



ARLINGTON COUNTY GOVERNMENT

INTERNAL AUDIT REPORT

PURCHASE CARD EXPENSES SUPPORTING DHS CLIENTS

DEPARTMENT OF HUMAN SERVICES

Child and Family Services Division
Behavioral Healthcare Division
Economic Independence Division

Report Date: August 23, 2022

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Table of Contents

Transmittal Letter	3
Executive Summary	4
Detailed Findings, Recommendations and Management Actions	6
1. Lack of Evidence Supporting Client Receipt of Goods or Services for BHD and EID Client Purchases	6
2. Non-compliances with Grant Requirements and DHS-CFSD Policy and Procedures.....	7
3. No Pre-Authorization of Goods and Services Under Grant Requirements	9



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Our FY 2022 Risk-Based Internal Audit Work Plan identified PCARDS as a potential risk area warranting audit coverage. We selected for audit the Department of Human Services. Economic Independence Division (EID), Child and Family Services Division (CFSD) and Behavior Health Division (BHD) Purchase Card (PCARD) expenses that were incurred in support of clients.

The objective of the audit was to evaluate the design and operating effectiveness of the internal controls and policies and procedures covering goods and services purchased for DHS clients to include testing compliance with County and DHS policies and procedures and applicable grant requirements. The audit also reviewed for the appropriateness and reasonableness of expenses.

We sampled PCARD expenses incurred by these Divisions for the time period July 2021-December 2021.

This report is organized as follows:

Executive Summary	This section provides the scope and objective of the audit and a summary of the issues noted during this audit.
Details of Findings, Recommendations and Management Actions	This section gives a detailed description of the issues noted during this audit, recommended actions, and management’s corrective action plan, including the responsible party and estimated completion date.

We would like to express our appreciation to the DHS staff involved with this review.

Respectfully submitted,
Internal Audit
Department of Management and Finance

EXECUTIVE SUMMARY

In accordance with the FY 2022 Arlington County Annual Internal Audit Plan, we performed an audit of the Department of Human Services Economic Independence Division, Child and Family Services Division and Behavior Healthcare Division PCARD expenses incurred in support of clients.

Background: The Purchase Card Program provides an efficient and streamlined process by simplifying the Purchasing and Accounts Payable functions to provide a cost-effective means for making small purchases and an expedient process for emergency purchases. The Purchase Card Program is governed by a comprehensive County-wide policy. Internal Audit found, during its continued surveillance of PCARD purchases, that DHS purchases through PCARDS significant goods and services in support of clients. The nature of the costs ranges from providing emergency housing for clients to travel and transportation costs for foster children to visit relatives.

Our audit covered the expenses for the time period July 2021-December 2021. Total PCARD expenses for these divisions of DHS for this time period were about \$400 thousand and approximately 25% were related to purchases for clients' goods and services. The majority of the costs sampled were covered by grants.

Objective of Audit: Evaluate the design and operating effectiveness of the internal controls and policies and procedures covering goods and services purchased for DHS clients to include testing compliance with County and DHS policies and procedures and applicable grant requirements. The audit also reviewed for the appropriateness and reasonableness of expenses.

Scope of Audit: We selected a total sample of 56 PCARD transactions from the time period July 2021-December 2021 and the audit included:

- Evaluating PCARD and related DHS policies and procedures.
- Evaluating transactions and internal controls to ensure proper authorization and approval of client-related purchases.
- Compliance with applicable grant requirements.

The DHS Divisions identified above are responsible for ensuring the proper authorization of PCARD expenses and compliance with County and Departmental policies and applicable grant requirements.

Our audit disclosed that DHS generally complied with County and Departmental policies and Grant requirements in procuring goods and service through PCARDS in support of the clients they serve. However, our review did note some non-compliances where we believe management actions are needed to improve compliance with County policies and grant requirements, strengthen internal controls and protect the County's interests as detailed in this report.

A summary of the findings identified, and their relative risk ratings is provided below:

1. Lack of Evidence Supporting Client Receipt of Goods or Services for BHD and EID Client Purchases Medium Risk Rating.

Our review disclosed that for the BHD and certain EID purchases sampled, there was no evidence of client receipt of the goods or services purchased on their behalf. A basic internal control includes documentation evidencing the goods and services have been received by a client.

2. Non-compliances with grant requirements and DHS-CFSD Policy and Procedures. Medium Risk Rating.

Our review disclosed non-compliances with DHS-CFSD and/or grant requirements. Although we generally found most transactions complied with existing policies and procedures and grant requirements, we did note areas for improving Divisional compliance.

3. Pre-Authorization of Goods and Services Under Grant Requirements. Medium Risk Rating

Our review disclosed transactions where there was no required pre-authorization for purchase. A basic internal control when procuring goods and services of a personal nature for a third-party client generally requires the pre-authorization or “second set of eyes” to ensure the procurement is appropriate and complies with grant requirements (if applicable).

Relative risk factors have been assigned to each issue identified. This is the evaluation of the severity of the concern and the potential impact on the options. There are many areas of risk to consider in determining the relative risk rating of an issue, including financial, operational, and/or compliance, as well as public perception or ‘brand’ risk. Items are rated as High, Moderate, or Low.

✓ High - Observation presents a high risk (i.e., impact on financial statements, internal control environment, public perception/brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success / achievement of goals and improve its internal control structure. Action should be taken immediately.

✓ Moderate - Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, public perception/brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success / achievement of goals and improve its internal control structure. Action should be in the near term.

✓ Low - Observation presents a low risk (i.e., impact on financial statements, internal control environment, public perception/brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success / achievement of goals and internal control structure.

Management Response

The management responses with expected completion dates for agreed-to management actions to the reported non-compliances can be found in the details of the report.

DETAILED FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

1. Lack of Evidence Supporting Client Receipt of Goods or Services for BHD and EID Client Purchases	Medium Risk
<p>Generally, we found the DHS purchases and payments that we sampled were well supported and properly authorized through a grant or County budget authority and complied with County and Departmental/Division policies and procedures. However, for the BHD and applicable EID purchases sampled, we did not see evidence of client receipt of the goods or services purchased on their behalf. (Regarding applicability, for the EID purchases, our sample included several hotel stays and travel expenses, and therefore, when the payment receipts clearly depict the client recipient, a separate client affidavit of receipt of these type services may not be necessary.)</p> <p>For BHD, we found several cell phones purchased for clients enrolled in the Behavioral Health Docket Program. The Behavioral Health Docket was created to further enhance diversion efforts, improve treatment, and reduce recidivism for those suffering from mental illness. Our review of these purchases disclosed no evidence or signature confirming the clients received the cell phones. For EID, our sample included a furniture purchase for a client enrolled in the Department of Behavioral Health and Developmental Services (DBHDS) Permanent Support of Housing program - a program that provides affordable housing and support services to adults with disabilities that include support services to prevent and end experiences of homelessness. We found no evidence that the client acknowledged receipt of the furniture. In BHD, we also found a significant amount of Smart Trip cards purchased for County clients enrolled in the Opioid addiction support program without any documentation supporting the receipt by the clients. Documenting the receipt of goods or services by the recipient (i.e., client) is a basic internal control. It should be noted that CFSD already has a policy and procedure that requires this documentation. We recommend that BHD and EID develop a similar policy and procedure requiring the case workers to obtain documentation evidencing the clients received the goods or services, when applicable. This evidence should be included in documentation supporting the payment for the goods or services.</p>	
Recommendation	
<p>We recommend DHS-EID and BHD divisions develop a policy and procedure requiring documentation evidencing the clients received the goods and services purchased on their behalf. This</p>	

is a sound basic internal control and supports the vendor payment. This documentation should be included in the documentation supporting the PCARD reconciliation in PRISM.

Management Response

BHD Response

We agree with the auditor’s recommendations/findings. BHD will develop and implement a division wide procedure requiring documentation evidencing the clients received the goods purchased on their behalf. This will include uploading the client signed receipt in PRISM along with the other supporting documentations for the purchase.

EID Response

We agree with the auditor’s recommendations/findings. EID will develop and implement a division wide procedure requiring documentation evidencing the clients received the goods purchased on their behalf. This will include uploading the client signed receipt in PRISM along with the other supporting documentations for the purchase.

Responsible Party: Administrative Officers for EID and BHD

Target Date: December 31, 2022

2. Non-compliances with Grant Requirements and DHS-CFSD & DHS-BHD Policy and Procedures	Medium Risk
<ol style="list-style-type: none"> 1. Our sample of CFSD transactions included 13 transactions that were covered by the Children’s Services Act Grant. This grant requires that the County create an Individualized Service Plan for each client that must be approved by the Family Assessment and Planning Team (FAPT) and a Community and Policy Management Team representative (CPMT). These plans include a detail of the services that the client will be provided and documents the agreement by all parties. Out of the 13 transactions/expenses sampled, we found two cases where there was no documented approval by a CPMT representative of the plan which also serves as the authorization for the expenses. We recommend DHS-CFSD re-emphasize the grant requirements and the policies and procedures to ensure the payments for services provided to clients are supported as required by grant requirements. 2. The Children’s Services Act requires entities to establish quality control procedures. DHS has documented its QA program in a formal policy - CHILDREN’S SERVICES ACT/SYSTEM OF CARE POLICY MANUAL. This policy requires quarterly audits be conducted of client files to ensure compliance with grant requirements and DHS-CFSD policy. During our audit, we were informed that the compliance team had been re-assigned during COVID to support other County COVID support operations. The last audit completed was in 11/2020. We were informed during our audit that the staff will commence performing these quality assurance reviews in the beginning of FY 2023. 	

3. DHS-CFSD policy requires the client receiving the goods or services sign a receipt acknowledging the goods have been received. In cases involving a minor, CFSD practice is to have the case manager that requested the services sign off for the goods or services. This is a weakness in internal controls due to the lack of segregation of duties. The VA Department of Social Services states that “In the event the social services client is a minor, the Client Affidavit for Goods/Services Received can be signed by the legal party responsible for the well-being of the minor.” We recommend DHS revise its policy to request the guardian or other responsible party sign off on the receipt of goods or services.
4. Our review disclosed an expense paid under the Child Services Act grant that did not meet the definition of an “emergency service” defined by either the CSA or by CFSD policy. (There was no documentation of the emergency nature in the file, but this is what CFSD classified the expense as when asked about it during the audit.) The purchase related to airline flights for a family for a total of \$600. The Arlington County CPMT has defined "emergency services" as those services necessary to address the immediate safety and well-being of a youth who presents a risk to self or others, to include bed-to-bed transfers from an acute care setting to a residential treatment center. We found no CFSD pre-approval as required by CFSD policy. The emergency service must be approved prior to initiation of the service by the Case Manager’s supervisor and the CSA Coordinator and documented in a signed pre-authorization letter to the service provider. In addition, CSA policy requires that the FAPT provide a “post-approval” for emergency services within 14 days of the service being provided. This also was not obtained. We also noted that a client certification of receipt of goods and services was not obtained. We recommend DHS re-emphasize existing policies to its staff to ensure compliance with grant and departmental policies and procedures.
5. We found certain travel costs totaling approximately \$600 paid under the Promoting Safe and Stable Family grant did not comply with the grant definitions. The most significant cost found during our review of the CFSD client expenses (i.e., 80% of costs sampled), related to travel costs incurred to send foster children to visit family members out of state. The key allowable cost provision in the “Promoting Safe and Stable Families” grant states that costs are authorized based on the application submitted by the County. Even though this type of costs represents one of the most significant costs reimbursed under the grant, the application does not specifically identify these costs. The closest item identified in the application of funds was “Code 260 – Transportation – bus tokens, cab vouchers, and transportation to services”, which we do not believe clearly depicts the above referenced travel items being expended under this grant. We recommend future applications better describe and identify these costs to support full transparency with the Grant Funding Agency – Virginia Department of Family Services. The CFSD Division Chief acknowledged the application can be improved but stated the State has always considered these allowable costs as part of family preservation.
6. During our audit of sampled BHD transactions, we noted one practice that we believe did not meet the intent of the BHD PCARD policy requiring pre-approval from the program manager. The BHD practice of procuring Smart Trip Cards for distribution to BHD clients (suffering from Opioid addiction connected with the County detention facility) is for the BHD administrative officer to request his staff (i.e., BHD PCARD holder) to procure the Smart Trip Cards and distribute them to the program office. The cost for the cards audited was approximately \$700. There is no documented request or approval from the program office (i.e., Clinical Service Bureau) or the Administrative Officer’s supervisor. Although the Clinical Services Bureau Chief is copied on the e-mail documentation, there is no documented approval from her. The BHD policy states:

Before making any transaction on their purchase card, PCard holders must obtain the electronic pre-approval from the manager. To obtain this, the individual shall send an email to the approving

manager which lists the following: type of expense; team or cost center; estimated amount of purchase; exact item(s) description; and justification

We recommend DHS comply with its stated policy for this procurement.

Recommendations

We recommend DHS revise its practices to ensure compliance with existing policies and procedures and grant requirements, commence the QA reviews as planned and reemphasize its existing policies and procedures and grant requirements to its staff through training or management team meetings.

Management Response

CFSD Response

1. We agree with the auditor’s recommendations/findings and will review CPMT approval process with CPMT Members to ensure understanding of the process and the approval requirement needed. Target Date of September 26, 2022.
2. The audits will resume the second quarter of FY2023.
3. We agree with the auditor’s recommendations/findings and have updated all CFSD Grant policies impacted to allow for Foster Parents/Case Managers in Group Homes to sign Client Affidavits for minors. All CFSD staff have also received the amended policy. This was completed before the final audit report.
4. We agree with the auditor’s recommendations/findings and reminded Child Welfare Supervisors and Staff of the “emergency service approval” policy. Completed.
5. We agree with the auditor’s recommendations/findings and the Grant Manager will include airfare in the detailed description on the grant application. The State has been notified to accommodate this request on the next application. Target Date FY24 Application Renewal.

BHD Response

6. We agree with the auditor’s recommendations/findings. Effective immediately, the division will no longer allow for the purchase of goods or services without the clinical manager’s consent

Responsible Party: Administrative Officers for CFSD, BHD, and DHS Compliance Officer

Target Date: September 26, 2022.

<p>3. Pre-Authorization of Goods and Services Under Grant Requirements</p>	<p>Medium</p>
<p>EID non-training purchases and those made under the CFSD Independent Living Grant do not require a pre-authorization approval by the case manager and supervisor as required by other Divisions. The pre-authorization memo provides the internal control or “a second set of eyes” to ensure the purchase complies with grant requirements and the purchase is reasonable since the goods or services are procured for a third-party client. We recommend EID and CFSD (for expenditures under the Independent Living Grant) develop a policy and procedure requiring the pre-authorization of client</p>	

expenses as required by other Divisions. We understand that several of the EID purchases are made on an emergency basis and the time to obtain pre-approval is limited. In these cases, we recognize that EID will need some tailored process to meet these requirements while also implementing the necessary controls.

Recommendations

We recommend DHS-EID develop a policy and procedure requiring the pre-authorization of purchases documenting the purchase complies with Grant and County requirements. We recommend DHS-CFSD expand its current policy requiring pre-authorization for the purchases made under the Independent Living Grant.

Management Response

EID Response

We agree with the auditor’s recommendations/findings. We will develop a Purchase Permission Memo to all unique, special, grant related, and emergency purchases for the division.

CFSD Response

We agree with the auditor’s recommendations/findings and the CFSD Independent Living Grant policy was updated to require pre-authorization approval for all purchases. This was updated and communicated with staff before the final audit report.

Responsible Party: Administrative Officers for BHD, CFSD, and EID

Target Date: December 31, 2022