

**Department of Behavioral and Developmental Services and Community Services Board**

**Addendum I**

**FY2022 and FY2023: Administrative Requirements and Processes and Procedures**

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FY2022 and FY2023: Administrative Requirements and Processes and Procedures

I. Purpose

The Administrative Requirements and Processes and Procedures include statutory, regulatory, policy, process and procedures and other requirements that are not expected to change frequently. The CSB and the Department shall comply with these requirements and processes and procedures. This document is incorporated into and made a part of the Community Services Performance Contract (PC) by reference. The Department will work with the CSBs regarding any substantive changes to this document, with the exception of changes in statutory, regulatory, policy, or other requirements.

II. CSB Requirements

A. Financial Management Requirements, Policies, and Procedures

Generally Accepted Accounting Principles: The CSB's financial management and accounting system shall operate and produce financial statements and reports in accordance with Generally Accepted Accounting Principles. It shall include necessary personnel and financial records and a fixed assets system. It shall provide for the practice of fund accounting and adhere to cost accounting guidelines issued by the Department.

If it is an administrative policy CSB that is a city or county department or agency or is required to adhere to local government financial management requirements, policies, and procedures or it is the local government department with a policy-advisory CSB, the CSB shall comply with local government financial management requirements, policies, and procedures.

If the Department receives any complaints about the CSB's financial management operations, the Department will forward these complaints to the local government and any other appropriate authorities. In response to those complaints, the Department may conduct a review of that CSB's financial management activities.

1. **Accounting:** CSBs shall account for all service and administrative expenses accurately and submit timely reports to the Department to document these expenses.
2. **Annual Independent Audit:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government financial management requirements, policies, and procedures, the CSB shall obtain an independent annual audit conducted by certified public accountants.
  - a. Audited financial statements shall be prepared in accordance with generally accepted accounting principles (GAAP). The appropriate GAAP basis financial reporting model is the Enterprise Fund in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. GASB 34 replaces the previous financial reporting model *Health Care Organizations Guide*, produced by the American Institute of Certified Public Accountants.
  - b. Copies of the audit and the accompanying management letter shall be provided to the Office of Budget and Financial Reporting in the Department and to each local government that established the CSB.
  - c. CSBs shall, to the extent practicable, obtain unqualified audit opinions. Deficiencies and exceptions noted in an audit or management letter shall be resolved or corrected within a reasonable period of time, mutually agreed upon by the CSB and the Department.
  - d. If it is an administrative policy CSB that is a city or county department or agency or is required to adhere to local government financial management requirements, policies, and procedures or it is the local government department with a policy-advisory CSB, the CSB shall be included in the annual audit of its local government.
    - i. Copies of the applicable portions of the accompanying management letter shall be provided to the Office of Budget and Financial Reporting in the Department.

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- ii. Deficiencies and exceptions noted in a management letter shall be resolved or corrected within a reasonable period of time, mutually agreed upon by the CSB, its local government(s), and the Department.
    - e. If an administrative policy CSB that is a city or county department or agency or is required to adhere to local government financial management requirements, policies, and procedures or the local government department with a policy-advisory CSB obtains a separate independent annual audit conducted by certified public accountants, audited financial statements shall be prepared in accordance with generally accepted accounting principles.
      - i. The appropriate GAAP basis financial reporting model is the Enterprise Fund in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. The local government will determine the appropriate fund classification in consultation with its certified public accountant.
      - ii. Copies of the audit and the accompanying management letter shall be provided to the Office of Budget and Financial Reporting and to each local government that established the CSB.
      - iii. CSBs shall, to the extent practicable, obtain unqualified audit opinions.
        - iv. Deficiencies and exceptions noted in an audit or management letter shall be resolved or corrected within a reasonable period of time, mutually agreed upon by the CSB and the Department.
- 3. **Federal Audit Requirements:** When the Department subgrants federal grants to a CSB, the CSB shall satisfy all federal government audit requirements.
- 4. **Subcontractor Audits:** Every CSB shall obtain, review, and take any necessary actions on audits of any subcontractors that provide services that are procured under the Virginia Public Procurement Act and included in a CSB's performance contract. The CSB shall provide copies of these audits to the Office of Budget and Financial Reporting in the Department.
- 5. **Bonding:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government financial management requirements, policies, and procedures, CSB employees with financial responsibilities shall be bonded in accordance with local financial management policies.
- 6. **Fiscal Policies and Procedures:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government financial management requirements, policies, and procedures, a CSB's written fiscal policies and procedures shall conform to applicable State Board policies and Departmental policies and procedures.
- 7. **Financial Management Manual:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government financial management requirements, policies, and procedures, a CSB shall be in material compliance with the requirements in the current Financial Management Standards for Community Services Boards issued by the Department.
- 8. **Local Government Approval:** CSBs shall submit their performance contracts to the local governments in their service areas for review and approval, pursuant to § 37.2-508 or § 37.2-608 of the Code of Virginia, which requires approval of the contracts by September 30.
  - a. CSBs shall submit their contracts to the local governing bodies of the cities and counties that established them in accordance with the schedules determined by those governing bodies or at least 15 days before meetings at which the governing bodies are scheduled to consider approval of their contracts.

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- b. Unless prohibited from doing so by its local government(s), a CSB may submit its contract to the Department before it is approved by its local government(s).
- 9. **Department Review:** If a CSB is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government financial management requirements, policies, and procedures, the Department may conduct a review of the CSB's financial management activities at any time.
  - a. While it does not conduct routine reviews of the CSB's financial management activities, the Department may conduct a review in response to significant deficiencies, irregularities, or problems identified in the CSB's audit or management letter or in response to complaints or information that it receives.
    - i. Such reviews shall be limited to sub-recipient monitoring responsibilities in 2 CFR Part 200.331 associated with receipt of federal funds by the CSB.
    - ii. CSBs shall submit formal plans of correction to the Office of Budget and Financial Reporting in the Department within 45 days of receipt of official reports of reviews.
    - iii. Minor compliance issues shall be corrected within 45 days of submitting a plan. Action to correct major compliance issues shall be initiated within 45 days and completed within 180 days of submitting a plan, unless the Department grants an extension.
  - b. If it is an administrative policy CSB that is a city or county department or agency or is required to adhere to local government financial management requirements, policies, and procedures or it is the local government department with a policy-advisory CSB, the Department may conduct a review of a CSB's financial management activities at any time in order to fulfill its responsibilities for federal sub-recipient (CSB) monitoring requirements under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR Part 200.331.

**B. Procurement Requirements, Policies, and Procedures**

- 1. **Procurement Policies and Procedures:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government procurement requirements, policies, and procedures, a CSB shall have written procurement policies and procedures in effect that address internal procurement responsibilities, small purchases and dollar thresholds, ethics, and disposal of surplus property. Written procurement policies and procedures relating to vendors shall be in effect that address how to sell to the CSB, procurement, default, and protests and appeals. All written policies and procedures shall conform to the Virginia Public Procurement Act.

If it is an administrative policy CSB that is a city or county department or agency or is required to adhere to local government procurement requirements, policies, and procedures or it is the local government department with a policy-advisory CSB, a CSB shall comply with its local government's procurement requirements, policies, and procedures, which shall conform to the Virginia Public Procurement Act. If the Department receives any complaints about the CSB's procurement operations, the Department will forward these complaints to the local government and any other appropriate authorities. In response to those complaints, the Department may conduct a review of that CSB's procurement activities.

- 2. **Department Review:** If a CSB is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government procurement requirements, policies, and procedures, the Department may conduct a review of the CSB's procurement activities at any time. While it does not conduct routine reviews of the CSB's procurement activities, the Department may conduct a review in response to significant deficiencies, irregularities, or problems identified in the CSB's independent annual audit or management letter or in response to complaints or information that it receives. The review will include a sampling of CSB subcontracts. CSBs shall submit formal plans of correction to the Office of Administrative Services in the Department within 45 days of receipt of official reports of reviews. Minor compliance issues shall be corrected within 45 days of submitting a plan.

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Action to correct major compliance issues shall be initiated within 45 days and completed within 180 days of submitting a plan, unless the Department grants an extension.

#### C. Reimbursement Requirements, Policies, and Procedures

1. **Reimbursement System:** Each CSB's reimbursement system shall comply with § 37.2-504 and § 37.2-511 or § 37.2-605 and § 37.2-612 and with § 20-61 of the Code of Virginia and State Board Policy 6002 (FIN) 86-14. Its operation shall be described in organizational charts identifying all staff members, flow charts, and specific job descriptions for all personnel involved in the reimbursement system.
2. **Policies and Procedures:** Written fee collection policies and procedures shall be adequate to maximize fees from individuals and responsible third party payers.
3. **Schedule of Charges:** A schedule of charges shall exist for all services that are included in the CSB's performance contract, shall be related reasonably to the cost of the services, and shall be applicable to all recipients of the services.
4. **Ability to Pay:** A method, approved by a CSB's board of directors that complies with applicable state and federal regulations shall be used to evaluate the ability of each individual to pay fees for the services he or she receives.
5. **Department Review:** While it does not conduct routine reviews of the CSB's reimbursement activities, the Department may conduct a review at any time in response to significant deficiencies, irregularities, or problems identified in the CSB's independent annual audit or management letter or in response to complaints or information that it receives.
  - a. CSBs shall submit formal plans of correction to the Office of Cost Accounting and Reimbursement in the Department within 45 days of receipt of official reports of reviews.
  - b. Minor compliance issues shall be corrected within 45 days of submitting a plan. Action to correct major compliance issues shall be initiated within 45 days and completed within 180 days of submitting a plan, unless the Department grants an extension.
6. **Medicaid and Medicare Regulations:** CSBs shall comply with applicable federal and state Medicaid and Medicare regulations, policies, procedures, and provider agreements. Medicaid non-compliance issues identified by Department staff will be communicated to the Department of Medical Assistance Services.

#### D. Human Resource Management Requirements, Policies, and Procedures

1. **Statutory Requirements:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government human resource management requirements, policies, and procedures, a CSB shall operate a human resource management program that complies with state and federal statutes, regulations, and policies.
  - i. If it is an administrative policy CSB that is a city or county department or agency or is required to adhere to local government human resource management requirements, policies, and procedures or it is the local government department with a policy-advisory CSB, a CSB shall be part of a human resource management program that complies with state and federal statutes, regulations, and policies.
2. **Policies and Procedures:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government human resource management requirements, policies, and procedures, a CSB's written human resource management policies and procedures shall include a classification plan and uniform employee pay plan and, at a minimum, shall address:

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- a) nature of employment;
- b) equal employment opportunity;
- c) recruitment and selection;
- d) criminal background and reference check requirements;
- e) classification and compensation, including a uniform employee pay plan;
- f) employment medical examinations (e.g., TB);
- g) nepotism (employment of relatives);
- h) probationary period;
- i) initial employee orientation;
- j) transfer and promotion;
- k) termination, layoff, and resignation;
- l) benefits, including types and amounts of leave, holidays, and health, disability, and other insurances;
- m) hours of work;
- n) outside employment;
- o) professional conduct;
- p) employee ethics;
- q) compliance with state Human Rights Regulations and the CSB's local human rights policies and procedures;
- r) HIPAA compliance and privacy protection;
- s) compliance with the Americans with Disabilities Act;
- t) compliance with Immigration Reform and Control Act of 1986;
- u) conflicts of interests and compliance with the Conflict of Interests Act;
- v) compliance with Fair Labor Standards Act, including exempt status, overtime, and compensatory leave;
- w) drug-free workplace and drug testing;
- x) maintenance of a positive and respectful workplace environment;
- y) prevention of sexual harassment;
- z) prevention of workplace violence;
- aa) whistleblower protections;
- bb) smoking;
- cc) computer, internet, email, and other electronic equipment usage;
- dd) progressive discipline (standards of conduct);
- ee) employee performance evaluation;
- ff) employee grievances;
- gg) travel reimbursement and on-the-job expenses;
- hh) employee to executive director and board of directors contact protocol; and
- ii) communication with stakeholders, media, and government officials.

If it is an administrative policy CSB that is a city or county department or agency or is required to adhere to local government human resource management requirements, policies, and procedures or it is the local government department with a policy-advisory CSB, a CSB shall adhere to its local government's human resource management policies and procedures.

3. **Job Descriptions:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government human resource management requirements, policies, and procedures, a CSB shall have written, up-to-date job descriptions for all positions.

Job descriptions shall include identified essential functions, explicit responsibilities, and qualification statements, expressed in terms of knowledge, skills, and abilities as well as business necessity and bona fide occupational qualifications or requirements.

4. **Grievance Procedure:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government human resource management, policies, procedures, and requirements, a CSB's grievance procedure shall satisfy § 15.2-1507 of the Code of Virginia.
5. **Uniform Pay Plan:** If it is an operating CSB, a behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government human resource

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management requirements, policies, and procedures, a CSB shall adopt a uniform pay plan in accordance with § 15.2-1506 of the Code of Virginia and the Equal Pay Act of 1963.

6. **Department Review:** If it is an operating CSB, the behavioral health authority, or an administrative policy CSB that is not a city or county department or agency or is not required to adhere to local government human resource management requirements, policies, and procedures, employee complaints regarding a CSB's human resource management practices will be referred back to the CSB for appropriate local remedies.
  - a) The Department may conduct a human resource management review to ascertain a CSB's compliance with performance contract requirements and assurances, based on complaints or other information received about a CSB's human resource management practices. If a review is done and deficiencies are identified, a CSB shall submit a formal plan of correction to the Office of Human Resource Management and Development in the Department within 45 days of receipt of an official report of a review.
  - b) Minor compliance issues shall be corrected within 45 days of submitting the plan. Action to correct major compliance issues shall be initiated within 45 days and completed within 180 days of submitting the plan, unless the Department grants an extension.
  - c) If it is an administrative policy CSB that is a city or county department or agency or is required to adhere to local government human resource management requirements, policies, and procedures or it is the local government department with a policy-advisory CSB, employee complaints regarding a CSB's human resource management practices will be referred back to the local government for appropriate local remedies. In response to complaints that it receives, the Department may conduct a review of the local government's human resource management practices at any time.

#### E. Comprehensive State Planning

1. **General Planning:** The CSB shall participate in collaborative local and regional service and management information systems planning with state facilities, other-CSBs, other public and private human services agencies, and the Department, as appropriate. In accordance with § 37.2-504 or § 37.2-605 of the Code of Virginia, the CSB shall provide input into long-range planning activities that are conducted by the Department.
2. **Participation in State Facility Planning Activities**  
The CSB shall participate in collaborative planning activities with the Department to the greatest extent possible regarding the future role and structure of the state facilities.

#### F. Interagency Relationships

Pursuant to the case management requirements of § 37.2-500 or § 37.2-601 of the Code of Virginia, the CSB shall, to the extent practicable, develop and maintain linkages with other community and state agencies and facilities that are needed to assure that individuals it serves are able to access treatment, training, rehabilitative, and habilitative mental health, developmental, or substance abuse services and supports identified in their individualized services plans. The CSB shall comply with § 37.2-504 or § 37.2-605 of the Code of Virginia regarding interagency agreements.

The CSB also shall develop and maintain, in conjunction with the courts having jurisdiction in the cities or counties served by the CSB, cooperative linkages that are needed to carry out the provisions of § 37.2-805 through § 37.2-821 and related sections of the Code of Virginia pertaining to the involuntary admission process.

The CSB shall develop and maintain the necessary linkages, protocols, and interagency agreements to effect the provisions of the Comprehensive Services Act for At-Risk Youth and Families (§ 2.2-5200 through § 2.2-5214 of the Code of Virginia) that relate to services that it provides. Nothing in this provision shall be construed as requiring the CSB to provide services related to this act in the absence of sufficient funds and interagency agreements.

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**III. The Department Requirements**

**A. Comprehensive State Planning**

The Department shall conduct long-range planning activities related to state facility and community services, including the preparation and dissemination of the Comprehensive State Plan required by § 37.2-315 of the Code of Virginia.

**B. Administrative Fee**

The Department shall partner with the CSBs to establish administrative fee policies and procedures.

**C. Information Technology**

The Department shall operate and provide technical assistance and support, to the extent practicable, to the CSB about the Community Automated Reporting System (CARS), the Community Consumer Submission (CCS) software, the FIMS, and the prevention data system referenced in the performance contract and comply with State Board Policies 1030 and 1037.

1. Pursuant to § 37.2-504 and § 37.2-605 of the Code of Virginia, the Department shall implement procedures to protect the confidentiality of data accessed or received in accordance with the performance contract.
2. The Department shall ensure that any software application that it issues to the CSB for reporting purposes associated with the performance contract has been field tested in accordance with Appendix D by a reasonable number of CSBs to assure compatibility and functionality with the major IT systems used by CSBs, is operational, and is provided to the CSB sufficiently in advance of reporting deadlines to allow the it to install and run the software application.
3. The Department shall collaborate with the VACSB DMC in the implementation of any new data management or data warehousing systems to ensure appropriate interoperability and workflow management.



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Appendix A: CSB and Board of Directors Organization and Operations

I. These requirements apply to the CSB board of directors or staff and the services included in this agreement.

**A. CSB Organization**

The CSB's organization chart shall be consistent with the current board of directors and staff organization. The organization chart shall include the local governing body or bodies that established the CSB and the board's committee structure.

**B. Board Bylaws**

Board of directors (BOD) bylaws shall be consistent with local government resolutions or ordinances establishing the CSB, board policies, and the CSB's organization chart and shall have been reviewed and revised in the last two years.

**C. CSB Name Change**

If the name of an operating CSB changes, the CSB shall attach to this contract copies of the resolutions or ordinances approving the CSB's new name that were adopted by the boards of supervisors or city councils (local governing bodies) that established the CSB. If the number of appointments made to the CSB by its local governing bodies changes, the CSB shall attach to this contract copies of the resolutions or ordinances adopted by the local governing bodies that changed the number of appointments.

If the name of an administrative policy CSB that is not a local government department or that serves more than one city or county changes, the CSB shall attach to this contract copies of the resolutions or ordinances approving the CSB's new name that were adopted by the boards of supervisors or city councils (local governing bodies) that established the CSB. If the number of appointments made to the CSB by its local governing bodies changes, the CSB shall attach to this contract copies of the resolutions or ordinances adopted by the local governing bodies that changed the number of appointments.

**D. BOD Member Job Description**

The BOD and executive director shall develop a board member position description, including qualifications, duties and responsibilities, and time requirements that the CSB shall provide to its local governing bodies to assist them in board appointments.

**E. BOD Member Training**

The executive director shall provide new board members with training on their legal, fiduciary, regulatory, policy, and programmatic powers and responsibilities and an overview of the performance contract within one month of their appointment. New board members shall receive a board manual before their first board meeting with the information needed to be an effective board member.

**F. BOD Policies**

The BOD shall adopt policies governing its operations, including board- staff relationships and communications, local and state government relationships and communications, committee operations, attendance at board meetings, oversight and monitoring of CSB operations, quality improvement, conflict of interests, freedom of information, board member training, privacy, security, and employment and evaluation of and relationship with the executive director.

**G. FOIA Compliance**

The BOD shall comply with the Virginia Freedom of Information Act (FOIA) in the conduct of its meetings, including provisions governing executive sessions or closed meetings, electronic communications, and notice of meetings.

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#### H. BOD Meeting Schedule

The BOD shall adopt an annual meeting schedule to assist board member attendance.

#### I. Meeting Frequency

The BOD shall meet frequently enough (at least six times per year) and receive sufficient information from the staff to discharge its duties and fulfill its responsibilities. This information shall include quarterly reports on service provision, funds and expenditures, and staffing in sufficient detail and performance on the behavioral health and developmental performance measures and other performance measures in Exhibit B. Board members shall receive this information at least one week before a scheduled board meeting.

#### J. Reporting Fraud

1. Fraud is an intentional wrongful act committed with the purpose of deceiving or causing harm to another party. Upon discovery of circumstances suggesting a reasonable possibility that a fraudulent transaction has occurred, the CSB's executive director shall report this information immediately to any applicable local law enforcement authorities and the Department's Internal Audit Director.
2. All CSB financial transactions that are the result of fraud or mismanagement shall become the sole liability of the CSB, and the CSB shall refund any state or federal funds disbursed by the Department to it that were involved in those financial transactions.
3. The CSB shall ensure that new CSB board members receive training on their fiduciary responsibilities under applicable provisions of the Code and this contract and that all board members receive annual refresher training on their fiduciary responsibilities.

#### K. Financial Management

The CSB shall comply with the following requirements, as applicable.

1. To avoid any appearance of conflict or impropriety, the CSB shall provide complete annual financial statements to its Certified Public Accountant (CPA) for audit. If the CSB does not produce its annual financial statements internally, it should not contract production of the statements to the same CPA that conducts its annual independent audit.
2. Operating CSBs and the BHA shall rebid their CPA audit contracts at least every five (5) years once the current CPA contracts expire. If the firm performing the audit is more than 60 days late for two consecutive years, the CSB reserves the right to rebid for the services of an annual audit. If the Department determines in its review of the CPA audit provided to it or during its financial review of the CSB that the CSB's CPA audit contains material omissions or errors and informs the CSB of this situation, this could be grounds for the CSB to cancel its audit contract with the CPA.
3. A designated staff person shall review all financial reports prepared by the CSB for the reliance of third parties before the reports are presented or submitted and the reviews shall be documented.
4. All checks issued by the CSB that remain outstanding after one year shall be voided.
5. All CSB bank accounts shall be reconciled regularly, and a designated staff person not involved in preparing the reconciliation shall approve it.
6. A contract administrator shall be identified for each contract for the purchase of services entered into by the CSB, and every contract shall be signed by a designated staff person and each other party to the contract, where applicable.
7. A designated staff person shall approve and document each write-off of account receivables for services to individuals. The CSB shall maintain an accounts receivable aging schedule, and debt that is deemed to be uncollectable shall be written off periodically. The CSB shall maintain a system of internal controls including separation of duties to safeguard accounts receivable assets. A designated staff person who does not enter or process the CSB's payroll shall certify each payroll.
8. The CSB shall maintain documentation and reports for all expenditures related to the federal Mental Health Block Grant and federal Substance Abuse Prevention and Treatment Block Grant funds contained in Exhibit

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A sufficient to substantiate compliance with the restrictions, conditions, and prohibitions related to those funds.

9. The CSB shall maintain an accurate list of fixed assets as defined by the CSB. Assets that are no longer working or repairable or are not retained shall be excluded from the list of assets and written off against accumulated depreciation, and a designated staff person who does not have physical control over the assets shall document their disposition. The current location of or responsibility for each asset shall be indicated on the list of fixed assets.
10. Access to the CSB's information system shall be controlled and properly documented. Access shall be terminated in a timely manner when a staff member is no longer employed by the CSB to ensure security of confidential information about individuals receiving services and compliance with the Health Insurance Portability and Accountability Act of 1996 and associated federal or state regulations.
11. If it is an operating CSB or the BHA, the CSB shall maintain an operating reserve of funds sufficient to cover at least two months of personnel and operating expenses and ensure that the CSB's financial position is sound. An operating reserve consists of available cash, investments, and prepaid assets.
12. At any point during the term of this contract, if it determines that its operating reserve is less than two months, the CSB shall notify the Department within 10 calendar days of the determination and develop and submit a plan to the Department within 30 business days that includes specific actions and timeframes to increase the reserve to at least two months in a reasonable time.
13. Once it approves the plan, the Department shall incorporate it as an Exhibit  
i. D of this contract and monitor the CSB's implementation of it.
14. The CSB's annual independent audit, required of the CSB Administrative Requirements, presents the CSB's financial position, the relationship between the CSB's assets and liabilities.
15. If its annual independent audit indicates that the CSB's operating reserve is less than two months, the CSB shall develop a plan that includes specific actions and timeframes to increase the reserve to at least two months in a reasonable time and submit the plan to the Department within 30 calendar days of its receipt of the audit for the Department's review and approval.
16. Once it approves the plan, the Department shall incorporate it as an Exhibit D of this contract and monitor the CSB's implementation of it.

#### **L. Employment of a CSB Executive Director or Behavioral Health Authority (BHA) Chief Executive Officer (CEO) Position**

1. When an operating CSB executive director or behavioral health authority (BHA) chief executive officer (CEO) position becomes vacant, the CSB or BHA board of directors (BOD) shall conduct a broad and thorough public recruitment process that may include internal candidates and acting or interim executive directors.
2. CSB or BHA may choose to work with the Department's Human Resources Department (HR) in its recruitment and selection process in order to implement applicable provisions of § 37.2-504 or § 37.2- 605 of the Code and to ensure selection of the most qualified candidate.
3. The CSB or BHA shall provide a current position description and salary and the advertisement for the position to the HR for review and approval prior to advertising the position.
4. The CSB or BHA BOD may choose to invite HR staff to meet with it to review the board's responsibilities and to review and comment on the board's screening criteria for applicants and its interview and selection procedures.
5. The CSB or BHA BOD shall follow the steps outlined in the current CSB Executive Director Recruitment Process Guidance issued by the Department, adapting the steps to reflect its unique operating environment and circumstances where necessary, to have a legally and professionally defensible recruitment and selection process. Department staff shall work with the BOD search committee to help it use the Guidance document in its process.
6. The CSB or BHA BOD may choose to include an HR staff as a voting member of its search committee to provide the Department's perspective and feedback directly to the committee.

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7. Prior to employing a new executive director or CEO, the CSB or BHA shall provide a copy of the application and resume of the successful applicant and the proposed salary to the HR for review and approval for adherence to minimum qualifications and the salary range established by the Department pursuant to § 37.2-504 or § 37.2-605 and contained in the current CSB Executive Director Recruitment Process Guidance.
8. If the CSB or BHA proposes employing the executive director or CEO above the middle of the salary range, the successful applicant shall meet the preferred qualifications in addition to the minimum qualifications in the Guidance. This review does not include Department approval of the selection or employment of a particular candidate for the position.
9. Section 37.2-504 or § 37.2-605 of the Code requires the CSB or BHA to employ its executive director or CEO under an annually renewable contract that contains performance objectives and evaluation criteria. The CSB or BHA shall provide a copy of this employment contract to the HR for review and approval prior to employment of the new executive director or CEO or before the contract is executed.

**M. Administrative Policy CSB Executive Director Position**

1. The CSB may choose to involve staff in the Department's HR in its recruitment and selection process in order to implement applicable provisions of § 37.2-504 or § 37.2-605 of the Code. The CSB shall provide a current position description and the advertisement for the position to the HR for review prior to the position being advertised pursuant to § 37.2-504 of the Code.
2. Prior to employing the new executive director, the CSB shall provide a copy of the application and resume of the successful applicant to the HR for review for adherence to minimum qualifications established by the Department pursuant to § 37.2-504. This review does not include Department approval of the selection or employment of a particular candidate for the position.
3. While § 37.2-504 of the Code does not require an administrative policy CSB to employ its executive director under an annually renewable contract that contains performance objectives and evaluation criteria, the CSB should follow this accepted human resource management practice.

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Appendix B: Disaster Response and Emergency Service Preparedness Requirements

- A. The CSB agrees to comply with section 416 of Public Law 93-288 (the Stafford Act) and § 44-146.13 through § 44-146.28 of the Code regarding disaster response and emergency service preparedness. These Code sections authorize the Virginia Department of Emergency Management, with assistance from the Department, to execute the *Commonwealth of Virginia Emergency Operations Plan*, as promulgated through Executive Order 50 (2012).
- B. Disaster behavioral health assists with mitigation of the emotional, psychological, and physical effects of a natural or man-made disaster affecting survivors and responders. Disaster behavioral health support is most often required by Emergency Support Function No. 6: Mass Care, Emergency Assistance, Temporary Housing, and Human Services; Emergency Support Function No. 8: Health and Medical Services; and Emergency Support Function No. 15: External Affairs. The CSB shall:
  - 1. provide the Department with and keep current 24/7/365 contact information for disaster response points of contact at least three persons deep;
  - 2. report to the Department all disaster behavioral health recovery and response activities related to a disaster;
  - 3. comply with all Department directives coordinating disaster planning, preparedness, response, and recovery to disasters; and
  - 4.
- C. The Disaster Behavioral Health Annex template shall address: listing behavioral health services and supports, internal to CSB and at other organizations in the community, available to localities during the preparedness, response, and recovery phases of a disaster or emergency event and designating staff to provide disaster behavioral health services and supports during emergency operations. To implement this plan, the CSB shall:
  - 1. Develop protocols and procedures for providing behavioral health services and supports during emergency operations;
  - 2. Seek to participate in local, regional, and statewide planning, preparedness, response, and recovery training and exercises;
  - 3. Negotiate disaster response agreements with local governments and state facilities; and
  - 4. Coordinate with state facilities and local health departments or other responsible local agencies, departments, or units in preparing all hazards disaster plans.

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Appendix C: Unspent Balances Principles and Procedures

1. Unspent Balances Principles and Procedures

- a. **Unspent balances:** Means amounts of unexpended federal funds, unrestricted and restricted state general funds, hereafter referred to as state funds unless clarity requires more specificity, disbursed to CSBs that remain unexpended after the end of the fiscal year in which they were disbursed to the CSB by the Department.

These principles and procedures apply to all CSBs. These principles and procedures shall apply to all unspent balances of state funds present in a CSB's accounts and reflected in its financial management system and independent CPA audit.

b. **CSB Unspent Federal Funds**

Any unspent federal funds shall be returned to the Department at the end of the funding period in which they were allocated at the end of the appropriate period of performance identified in Exhibit F. Exhibit F provides explicit instructions for the expenditure of funds for unliquidated obligations and the procedures and dates by which unexpended federal funds must be returned to DBHDS.

- c. **CSB Allocations of State Funds:** Given provisions in State Board Policy 6005 and § 37.2-509 or § 37.2-611 of the Code of Virginia, the Department shall allocate funds in Grants to Localities in the Appropriation Act without applying estimated year-end balances of unspent state funds to the next year's awards to CSBs.

- d. **Calculation of Balances:** In order to identify the correct amounts of unspent state fund balances, the Department shall continue to calculate unspent balances for all types of funds sources, except for federal grants.

- i. The Department shall calculate balances for restricted and unrestricted state funds, local matching funds, and fees, based on the end of the fiscal year Community Automated Reporting System (CARS) reports submitted by all CSBs no later than the deadline in Exhibit E of the performance contract for the preceding state fiscal year. The Department shall continue to communicate information about individual balances to each CSB.
- ii. In calculating amounts of unspent state funds, the Department shall prorate balances of unexpended unrestricted funds after the close of the fiscal year among unrestricted state funds, local matching funds, and fees, based on the relative proportions of those funds received by the CSB. This normally will produce identified balances of unrestricted state funds, local matching funds, and fees, rather than just balances of unrestricted state funds. Restricted state funds shall be accounted for separately, given their restricted status, and the Department shall identify balances of unexpended restricted state funds separately.

- e. **Unspent Balances for Regional Programs:** While all unspent balances exist in CSB financial management systems, unspent balances for a regional program may be handled by the fiscal agent and CSBs participating in the regional program as they decide. All participating CSBs must review and approve how these balances are handled. Balances for regional programs may be prorated to each participating CSB for its own locally determined uses or allocated to a CSB or CSBs for regionally approved uses, or the CSB that functions as the regional program's fiscal agent may retain and expend the funds for purposes determined by all of the participating CSBs. Procedures for handling regional program balances of unspent funds should be included in the regional program memorandum of agreement for the program among the participating CSBs, and those procedures must be consistent with the principles and procedures in this Appendix and the applicable provisions of the current performance contract.

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Appendix C: Unspent Balances Principles and Procedures

- f. **Allowable Uses of Unspent State Fund Balances:** Consistent with the intent of the Grants to Localities item in the Appropriation Act and § 37.2-500 or § 37.2-601 of the Code of Virginia, CSBs may use unspent balances of state funds only for mental health, developmental, and substance use disorder services purposes. Any other uses of unspent state fund balances are not acceptable and are a violation of the CSB’s performance contract with the Department.
  - g. **Collective Uses of Unspent Balances:** A group of CSBs may pool amounts of their unspent balances to address one-time issues or needs that are addressed more effectively or efficiently on a collective basis. The use of these pooled unspent balances shall be consistent with the principles and procedures in this Appendix.
2. **Reserve Funds:** A CSB shall place all unspent balances of unrestricted and restricted state funds that it has accumulated from previous fiscal years in a separate reserve fund. CSBs shall identify and account separately for unspent balances of each type of restricted state funds from previous fiscal years in the reserve fund. The CSB shall use this reserve fund only for mental health, developmental, and substance use disorder services purposes, as specified in these principles and procedures or by the Department.
- a. Reserve funds must not be established using current fiscal year funds, which are appropriated, granted, and disbursed for the provision of services in that fiscal year. This is particularly relevant for funds earmarked or restricted by funding sources such as the General Assembly, since these funds cannot be used for another purpose during the biennium in which they are appropriated. Transferring current fiscal year state funds into a reserve fund or otherwise intentionally not expending them solely for the purpose of accumulating unspent state funds to create or increase a reserve fund is a violation of the legislative intent of the Appropriation Act and is not acceptable.
  - b. **Size of Reserve Funds:** The maximum acceptable amount of unspent state fund balances that a CSB may accumulate in a reserve fund shall be equal to 50 percent of the amount of all state funds received from the Department during the current fiscal year up to a maximum of \$7 million. If this amount of all state funds is less than 50 percent of the total amount of state funds received by the CSB during any one of the preceding five fiscal years, then 50 percent of that larger amount shall constitute the acceptable maximum amount of unspent state fund balances that may be accumulated in a reserve account.
    - i. If a CSB has accumulated more than this amount, it must expend enough of those reserve funds on allowable uses for mental health, developmental, or substance use disorder services purposes to reduce the amount of accumulated state fund balances to less than 50 percent of the amount of all state funds received from the Department during the current fiscal year.
    - ii. In calculating the amount of acceptable accumulated state fund balances, amounts of long term capital obligations incurred by a CSB shall be excluded from the calculation. If a CSB has a plan approved by its CSB board and reviewed and approved in advance by the Department to reserve a portion of accumulated balances toward an identified future capital expense such as the purchase, construction, renovation, or replacement of land or buildings used to provide mental health, developmental, or substance use disorder services; purchase or replacement of other capital equipment, including facility-related machinery or equipment; or purchase of information system equipment or software, the reserved amounts of state funds shall be excluded from the maximum acceptable amount of unspent state fund balances.
3. **Effective Period of Restrictions on State General Funds**

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**Appendix C: Unspent Balances Principles and Procedures**

- a. Allowable uses of state funds for identified purposes (restricted funds) remain restricted as originally appropriated. After the end of the biennium in which the restricted funds were disbursed to CSB, any unexpended balances of those state funds shall be identified and shall remain restricted for permissible purpose. CSB must obtain approval from the Department to use these funds for other purposes.
- b. Allowable uses of state funds appropriated in the Grants to Localities item of the Appropriation Act for identified purposes (restricted funds) remain in effect for each fiscal year through the end of the biennium in which those restricted funds were originally appropriated. After the end of the biennium in which the restricted funds were disbursed to CSBs, any unexpended balances of these those state funds shall be identified as unrestricted state funds.
- c. From time to time, the Department may deem it necessary to maintain the restricted purpose beyond the biennium during which the funds were allocated. The Department will provide 60 days advance notification to the CSB of its intent to maintain restrictions on funds during subsequent bienniums.
- d. The Department may request an accounting of the total amount of accumulated unexpended restricted state funds per funding source. If necessary, the Department may direct the CSBs to repurpose the use of those funds or the Department may re-allocate those funds amongst other CSBs based on need.

**4. Performance Contract Exhibit A Documentation**

- a. All uses of unspent balances of state funds shall be documented in the CSB's performance contract for the year in which the unspent balances are expended. If the balances will be used to support operational costs, the funds shall be shown as state retained earnings in the performance contract and in the CARS mid-year report, if the expense occurs in the first two quarters, and in the end of the fiscal year CARS report.
- b. If the balances will be used for major capital expenses, such as the purchase, construction, major renovation, or replacement of land or buildings used to provide mental health, developmental, or substance use disorder services or the CSB's management and administrative operations or the purchase or replacement of information system equipment, these costs shall be shown as state retained earnings and shall be described separately on the Financial Comments page (AF-2) of the performance contract and the CARS reports.
- c. Balances used for major capital expenses shall be included on pages AF 1 and AF-3 through AF-8 as applicable but shall not be included in the service costs shown on Forms 11, 21, 31, or 01 of the performance contract or CARS reports because these expenses would distort the ongoing costs of the services in which the major capital expenses would be included. Differences between the funds shown on pages AF-1 through AF-8 related to the inclusion of unspent balances as retained earnings for major capital expenses and the costs shown on Forms 11 through 01 shall be explained on Form AF-10 Supplemental Information: Reconciliation of Projected Resources and Core Services Costs by Program Area. However, depreciation of those capital assets can be included in service costs shown on Forms 11 through 01.
- d. In either case, for each separate use of unspent balances of state funds, the amount expended and the category from those listed in the expenditure shall be shown on the Financial Comments page of the performance contract, if the expenditure was planned at the beginning of the contract term, and in the end of the fiscal year CARS report. The amount of unspent balances must be shown along with the specific sources of those balances, such as unrestricted state funds or particular



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restricted state funds. Uses of unspent balances of state funds shall be reviewed and approved by the Department in accordance with the principles and procedures in this document and the Performance Contract Process in Exhibit E of the performance contract.

- e. CSBs may maintain their accounting records on a cash or accrual basis for day-to-day accounting and financial management purposes; however its CARS reporting must be in compliance with Generally Accepted Accounting Principles (GAAP). CSBs may submit CARS reports to the Department on a cash or modified accrual basis, but they must report on a consistent basis; and the CARS reports must include all funds contained in the performance contract that are received by the CSB during the reporting period.

**5. Department Review of Unspent Balances**

In exercising its stewardship responsibility to ensure the most effective, prudent, and accountable uses of state funds, the Department may require CSBs to report amounts of unexpended state funds from previous fiscal years. The Department also may withhold current fiscal year disbursements of state funds from a CSB if amounts of unexpended state funds for the same purposes in the CSB's reserve account exceed the limits in this document. This action would not affect the allocation of those state funds in the following fiscal year. The Department also may review available unspent balances of state funds with a CSB that exhibits a persistent pattern of providing lower levels of services while generating significant balances of unspent state funds, and the Department may take actions authorized by State Board Policy 6005 to address this situation. Finally, the Department may establish other requirements in collaboration with CSBs for the identification, use, reporting, or redistribution of unexpended balances of state funds.

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**Appendix D: User Acceptance Testing Process**

**Appendix D: User Acceptance Testing Process**

1. User acceptance testing (UAT) is testing used to validate an application against the business requirements. It also provides the opportunity for the end user/client to determine if the application is acceptable or not. UAT is the last step in ensuring that the application is performing as expected and to minimize any future undue costs caused by unexpected errors and decreased data veracity.
2. By the time an application has reached the UAT process, the code is expected to work as determined in the business requirements. Unpredictability is one of the least desirable outcomes of using any application. Several factors make UAT necessary for any software development or modification project, especially for complex applications like CCS 3 or the Waiver Management System (WaMS) that interface with many IT vendor-supplied data files and are used by many different end users in different ways.
3. In the UAT process, end users test the business functionality of the application to determine if it can support day-to-day business practices and user case scenarios. The Community Service Boards (CSB) and Department of Behavioral Health and Developmental Services (DBHDS) will use the following UAT process for major new releases and/or upgrades of CCS 3, WaMS, or other applications that involve the addition of new data elements or reporting requirements or other functions that would require significant work by CSB IT staff and vendors.
4. Major changes in complex systems such as CCS or WaMS shall occur only once per year at the start of the fiscal year and in accordance with the testing process below. Critical and unexpected changes may occur outside of this annual process for business applications, under those circumstances DBHDS will follow the established UAT process to implement them. Smaller applications follow the process below at the discretion of the DBHDS and the VACSB DMC. (Virginia Community Service Board Data Management Committee).
5. Minor releases of CCS 3 or other applications will utilize shorter processes that will require a modification to the established UAT process. Minor releases can be described as small modifications of the application and that does not involve collecting new data elements. For example, bug fixes or correcting vendor or CSB names or adding values in existing look up tables may start at D-35.

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**Appendix D: User Acceptance Testing Process**

<b>Department and CSB User Acceptance Testing Process</b>	
<b>Time Frame</b>	<b>Action</b>
D Day	Date data must be received by the Department (e.g., 8/31 for CCS 3 monthly submissions and 7/1 for WaMS).
D - 15	The Department issues the final version of the new release to CSBs for their use.
D - 20	UAT is completed and application release is completed.
D - 35	UAT CSBs receive the beta version of the new release and UAT begins.
D - 50	CSBs begin collecting new data elements that will be in the new release. Not all releases will involve new data elements, so for some releases, this date would not be applicable.
D - 140	The Department issues the final revised specifications that will apply to the new release. The revised specifications will be accompanied by agreed upon requirements specifications outlining all of the other changes in the new release. CSBs use the revised specifications to modify internal business practices and work with their IT vendors to modify their EHRs and extracts.
Unknown	The time prior to D-150 in which the Department and CSBs develop and negotiate the proposed application changes. The time needed for this step is unknown and will vary for each new release depending on the content of the release.

*\*Time Frame is based on calendar days*

<b>Department and CSB User Acceptance Testing Process</b>	
<b>Time Frame</b>	<b>Action</b>
Variable	The time prior to D-150 in which DBHDS and CSBs develop and negotiate the proposed application changes. The time needed for this step is unknown and will vary for each new release depending on the content of the release
D - 140	The Department issues the final revised specifications that will apply to the new release. The revised specifications will be accompanied by agreed upon requirements specifications outlining all changes in the new release.
D - 50	CSBs begin collecting new data elements that will be in the new release. Not all releases will involve new data elements, so for some releases, this date would not be applicable.
D - 35	UAT testers (DBHDS & CSB representatives) receive the beta version of the new release and UAT begins.
D - 20	UAT is completed. Test outcomes are validated and identified errors are mitigated. The application release is completed.
D - 15	The Department issues the final version of the new release to CSBs for their use.
D Day	Initial date data must be received by the Department (e.g., 8/31 for CCS 3 monthly submissions and 7/1 for WaMS).

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**Appendix E: INTENTIONALLY LEFT BLANK FOR FUTURE USE**