUTH AND FAMILIES**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2010**



AUDIT SUMMARY

Our audit of the Office of Comprehensive Services for At-Risk Youth and Families for the year ended June 30, 2010 found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations, or other matters that are required to be reported.

The Department of Education is the designated fiscal agent for the Office of Comprehensive Services for At-Risk Youth and Families. We issued a separate report on that entity on December 8, 2010.

We also performed a review of the Comprehensive Services Act for At-Risk Youth and Families Program in Pittsylvania County. Our audit found the inappropriate use of state funds totaling \$7.7 million and a significant lack of internal controls over the program in Pittsylvania County.

We made recommendations for improvement in the program to Pittsylvania County and the Office of Comprehensive Services. See the section titled "Audit Findings and Recommendations" for the findings related to the Office of Comprehensive Services.

We issued a separate report for the Pittsylvania County review on November 15, 2010 that details the findings and recommendations related to Pittsylvania County.

– TABLE OF CONTENTS –

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1
OPERATIONAL INFORMATION	2
COMPREHENSIVE SERVICES ACT IN PITTSYLVANIA COUNTY	3-4
FINANCIAL INFORMATION	4-5
AUDIT OBJECTIVES	6
AUDIT SCOPE AND METHODOLOGY	6-7
CONCLUSIONS	7
EXIT CONFERENCE AND REPORT DISTRIBUTION	7
AGENCY OFFICIALS	8

AUDIT FINDINGS AND RECOMMENDATIONS

Develop Monitoring Procedures to Review Locality Statistics

The Office of Comprehensive Services (Office) does not regularly monitor locality specific expenditures and statistics. If the Office had performed some type of trend analysis or other analytical review, it would have become clear that there was a problem in Pittsylvania County, as discussed in the section “Comprehensive Services Act in Pittsylvania County.”

The Office collects and publishes a wealth of data on CSA expenditures and services on their website. They collect data by locality, region, and statewide. By analyzing this data and investigating outliers, the Office could have potentially identified issues similar to those in Pittsylvania County much earlier. The Office should develop monitoring procedures to review analytics and statistics regularly to look for sudden or gradual changes in a locality’s standings.

Improve Guidance and Background Provided to CPA Firms

Local CPA firms audit compliance with the CSA program during the locality’s annual financial audit through audit specifications developed by the Office and distributed by the Auditor of Public Accounts. However, the program is so complex that without specific training on the CSA program, auditors can easily miss inappropriate use of CSA funds similar to that found in Pittsylvania County.

We recommend that the Office, in collaboration with the Departments of Education, Social Services, and Medical Assistance Services, provide background and guidance to the CPA firms with the audit specifications that will assist the CPA firms in understanding the program. In addition, during the annual update of the audit specifications, the Office should develop “hot topics” or “current issues” surrounding the program and service eligibility that the local CPA firms should be aware of during their audit work.

OPERATIONAL INFORMATION

The Office of Comprehensive Services for At-Risk Youth and Families (Office) administers the Comprehensive Services Act for At-Risk Youth and Families (Act), which provides services and funding to address the needs of emotionally and behaviorally disturbed youth and their families. The Office works to return at-risk youth back to their homes and schools through a collaborative effort of local government, private providers, and family members that address each child's and family's individual needs.

The State Executive Council (Council) oversees the Office, establishes interagency programmatic policy development and fiscal policies, identifies and establishes goals for comprehensive services, and advises the Governor on proposed policy changes. The Department of Education serves as the fiscal agent and has assigned one employee in its central office to process disbursements. The Office has 13 employees that are all employees of the Department of Social Services.

Program delivery under the Act occurs through management of the cases at the local level and includes funding sources other than those disbursed through the Office. This report discusses other funding sources below in the section entitled, "Financial Information." The Office uses three teams to manage the collective efforts of state and local agencies.

State and Local Advisory Team

The State and Local Advisory Team makes recommendations to the Council on interagency programs and fiscal policies and advises the Council on the impacts of proposed policies, regulations, and guidelines. They also offer training and technical assistance to state agencies and localities.

Community Policy and Management Team/Board

The Community Policy and Management Team (Community Team) serves as the community's liaison to the Office. The Community Team coordinates long-range, community-wide planning, which ensures the development of resources and services needed by children and families in the community. Its duty is to establish policies governing referrals and reviews of children and families to the Family Assessment and Planning Team. Each Community Team establishes and appoints one or more Family Assessment and Planning teams based on the needs of the community. The Community Team also authorizes and monitors the disbursement of funds for services recommended by the Family Assessment and Planning Team.

Family Assessment and Planning Team

The Family Assessment and Planning Team (Family Team) assesses the strengths and needs of troubled youth and families, and develops an individual family service plan to ensure appropriate services. The Family Team recommends services to the Community Team.

COMPREHENSIVE SERVICES ACT IN PITTSYLVANIA COUNTY

We performed a separate review of the Comprehensive Services Act program in Pittsylvania County at the request of the Office and the Virginia Department of Education. These entities performed an on-site review of the Pittsylvania County program at the request of the new Community Policy and Management Board chair. This review brought to light significant issues that concerned the Office and Education, which were beyond their scope to review. Our review included 269 children who received CSA funded services during fiscal years 2008, 2009, and 2010. These services represented approximately \$19.3 million in state and local funding.

Our review found the inappropriate use of state funds and a significant lack of internal controls over the Comprehensive Services Act in Pittsylvania County. Specifically we found the following issues.

- Pittsylvania County may owe the Commonwealth \$7.7 million because they received reimbursement for ineligible students and services under the CSA program.
- Overall, Pittsylvania County does not have adequate policies, procedures, and controls over the CSA program. There is also a lack of communication and coordination between the School Board Office, the Community Policy and Management Board, and the CSA Coordinator.
- Pittsylvania County Schools and Pittsylvania County's Social Services Department do not have proper policies, procedures, and controls in place to properly contract with CSA service providers. They spent \$14.5 million and \$165,000, respectively, without written agreements with the service providers.
- Although Pittsylvania County's CSA expenses are inappropriate, the data reported to the Department of Education related to student counts for CSA are appropriate.
- The complexity of the CSA program increases the risk of misuse.

Many of the issues noted throughout this review have been ongoing in Pittsylvania County potentially since 2003 or earlier. The Office of Comprehensive Services did identify the issue in a 2004 analysis and discussed it with the County Schools. However, nothing changed at the County level because of this analysis and discussion. In 2004, the focus of the Office changed from providing both technical assistance and conducting compliance functions to that of focusing solely on technical assistance. As a result, the Office performed no other follow up with the County.

In 2009, the focus of the Office changed back to focusing on compliance and technical assistance. Since then, the Office has been working with Education to identify issues such as the improper funding of behavioral aides throughout the state. They have addressed these issues in training provided to localities and through channels such as Superintendent memos. However, the Office failed to monitor locality specific expenditures and statistics. If the Office had performed some type of trend analysis or other analytical review, it would have become clear that there was a problem in Pittsylvania County.

The Office collects and publishes a wealth of data on CSA expenditures and services on their website. They collect data by locality, region, and statewide. By analyzing this data and investigating outliers, the Office could have potentially identified issues similar to this much earlier. The Office should develop monitoring procedures to review analytics and statistics regularly to look for sudden or gradual changes in a locality's standings.

In addition, as can be seen from the multiple eligibility requirements (eligibility vs. mandated vs. targeted), the statutes surrounding CSA funding and eligibility are very complex. The Office, in collaboration with Education, Social Services, and Medical Assistance Services, issues a CSA manual, which is available on its website. The manual quotes the Code of Virginia with Education, Social Services, and Medical Assistance Services providing interpretation of the requirements on how to administer the CSA program in varying forms within the manual.

Local CPA firms audit compliance with the CSA program during the locality's annual financial audit through audit specifications developed by the Office and distributed by the Auditor of Public Accounts. However, the program is so complex that without specific training on the CSA program, auditors can easily miss inappropriate use of CSA funds similar to that found in Pittsylvania County.

We recommend that the Office, in collaboration with Education, Social Services, and Medical Assistance Services, provide background and guidance to the CPA firms with the audit specifications that will assist the CPA firms in understanding the program. In addition, during the annual update of the audit specifications, the Office should develop "hot topics" or "current issues" surrounding the program and service eligibility that the local CPA firms should be aware of during their audit work.

FINANCIAL INFORMATION

The Office receives funding from the Commonwealth's General Fund and federal grants. In fiscal year 2010, actual expenses increased only 0.2 percent from the prior year. The number of children receiving services decreased slightly from 17,644 in fiscal year 2009 to 17,568. The following table summarizes 2010 budget and actual activities, with analysis following.

Analysis of Budget and Funding Sources

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>
General Fund	\$315,840,564	\$242,316,405	\$215,569,852
Federal grants	<u>53,573,325</u>	<u>9,419,998</u>	<u>9,419,998</u>
Total	<u>\$369,413,889</u>	<u>\$251,736,403</u>	<u>\$224,989,850</u>

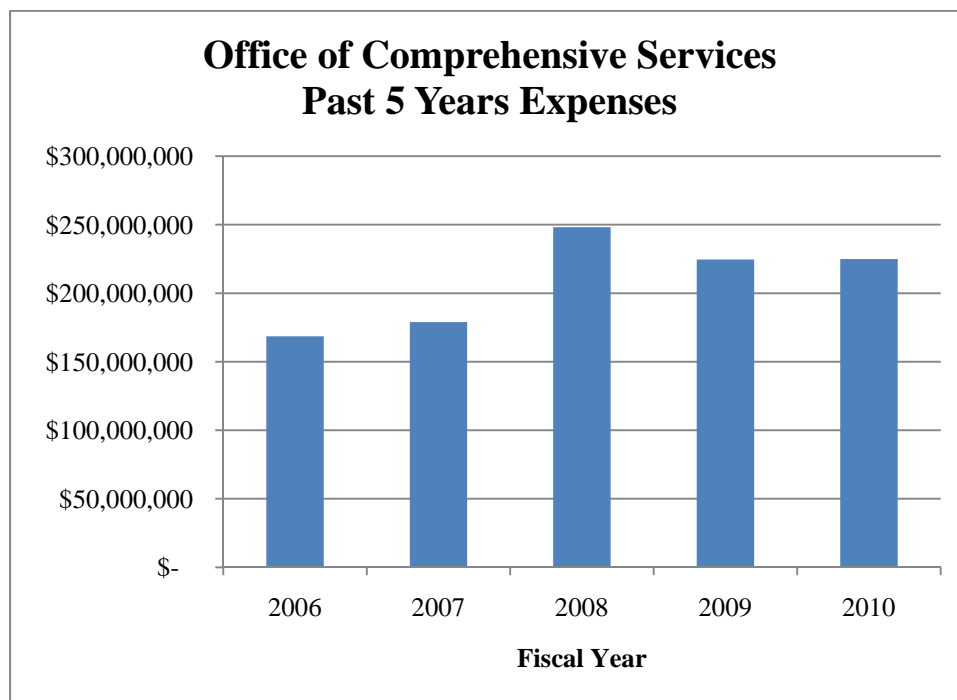
Although the Office started fiscal 2010 with a General Fund budget over \$100 million, or 46 percent, more than fiscal year 2009's actual expenses, the Office ended fiscal year 2010 with actual General Fund expenses of over \$100 million, or 46 percent less than its starting budget. The Office did not spend its entire original budget for the following reasons.

- \$33 million, as in prior years, were transfers of a portion of the General Fund budget to the Department of Medical Assistance Services (Medical Assistance Services) that actually makes the payments for the Medicaid portion of the Act's costs.
- \$43 million were mandated budget reductions as part of the Office's reduction strategies.

- \$5 million were cuts to aid to localities that pass through the Office; to this extent, the localities had to pay for these services without receiving reimbursement.
- The remaining \$19 million in unused General Funding were attributable to two factors. The first is the fiscal stress local governments are experiencing which increases the desire to curb CSA program spending. The other factor is localities have increased use of community-based services instead of the more expensive and restrictive residential services as intended by the change in match rates discussed below.

The change in original to final budget for federal grants is the same as in prior years. The Office transferred about \$43 million of its federal budget to Medical Assistance Services for Medicaid provider claims.

To encourage localities to provide more community-based treatment, which is less expensive than institutional treatment, the General Assembly lowered the locality's match rate for these services in 2008. Conversely, the locality's match rates for congregate care services have increased. The result of the changes in these match rates have lowered total comprehensive services expenses over the past two years as seen in the chart below.



Sources: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

December 8, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Office of Comprehensive Services for At-Risk Youth and Families** (Office) for the year ended June 30, 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Office's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Office's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Expenses
Revenues
System Access

We performed audit tests to determine whether the Office's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of

applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Office's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Office records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations." The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on December 8, 2010. Management chose not to provide a response to the findings identified in this report as they have already responded to those same findings in the separately issued report titled "Review of the Comprehensive Services Act for At-Risk Youth and Families Program in Pittsylvania County."

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

DBC/alh

OFFICE OF COMPREHENSIVE SERVICES FOR AT-RISK YOUTH AND FAMILIES

STATE EXECUTIVE COUNCIL MEMBERS

As of June 30, 2010

The Honorable William A. Hazel, Jr. M.D., Chair

Sherrin C. Aslop
The Honorable Richard P. Bell
Randy Blevins
Marin D. Brown
Mary Bunting
The Honorable John S. Edwards
Michael Farley
L. Michael Gilmore, Ph. D

Christina Hawkins
Helivi L. Holland
Lelia Hopper
Martin E. Nohe
Gregg A. Pane, M.D., M.P.A.
Joseph Paxton
Karen Remley, MD, MBA, FAAP
Jim Stewart

Patricia I. Wright, Ed. D.

ADMINISTRATIVE OFFICERS

Charlotte McNulty, Executive Director

Alan G. Saunders, Chief Operating Officer