

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

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2003**

APA

**Auditor of
Public Accounts**
COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

We audited the Office of Comprehensive Services for At-Risk Youth and Families for the year ended June 30, 2003. The Department of Education is the designated fiscal agent for the Office. Our audit found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving the internal control and its operation that we consider material weaknesses; and
- no instances of noncompliance that are required to be reported.

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AGENCY INFORMATION

The Office of Comprehensive Services (Office) administers the Comprehensive Services Act for At-Risk Youth and Families (CSA), which provides services and funding to address the needs of emotionally and behaviorally disturbed youth and their families. CSA 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) governs the Office and 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 two employees in the central office to process CSA disbursements. The Office has 12 employees that are employees of the Department of Social Services.

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

State and Local Advisory Team

The State and Local Advisory Team (SLAT) 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

The Community Policy and Management Team (CPMT) serves as the community's liaison to the Office. The CPMTs coordinate long-range, community-wide planning, which ensures the development of resources and services needed by children and families in their community. It is their duty to establish policies governing referrals and reviews of children and families to the Family Assessment and Planning Teams. Each CPMT establishes and appoints one or more Family Assessment and Planning teams based on the needs of the community. CPMTs also authorize and monitor the disbursement of funds by each Family Assessment and Planning Team.

Family Assessment and Planning Team

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

Financial Information

As illustrated below, the Office received funding from the Commonwealth's General Fund and federal grants. In fiscal year 2003, the Office served 15,564 children and had total revenues of over \$146 million, of which 91 percent came from the Commonwealth's General Fund. Total revenue increased approximately fourteen percent from fiscal year 2002. The

increase in revenue occurred because of normal program increases resulting from inflation and increased children service needs. Also, the total number of children served in fiscal year 2003 increased 4.5 percent, where the number of children served in fiscal year 2002 increased only 1.3 percent from the preceding year.

The change from the original budget to the adjusted budget is the result of an increase in general fund appropriations of \$19,003,180 for mandated services and the receipt of additional federal revenues of about \$3.8 million. These increases offset the transfers of almost \$54.5 million to the Department of Medical Assistance Services (DMAS) for the Medicaid portion of CSA costs. DMAS processes all Medicaid requests for the Commonwealth as discussed below in “Other Program Support.”

Analysis of Budget and Funding Sources

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>
General Fund Appropriations	\$ 143,284,888	\$ 132,908,395	\$ 132,908,395
Federal Grants	<u>34,032,097</u>	<u>13,218,157</u>	<u>13,218,157</u>
 Total	 <u>\$ 177,316,985</u>	 <u>\$ 146,126,552</u>	 <u>\$146,126,552</u>

Source: CARS 402 C1 Report as of 6/30/03

Original General Fund Appropriations per Chapter 899	\$143,284,888
Increase for mandated services per Chapter 1042	<u>19,003,180</u>
 General Fund Appropriations per Chapter 1042	 <u>162,288,068</u>
Adjustments:	
Increase for data collection	20,000
Fiscal Year 2002 Reappropriation	482,007
State share of Medicaid costs:	<u>(29,881,680)</u>
 Net Appropriation Adjustments	 <u>(29,379,673)</u>
 Adjusted General Fund Appropriations	 <u>132,908,395</u>
 Federal Appropriations per Chapter 899 & 1042	 34,032,097
Adjustments:	
Additional Federal Revenue	3,798,159
Federal share of Medicaid costs:	<u>(24,612,099)</u>
 Net Adjustments	 <u>(20,813,940)</u>
 Total General and Federal Appropriations	 <u>\$146,126,552</u>

Analysis of Budgeted and Actual Expenses

The schedule below summarizes the Office of the Comprehensive Services' budgeted expenses compared with actual results.

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund Appropriations	\$ 143,284,888	\$ 132,908,395	\$132,516,074	\$392,321
Federal Grants	<u>34,032,097</u>	<u>13,218,157</u>	<u>13,218,157</u>	<u>-</u>
Total	<u>\$ 177,316,985</u>	<u>\$ 146,126,552</u>	<u>\$145,734,231</u>	<u>\$392,321</u>

The Office separates the state and federal expenses into two funds: state pool and administrative. The Office allocates the funds based on Appropriation Act requirements.

State Pool Funds

The Office classifies the majority of its funds as pool funds. The Office uses state and federal funds to reimburse localities for costs of providing private residential or day special education, foster care, and foster care prevention services for eligible children and their families.

Administrative Funds

Administrative funds offset the additional cost localities incur for implementing the CSA and represent about \$1.5 million or 1 percent of total expenses for the year. The localities may use these funds for administrative and coordinating expenses, or even direct services to eligible youth and families.

Other Program Support

In addition to the state pool funds illustrated in this report, CSA program receives Medicaid and local funding. The Department of Medical Assistance Services (DMAS) processes Medicaid requests for CSA and disbursed approximately \$54.5 million during Fiscal 2003 directly to medical providers. Medicaid expenses for the program are part of the Medicaid program.

Initially, the local governments pay for all of the program costs of treating a child; the Office reimburses the local government from the pooled program funding. Local program costs incurred, but not reimbursed from pool funds, would add approximately \$84 million to the program costs. The amounts in this report do not include these local government program costs.

November 5, 2003

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Office of Comprehensive Services for At-Risk Youth and Families** for the year ended June 30, 2003. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Department's accounting records, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Expenditures
Revenues

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department'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.

The Department'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.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the Department's accounting records. The Department 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 no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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.

EXIT CONFERENCE

We discussed this report with management on November 23, 2003.

AUDITOR OF PUBLIC ACCOUNTS

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