

SECTION 40/SUBSECTION 100,200,300,400.500
INTERNAL CONTROLS and Fraud Reporting

Title: Internal Controls and Fraud Reporting

Policy Number: 06-02-0007 (replaces 99-40-100-500) Effective Date: 11-01-2006
Programs: All Revisions: as needed

Guidance: Code of Virginia, Title 30, General Assembly Chapter 14, Auditor of Public Accounts Section 30-138 Federal Deficit Reduction Act of 2005.

Definitions: Internal controls shall be defined as plans of the agency and all methods and measures used by the agency to monitor assets, prevent fraud, minimize errors, verify the correctness and reliability of accounting data, promote operational efficiency, and ensure that established managerial policies are followed.

Fraud is an intentional wrongful act with the purpose of deceiving or causing harm to another party.

Policy Internal Controls

To ensure proper internal controls, it is the policy of the Board that:

- A. Transactions are executed in accordance with management's general or specific authorizations.
- B. Transactions are recorded as necessary to permit preparation of financial statements in conformance with GAAP and/or any other criterion applicable to such statements.
- C. Access to assets is permitted only in accordance with management's authorizations set forth in Board policies and procedures.
- D. The recorded accountability for assets is compared with the existing assets at reasonable intervals, and appropriate action is taken with respect to any differences.

Procedure: Crossroads Community Services Board adopts the following procedures in conjunction with the stated purpose of this section.

The Board shall:

- A. Maintain effective internal controls within accounting and administrative systems. The Executive Director is responsible for the design, installation, monitoring and initiating required changes for the system of internal controls.
- B. Review existing policies, procedures, and systems on an annual basis to determine if those actions known collectively as internal controls are appropriately included. This review will be accomplished as part of the annual audit by the independent audit firm.

- C. Test operations on an ongoing basis, through internal audits or other means, to determine whether internal controls are effective and operating as intended.
- D. Adhere to certain basic standards in designing, implementing and monitoring internal controls, these standards include documentation, recording of transactions, execution of transactions, separation of duties, adequate supervision, degree and ease of access to the Board's resources, competent personnel, and reasonable assurances.
- E. Consider the benefit of any internal control in relation to the cost, risk, etc., of not having the control.
- F. Make certain that basic standards are adhered to in developing and applying proper internal controls. These basic standards are defined as follows:
 - 1. Internal Controls shall be documented and include operating plans, organizational charts, job descriptions, and policies and procedures.
 - 2. Transactions shall be recorded as executed and properly classified.
 - 3. Transactions shall be executed as authorized.
 - 4. Key duties shall be separated to ensure that no one individual controls all phases of an activity.
 - 5. Supervisors shall ensure that all procedures are followed through performance evaluations and/or scheduled or unscheduled review of work.
 - 6. Access to assets shall be limited to authorized personnel and controlled through physical control and pre-numbering of critical forms, safes, locks, and other security measures as needed.
 - 7. Key personnel shall be competent and have high standards of integrity.
 - 8. Internal controls provide reasonable, but not absolute assurance that control objectives will be accomplished.
 - 9. Records shall be secure from unauthorized use and proper record backup systems shall be in place in the event of tampering or natural disaster.

Policy: Common Rule, Subpart C.20 Standards for Grantee Management Systems
Grant funds must be expended and accounted for in accordance with state and federal laws and procedures. Internal fiscal controls must be sufficient to (1) permit preparation of reports required by this section and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions and prohibitions of applicable statutes.

Procedure: Crossroads CSB shall insure that the following standards are met:

- A. financial reporting is in conformance with the grant;
- B. accounting records adequately identify the source and application of funds;
- C. effective internal control is maintained;
- D. budget control is maintained to ensure proper and accountable expenditures are made;
- E. applicable policy is followed in determination of costs;

- F. source documentation is maintained for accounting records;
- G. proper cash management controls are maintained to ensure that funds are drawn down as close to their expenditure as possible.

Policy: Fraud Reporting

It is the policy of Crossroads Community Services Board that all fraudulent actions or reasonable indications that fraudulent actions have occurred be reported in accordance with all applicable sections of Code of Virginia, Title 30, General Assembly Chapter 14, Auditor of Public Accounts, Section 30-138. In addition requirements to report will adhere to all state and federal laws and/or acts including the Federal Deficit Reduction Act of 2005 and Code of Virginia Title 8.01, Chapter 3 (8.01-216.1 through 801-216.19).

Procedure: Circumstances suggesting a reasonable possibility that a fraudulent transaction has occurred involving funds or property under the control of the CSB must be verbally reported to the Executive Director and followed by a written report within five working days.

The Executive Director shall immediately verbally notify the VA Auditor of Public Accounts, as appropriate, the Virginia State Police, the CSB Chairperson, and the appropriate local government officials of the possible fraudulent transactions. The verbal notification shall be followed within five working days by a written notification, from the Executive Director, to all parties listed above.

Procedure: Circumstances suggesting a reasonable possibility that a fraudulent transaction(s) have occurred involving internal consumer service delivery, service documentation, or reimbursement and/or billing activities involving third party payers (Medicare, Medicaid etc.) must be verbally reported to the Executive Director and Director of Administrative Services. The Executive Director and/or Director of Administrative Services will investigate such reports and provide written notification of any findings to the effected third party payer(s).

Crossroads Community Services Board staff reasonably suspecting such fraudulent activities may report such suspicions to the fraud unit of the third party payer involved. Phone numbers and web addresses for fraud reporting will be made available to all staff through the Quality Assurance Utilization Review Department of Crossroads Community Services Board. Fraud reporting numbers will also be posted in areas accessible to all staff should such staff wish to protect their anonymity when reporting suspicions of fraudulent activities