

**Office of the Executive Secretary to the
Tennessee District Attorneys General Conference**

**For the Years Ended
June 30, 1999, and June 30, 1998**

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Charles K. Bridges, CPA
Assistant Director

Katherine J. Anderson, CPA
Audit Manager

Gerry C. Boaz, CPA
Mark W. Hartman
In-Charge Auditors

Mark A. Collins
Brent L. Rumbley
Staff Auditors

Amy Brack
Editor



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

June 16, 2000

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
Mr. James W. Kirby, Executive Director
Tennessee District Attorneys General Conference
Suite 800, Capital Boulevard Building
226 Capital Boulevard
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee District Attorneys General Conference for the years ended June 30, 1999, and June 30, 1998.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the conference office's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the conference office is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The conference office's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the conference office's internal controls and/or instances of noncompliance to the Tennessee District Attorneys General Conference's management in a separate letter.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/dds
00/043

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee District Attorneys General Conference
For the Years Ended June 30, 1999, and June 30, 1998

AUDIT SCOPE

We have audited the Tennessee District Attorneys General Conference for the period July 1, 1997, through June 30, 1999. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, payroll and personnel, expenditures, equipment, and individual district attorneys general's offices; and utilization of the Department of Finance and Administration's STARS grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDINGS

The District Attorneys General's Offices Do Not Maintain Adequate Leave Records and Allow Employees to Take Unearned Leave*

At least three of the district offices do not maintain adequate leave records or do not have an adequate leave policy. The conference office made 19 overpayments for a total of \$11,882.19 to employees who took unearned leave (page 5).

The Conference Office Does Not Require Verification of Receipt for Purchases Made by the Judicial Districts, Resulting in Overpayments to Vendors

As a result of not requiring verification of receipt of goods, the conference office issued

many duplicate payments and overpayments to vendors for goods and services. During fiscal years ended 1999 and 1998, vendors voluntarily made 29 refunds totaling \$10,499.90, and the conference office cancelled 136 payments totaling another \$21,876.55 (page 8).

Controls Over Property and Equipment and Leased Office Space Were Inadequate*

The conference office does not have adequate controls over property and equipment and leased office space. Many equipment items were not properly tagged, could not be located, or did not have the correct location

listed on the Property of the State of Tennessee (POST) listing. The conference office does not have adequate procedures concerning the office space that the district attorneys general lease. In some cases, the conference office and the district attorneys general have not entered into formal lease agreements for the office space currently leased (page 9).

The Title VI Implementation Plan Was Not Submitted in a Timely Manner

The conference office did not submit the fiscal year 1999-2000 Title VI Implementation Plan until February 11, 2000, making it 226 days late. *Tennessee Code Annotated*, Title 4, Chapter 21, Section 901, requires that applicable governmental entities submit a Title VI Implementation Plan to the Comptroller of the Treasury by June 30 of each fiscal year (page 13).

* This finding is repeated from two prior audits.

ISSUES FOR LEGISLATIVE CONSIDERATION

Numerous Funding Sources of the District Attorneys General

As noted in the last two audits, covering the period July 1, 1993, through June 30, 1997, the various sources providing funding to the district attorneys general increase the risk that the same expense item could be submitted for reimbursement to more than one funding source, whether intentionally or as a result of errors. This situation created the opportunity for a former district attorney and his assistant to misdirect public funds into a private bank account for their personal use.

These matters were reported in the audit report for the conference for the years ended June 30, 1995, and June 30, 1994. In that audit, we reported that in the Thirtieth Judicial District (Shelby County), the former district attorney general submitted travel claims to the state and improperly retained \$15,222.63 for expenses that the county had paid and that he had not personally incurred and was not owed. In addition, a former assistant district attorney general submitted travel claims to the state and improperly retained \$2,520.83 for expenses that the

county had paid and that she had not personally incurred and was not owed.

These underlying conditions have not been corrected. The officials responsible for approving payments at the state and the county level still do not have a mechanism to determine what expenses have also been paid by another funding source. The General Assembly should determine if the various funding sources should continue to be maintained by various governments, with no mechanism to verify that only one source has submitted a claim for reimbursement, or whether the conference should be fiscal officer for all the district attorneys general's sources of funds (page 15).

Salary Supplements for State District Attorneys General Employees and County Funding of District Offices

Currently, the payment of salary supplements to district attorneys general and their staff is handled differently by the counties providing the supplements. Some counties pay the supplement directly to the employee through the county payroll, while others pay the supplement to the conference office, which pays the supplement to the employee through the

state payroll system. The General Assembly should determine if its legislative intent was for Fraud and Economic Crime funds and county appropriations to be used to supplement the salaries of individuals employed by certain district attorneys general's offices. If the salary supplements are considered appropriate, the General Assembly should then consider requiring all salary supplements for the district attorneys general and their staff be remitted to the state and then paid through the state payroll system.

In addition, some counties subsidize the funding of the district attorneys general's offices by providing county employees to work in the district attorneys general's office, travel expenses of county and state employees, office space, etc. The General Assembly should consider requiring any county funding of the district attorneys general's offices, except for office space provided in county-owned facilities, to be remitted to the state and then paid through the state system (page 16).

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Tennessee District Attorneys General Conference
For the Years Ended June 30, 1999, and June 30, 1998

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	2
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	4
Revenue	4
Payroll and Personnel	4
Finding 1 The district attorneys general's offices do not maintain adequate leave records and allow employees to take unearned leave	5
Expenditures	7
Finding 2 The conference office does not require verification of receipt for purchases made by the judicial districts, resulting in overpayments to vendors	8
Equipment	9
Finding 3 Controls over property and equipment and leased office space were inadequate	9
Field Offices	11
Title VI Compliance	12
Finding 4 The Title VI implementation plan was not submitted in a timely manner	13
Department of Finance and Administration Policy 20, "Recording of Federal Grant Expenditures and Revenues"	14
PRIOR AUDIT FINDINGS	14
Repeated Audit Findings	15

TABLE OF CONTENTS (CONT.)

	<u>Page</u>
ISSUES FOR LEGISLATIVE CONSIDERATION	15
Numerous Funding Sources of the District Attorneys General	15
Salary Supplements for State District Attorneys General Employees and County Funding of District Offices	16
OBSERVATIONS AND COMMENTS	16
Review of the Special Funds of the District Attorneys General	16
APPENDIX	17
Divisions and Allotment Codes	17

Tennessee District Attorneys General Conference For the Years Ended June 30, 1999, and June 30, 1998

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Tennessee District Attorneys General Conference. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

As set forth in section 8-7-307, *Tennessee Code Annotated*, the purpose of the Office of the Executive Secretary to the Tennessee District Attorneys General Conference is “to assist in improving the administration of justice in Tennessee by coordinating the prospective efforts of the various district attorneys general and by performing the duties and exercising the powers herein conferred.”

The conference office serves as the central administrative office for Tennessee’s 31 district attorneys general, who, although elected by the voters of their local districts, are state officials. The conference office is responsible for budgeting, payroll, purchasing, personnel, and administration of state fiscal and accounting matters pertaining to the district attorneys general and their staffs.

The conference office is also responsible for maintaining liaison between the district attorneys general and other government agencies, including the courts, the General Assembly, the executive branch, and the Office of Attorney General and Reporter. Other duties include coordination of multidistrict prosecution; preparation of forms, manuals, and indexes; and development and implementation of training programs.

Title IV-D Child Support Funds

Chapter 974, Public Acts of 1990, provides for the conference office to serve as the fiscal office for the receipt and disbursement of child support incentive funds (distributed under

provisions of Section 36-5-107, *Tennessee Code Annotated*) if the office is the agency actually participating in the child support program.

Fraud and Economic Crimes Prosecution Funds

The Fraud and Economic Crimes Prosecution Act of 1984 provides that district attorneys general have “resources necessary to deal effectively with fraud and other economic crimes, and to provide a means of obtaining restitution in bad check cases prior to the institution of formal criminal charges.” Any fees assessed as a result of this law are collected by the court clerk. The clerk in each county is to deposit fees in an account with the county trustee in the county of the district attorney general’s residence. These funds are to be disbursed at the direction of the district attorneys general, who are required to submit an annual report of Fraud and Economic Crime expenditures to the Comptroller of the Treasury.

Judicial District Drug Task Force Funds

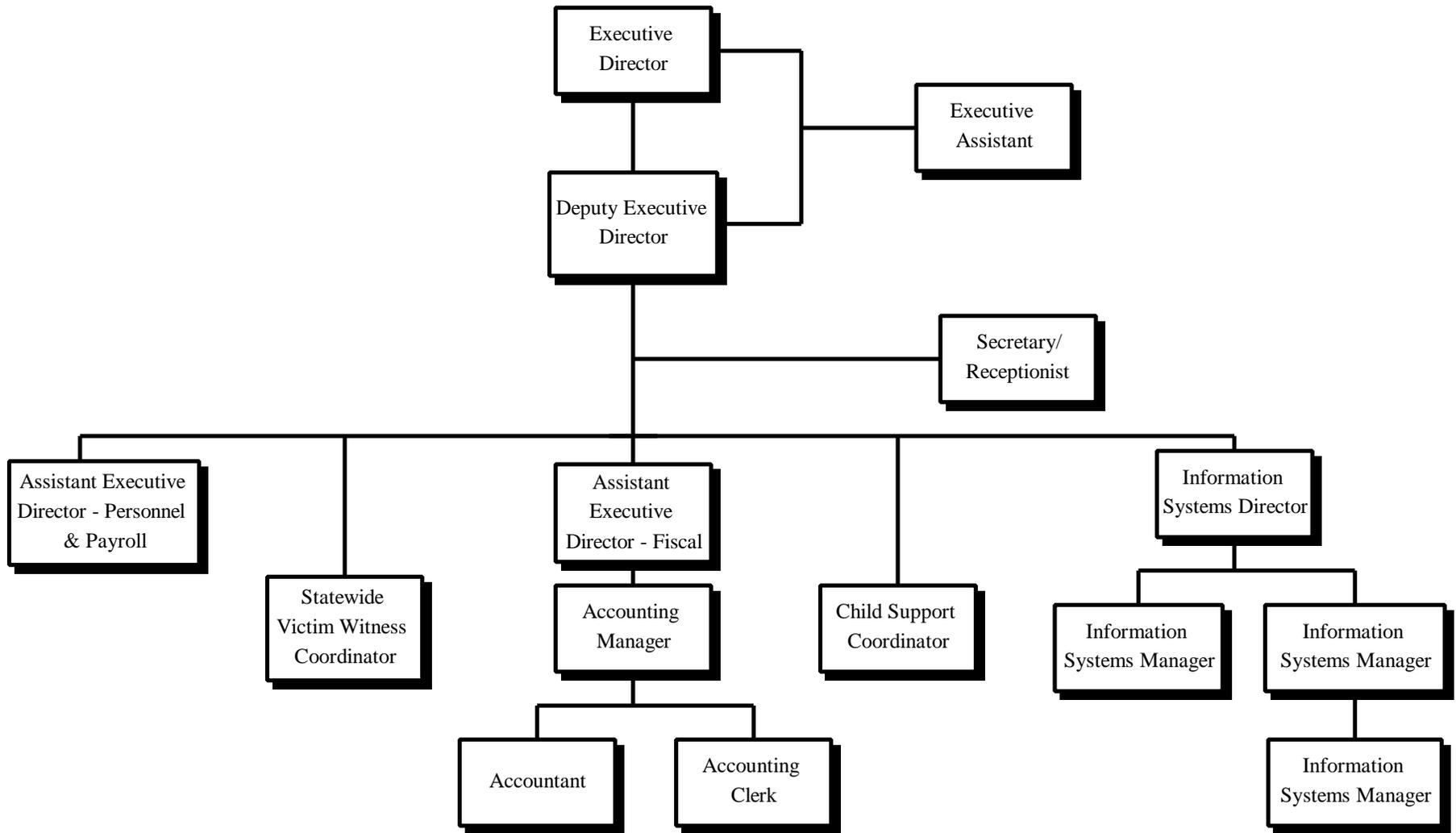
As part of the Governor’s Alliance for a Drug Free Tennessee, multi-jurisdictional drug task forces were created by contracts (mutual aid agreements) between the participating city and county governments and approved by their legislative bodies. Each judicial district drug task force is to be governed by a board of directors, generally composed of sheriffs and police chiefs of participating law enforcement agencies within each judicial district. Drug task force funds are to be deposited with the county trustee in the county of each district attorney general’s residence or county designated by the district attorney general. The county trustee is to credit these funds to the Judicial District Drug Task Force Fund. All nonconfidential financial operations are to be expended through the Judicial District Drug Task Force Fund under the administration of the county executive or the appropriate county agency. The director of the drug task force is to submit requisitions to the county executive for goods and services which are to be obtained through the county’s purchasing system. Cash transactions for confidential funds are to be requisitioned and disbursed under the supervision of the drug task force director or chairman. During the audit period, the conference office was only responsible for the administration of task force funds in the Knoxville (Sixth) judicial district.

An organization chart of the conference is on the following page.

AUDIT SCOPE

We have audited the Tennessee District Attorneys General Conference for the period July 1, 1997, through June 30, 1999. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, payroll and personnel, expenditures, equipment, and field office visits; and utilization of the Department of Finance and Administration’s State of Tennessee Accounting and Reporting System (STARS) grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with generally accepted government auditing standards.

TENNESSEE DISTRICT ATTORNEYS GENERAL CONFERENCE
ORGANIZATION CHART



OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

Our objectives in reviewing revenue transactions of the Tennessee District Attorneys General Conference were to determine whether

- a reasonable degree of assurance was obtained as to the validity and proper recording of the revenue transactions ;
- cash collected during the audit period had been deposited timely and accounted for in the appropriate fiscal year;
- physical controls over cash were adequate;
- revenue or fees had been billed or charged and recorded at the proper amount;
- petty cash or change funds had been authorized by the Department of Finance and Administration;
- auditee records were reconciled with the Department of Finance and Administration reports;
- controls over contingent revenue were adequate;
- transfers of contingent revenue to earned revenue were made timely ; and
- controls over the West Tennessee Regional Drug Prosecution Unit bank account are adequate.

We interviewed key personnel to gain an understanding of the procedures for and controls over billing and receiving funds. We reviewed laws applicable to the auditee and documented the operation of contingent revenue funds . We also reviewed supporting documentation and tested a nonstatistical sample of revenue transactions and billing journal vouchers. We had no findings related to revenue; however, a minor weakness came to our attention which has been reported to management in a separate letter.

PAYROLL AND PERSONNEL

The objectives of our review of the payroll and personnel controls and procedures of the Tennessee District Attorneys General Conference were to determine whether

- payroll (wages, salaries, and benefits) disbursements were made only for work authorized and performed;

- payroll was computed using rates and other factors in accordance with contracts and relevant laws and regulations;
- payroll was recorded correctly as to amount and period, and distributed properly by account, fund, and budget category;
- employees were qualified for their positions;
- performance evaluations were completed in the time period required;
- temporary employees who were retirees of the Tennessee Consolidated Retirement System are employed in compliance with Section 8-36-805, *Tennessee Code Annotated* (TCA); and
- adequate leave records were maintained to accurately report liabilities at fiscal year-end.

We interviewed key conference employees to gain an understanding of procedures and controls over leave slip and time sheet approval and payroll overpayments. We reviewed supporting documentation and the correspondence and audit files for these controls and procedures. In addition, a nonstatistical sample of payroll transactions was tested for proper approval of salary rates, leave slips, and time sheets. Also, deductions were reviewed to ensure they were authorized by employees. We determined if leave was accrued in accordance with applicable district attorney general or conference guidelines. The personnel files of the employees selected in the sample were reviewed for qualifications, salary rates, performance evaluations, pay raises, and final pay for terminated employees. Applicable TCA laws were reviewed to determine district attorneys general's, assistant district attorneys', and criminal investigators' compliance with salary levels. Furthermore, we reviewed supplemental payroll registers. We sent positive confirmations to employees in the sample to verify job description and duties. Also, we determined if district offices were maintaining adequate leave records detailing balances. As a result of our testwork, we had a finding related to leave records.

1. The district attorneys general's offices do not maintain adequate leave records and allow employees to take unearned leave

Finding

As noted in two prior audits, not all district attorneys general's offices maintain adequate leave records. Each district attorney is empowered to formulate a reasonable leave policy (as established by an Attorney General Opinion issued August 6, 1975). Leave policies vary substantially from district to district; some offices have no written policy while others have fashioned their policies after the Department of Personnel's.

The conference office's management concurred with the two prior findings. Management stated that requests were made to all 31 districts to establish a written leave and attendance policy and submit it to the conference office. In addition, the districts were encouraged to use leave

requests for their employees. Several districts have begun to use leave requests. As noted in this finding, several deficiencies still exist in regard to the district's policies.

At least three of the district offices do not maintain adequate leave records for their employees—districts 16, 17, and 20, located in Murfreesboro, Fayetteville, and Nashville, respectively. District 16 has no written leave policy; employees keep track of their own leave on a calendar. This district does not report leave to the conference office. Districts 17 and 20 keep leave records for all employees other than the district attorneys and assistant district attorneys. The district attorneys and assistant district attorneys in these districts keep track of their own leave through use of the honor system. No review is performed for either of these districts to ensure that employees do not exceed the leave time granted by their established office policy.

In addition, at least 19 payroll overpayments totaling \$11,882.19 were noted during the audit period. These overpayments were due to employees taking unearned leave. Adequate leave records and proper monitoring may have prevented these overpayments from occurring.

The conference office developed leave and attendance policies and procedures for the districts to follow. However, these three districts had not adopted or followed these policies and procedures. In addition, payments are being made for employees with overdrawn leave balances. Maintaining accurate district office leave records and reporting district office leave activity allow the conference office to ensure the accuracy of claims submitted for payment of leave at termination. Also, accurate leave records allow the Assistant Executive Director-Fiscal to report an accurate annual leave liability to the Department of Finance and Administration for inclusion in the state's Comprehensive Annual Financial Report.

Recommendation

The Executive Director should direct all districts that do not have a written leave policy to either adopt the state leave policy or draft a written summary of their leave policies and submit them to the conference office. The districts should also be directed that all employees who accrue leave should follow their adopted policy. The Assistant Executive Director-Personnel should monitor leave activity in accordance with each district attorney general's policy to reduce overpayments.

The district attorneys general in all districts should adopt the conference office's leave and attendance policies and procedures or establish and follow other appropriate policies, procedures, and recordkeeping systems. The district attorneys general should also ensure that all employees that accrue leave follow the district's adopted policy.

Management's Comments

We concur. We have advised each office that they should either adopt the State of Tennessee leave policy or implement their own leave policy and reduce it to writing. We have further requested that a copy of the leave policy be forwarded to this office. Most have agreed to do so or have already done so. Also, we encourage these offices to use formal leave requests for their employees in order to maintain accurate records. It must be noted that each District Attorney General is an elected official and his or her office remains autonomous. This office can request and encourage that they comply with the leave policy finding, but we cannot require that they do so.

EXPENDITURES

Our objectives in reviewing the expenditure transactions of the Tennessee District Attorneys General Conference were to determine whether

- recorded expenditures were for goods or services authorized and received;
- all expenditures incurred for goods or services had been identified and recorded;
- expenditures for goods or services were authorized and in accordance with the budget and other regulations or requirements;
- expenditures for goods or services had been recorded correctly as to allotment code, period, and amount;
- payments had been made in a timely manner;
- records were reconciled with the Department of Finance and Administration reports ;
- all payments for travel had been paid in accordance with the Comprehensive Travel Regulations;
- contracts had been made in accordance with regulations;
- contract payments were in compliance with contract terms and purchasing guidelines and are properly approved and recorded against the contract;
- funds encumbered were liquidated for the same purpose as the original encumbrance ;
and
- minimal duplicate payments or overpayments were made.

We discussed disbursement, contract, and reconciliation controls and procedures with key management personnel to gain an understanding of the conference office's procedures over these areas. We reviewed supporting documentation and tested a nonstatistical sample of transactions to determine whether the conference office complied with the state's rules and regulations. We scanned voucher registers for proper approval. We inquired of key personnel if the conference

office pays the professional privilege tax for any employee. As a result of our testwork, we had a finding that the conference office has made numerous duplicate payments and overpayments. In addition to the finding, a minor weakness came to our attention which has been reported to management in a separate letter.

2. The conference office does not require verification of receipt for purchases made by the judicial districts, resulting in overpayments to vendors

Finding

The conference office in Nashville initiates all vendor payments for each of the 31 judicial districts throughout the state; however, the conference office does not require the judicial districts to verify that the goods were actually received, services were actually rendered, or the invoices were not previously paid. This resulted in many duplicate payments and overpayments to vendors for goods and services rendered. During the years ended June 30, 1999, and June 30, 1998, vendors voluntarily made 29 refunds totaling \$10,499.90, and the conference office had 136 payment cancellations which were known overpayments or duplicate payments totaling another \$21,876.55. The number and dollar amounts of these refunds and returns only represented the known overpayments. The actual amount of overpayments that were not returned by the vendors is unknown.

Good internal controls would require a receiving report or other signed statement from the judicial districts indicating that the items or services were received. This report would be matched with the invoice before payment was made. Without verification of receipt, duplicate payments will continue to be made.

Recommendation

The conference office should take appropriate measures to establish internal controls that will minimize duplicate payments and overpayments. These controls should include requiring receiving reports or signed statements verifying that goods have been received prior to payment. The effectiveness of these controls should be monitored to ensure appropriate compliance with control procedures.

Management's Comments

We concur with the finding that no verifications of receipt for purchases made by the individual District Attorneys' offices have resulted in overpayments to vendors on rare occasions. The invoices for the purchases typically are mailed to this office rather than to the individual District Attorney's Office. Correcting this problem poses some challenging possibilities because if the invoices are forwarded to the individual offices for approval, many will result in delayed payments to vendors and some may be lost or never returned. We have requested that documentation be sent to this office when goods or services are received in the district offices.

This should help minimize any overpayments. The other alternative would be to contact the district offices by phone upon receipt of an invoice which would possibly be more than a full time job for one person. We will monitor this situation in an attempt to comply with the audit finding.

EQUIPMENT

The objectives of our review of the equipment controls and procedures of the Tennessee District Attorneys General Conference were to determine whether

- property and equipment on the Property of the State of Tennessee (POST) equipment listing represented a complete and valid listing of the cost of assets purchased or leased and physically on hand;
- property and equipment were adequately safeguarded;
- lost and missing equipment was properly reported to the Comptroller's office and was removed from the equipment listing ; and
- rental and lease arrangements for office space, equipment, etc. , were supported by appropriate legal documents, such as a contract or lease agreement.

We interviewed key conference office personnel to gain an understanding of procedures and controls for safeguarding and accounting for equipment and reviewed these controls and procedures. In addition, we tested nonstatistical samples of equipment items to determine if the actual items agreed by tag number, serial number, description, and location with the POST equipment listing. We reviewed the State Audit correspondence file for equipment items noted as lost or stolen. We also reviewed lease agreements. As a result of our testwork, we found that several items could not be located or verified. We also determined that the conference office did not maintain all leases for district attorneys general on hand. We noted that the leases not maintained on file were oral agreements, not formal lease agreements or contracts. In addition to this finding, other minor weaknesses came to our attention which have been reported to management in a separate letter.

3. Controls over property and equipment and leased office space were inadequate

Finding

As noted in two prior audits which covered July 1, 1993, to June 30, 1997, the conference office still does not have adequate controls over property and equipment and leased office space. The conference office's management concurred with the prior finding, stating that they would improve the property accountability for the equipment used by the department and that they have been working on negotiating formal leases for all of the oral agreements that were previously in place. The problems that follow indicate that weaknesses still exist with the conference office's control over property and equipment. Several formal written leases were on file, but a significant

number of leases were still oral agreements with no written documentation of the terms of the lease.

Property and Equipment

Property and equipment records were reviewed at the conference office and at the offices of 11 district attorneys general. The following weaknesses indicate a lack of control over and accountability for equipment:

- Fifteen of the 155 items tested (9.7%) could not be physically located or confirmed.
- Eight of 141 items tested (5.7%) did not match the Property of the State of Tennessee (POST) listing in respect to either tag number or location.
- One of the 155 items tested (0.6%) was nonoperational and being used for spare parts.
- No equipment items in District 11 have been tagged as state equipment.
- Throughout the audit period, 10 equipment items valued at \$8,078.99 were reported to the Comptroller of the Treasury as lost or stolen.

In addition, 49 equipment items located in the District 11 office that were paid through the Fraud and Economic Crime Fund were not tagged as state equipment or added to POST. The conference office, which serves as the designated fiscal officer for the district attorneys general, should ensure that property and equipment are properly accounted for in the state's property listing.

Leased Office Space

The conference office does not have adequate procedures concerning leased office space of the district attorneys general. The conference office has allowed district attorneys general to arrange and negotiate for their own office space. In some cases, the conference office and the district attorneys general have not entered into formal lease agreements for the office space that is currently leased. In addition, the conference office does not maintain copies of all office leases but pays invoices for the lease of office space. Through review of the office space listing, it was determined that there were 62 leases spreading across all 31 districts for the Child Support Division and Criminal Division. Twelve of the 62 leases (19.4%) were oral agreements. The conference office therefore had no documentation of the terms of these agreements.

Recommendation

Property and Equipment

The Executive Director and property officer should improve accountability for the equipment used by the conference office and the 31 district attorneys general. Each district attorney general should be held accountable for the state equipment assigned to his or her office

and should report inventory changes to the conference office. All equipment purchased through the Fraud and Economic Crime Fund should be added to the POST system and tagged appropriately as state equipment.

Leased Office Space

The Executive Director should ensure that all rental and lease arrangements are appropriate legal documents, such as a contract or lease agreement. Copies of the leases should be maintained at the conference office as authority for payment. The documents should clearly specify the exact legal relationship between the conference office and the property owners.

Management's Comments

We concur with the finding regarding the property and equipment recommendations. We are continuing our efforts to improve accountability in this area. We have already implemented a procedure whereby an individual in this office assists the Administrative Assistants in the District Attorneys' offices in performing a physical inventory. Once this inventory is completed, more adequate controls of property and equipment should be easier to maintain. We have also requested that purchases made by the individual offices, from whatever funding source, that this office be notified so that those items can be tagged appropriately and listed on the POST system.

We concur with the finding regarding lease agreements not being formalized in every instance. We are attempting to have formal lease agreements in place for every office other than those that occupy space in state-owned buildings. This is slowly being accomplished but there are still oral lease agreements in some instances. These oral agreements have been continued by the individual District Attorneys because this resulted in a lower rental payment in these few instances. Again, we are encouraging that formal lease agreements replace these oral agreements when the lease term next expires.

FIELD OFFICES

The objectives of our review of the district attorneys general's field office controls and procedures were to determine whether

- controls over leave and attendance, cellular phones, vehicles, purchasing, and cash receipts were adequate and in accordance with applicable policy;
- employees paid with grant funds actually perform work for the grant program;
- controls at field offices were adequate to ensure that assets purchased by the state are adequately safeguarded and that expenses claimed for reimbursement from the state are not also claimed for reimbursement from the county;
- salary supplements and other benefits were in accordance with applicable statutes; and

- any bank accounts maintained by the District Attorney General were authorized and adequately controlled.

We interviewed key district attorney s general office personnel to gain an understanding of procedures and controls over purchasing, travel, leave and attendance, equipment, and grant funds. We obtained a listing of office bank accounts, reviewed personnel files as part of the nonstatistical payroll sample, confirmed or verified office equipment as part of the nonstatistical equipment sample, reviewed supporting documentation for travel claims submitted to the county for reimbursement, reviewed time and attendance policies, and reviewed expenditure reports for propriety. Furthermore, we reviewed the “ Review of Fraud and Economic Crime Funds, Judicial District Drug Task Force Funds, and Other Funds Administered by the District Attorneys General” released by the Division of County Audit. We inquired of key personnel of the district attorneys general’s offices if employees received any salary supplements and if the office paid the Professional Privilege Tax on behalf of any district employees (attorneys), had cash receipts, had cellular phones, made purchases with state funds, or had automobiles. Also, we evaluated how equipment purchased by the conference office was distinguished from equipment purchased by the county government. We had no findings related to the field office visits except as previously mentioned.

TITLE VI COMPLIANCE

Tennessee Code Annotated, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. The objective of our review of Title VI compliance was to determine if the Title VI implementation plan was submitted to the Comptroller of the Treasury by June 30 of each year during the audit period.

We interviewed key conference office employees to determine if the auditee is required to submit a Title VI compliance report and implementation plan. We spoke with appropriate personnel in the office of the Comptroller of the Treasury to determine when the Title VI implementation plans were submitted to that office. As a result of our interviews, we found that the report due June 30, 1999, was not submitted to the Comptroller of the Treasury by the deadline.

4. The Title VI implementation plan was not submitted in a timely manner

Finding

The Tennessee District Attorneys General Conference did not submit the fiscal year 1999-2000 Title VI implementation plan as required by *Tennessee Code Annotated* (TCA), Title 4, Chapter 21, Section 901. This section requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) to develop and submit a Title VI implementation plan to the Comptroller of the Treasury by June 30 of each fiscal year. The plan due on June 30, 1999, was submitted on February 11, 2000, making it 226 days late.

Section 4-21-901, TCA, states:

Each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964, 42 U.S.C. section 2000d et seq., and regulations promulgated pursuant thereto, shall develop a Title VI implementation plan with participation by protected beneficiaries as may be required by such law or regulations. To the extent applicable, such plan shall include Title VI implementation plans of any subrecipients of federal funds through the state entity. Each such state governmental entity shall submit annual Title VI compliance reports and implementation plan updates to the department of audit by June 30, 1994, and each June 30 thereafter. At least once each year, the department shall publish a cumulative report of its findings and recommendations concerning compliance with the requirements of this section. The cumulative annual report shall be distributed to the governor, to each member of the general assembly, and to each library designated as a depository of state reports and documents.

The absence of a Title VI implementation plan, compliance reports, and annual updates could indicate inadequate attention is given to preventing discrimination on the basis of race, color, religion, sex (including pregnancy), and national origin.

Recommendation

The conference office should submit an annual Title VI compliance report and implementation plan updates by June 30 of each year as prescribed by *Tennessee Code Annotated*.

Management's Comments

We concur that the Title VI implementation plan was not submitted in a timely manner; however, this problem has been corrected. The plan was not timely filed because of various personnel changes in this office and the former employee who was responsible for the Title VI

plan advised no one of the filing date prior to her leaving this office. The current Personnel Director has attended a Title VI training session, and, consequently, this situation will not arise again.

**DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20,
“RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES”**

Department of Finance and Administration Policy 20 requires that state departments whose financial records are maintained on the State of Tennessee Accounting and Reporting System (STARS) fully utilize the STARS grant module to record the receipt and expenditure of all federal funds. Our testwork focused on whether

- appropriate grant information was entered into the STARS Grant Control Table upon notification of the grant award;
- appropriate payroll costs were reallocated to federal programs within 30 days of each month-end using an authorized redistribution method; and
- the conference office utilized the appropriate STARS reports as bases for preparing the Schedules of Expenditures of Federal Awards.

We interviewed key personnel to gain an understanding of the conference office’s procedures and controls concerning Policy 20. We also obtained a listing of the State of Tennessee Accounting and Reporting System (STARS) grant codes to ensure all grants had been entered into the STARS grant control table. We reviewed journal vouchers to determine the method to reallocate payroll costs. We reviewed the Schedules of Expenditures of Federal Awards in conjunction with the STARS grant control table. We had no findings related to Department of Finance and Administration Policy 20.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Tennessee District Attorneys General Conference filed its report with the Department of Audit on September 2, 1999. A follow-up of all prior audit findings was conducted as part of the current audit.

REPEATED AUDIT FINDINGS

The prior audit report contained findings concerning the controls over property and equipment and leased office space and the District Attorneys General's offices' maintenance of leave records. These findings have not been resolved and are repeated in the applicable sections of this report.

ISSUES FOR LEGISLATIVE CONSIDERATION

NUMEROUS FUNDING SOURCES OF THE DISTRICT ATTORNEYS GENERAL

As noted in the last two audits, covering the period July 1, 1993, through June 30, 1997, the district attorneys general receive funds from some or all of the following sources : state appropriations, city and county appropriations, Fraud and Economic Crime funds, Federal Asset Forfeiture funds, Drug Task Force funds, Victim/Witness Asset Program funds, and cost collection funds. These funds and county appropriations are typically on deposit with the county trustee and are spent and accounted for through the applicable county's accounting system. The Executive Director of the Conference is the fiscal officer for state appropriations of each district attorney general's office and has been specifically designated as fiscal officer for child support incentive funds pursuant to Section 8-7-602(b), *Tennessee Code Annotated*. In addition, Section 8-7-602(a) provides for individual district attorneys general to designate the Executive Director as fiscal officer for the other federal and local government funds they receive. However, none of the 31 district attorneys general have exercised this option.

These various sources increase the risk that the same expense item could be submitted for reimbursement to more than one funding source, whether intentionally or as a result of errors. This situation created the opportunity for a former district attorney and his assistant to misdirect public funds into a private bank account for their personal use.

These matters were reported in the audit report for the conference for the years ended June 30, 1995, and June 30, 1994. In that audit, we reported that in the Thirtieth Judicial District (Shelby County), the former district attorney general submitted travel claims to the state and improperly retained \$15,222.63 for expenses that the county had paid and that he had not personally incurred and was not owed. In addition, a former assistant district attorney general submitted travel claims to the state and improperly retained \$2,520.83 for expenses that the county had paid and that she had not personally incurred and was not owed.

These underlying conditions have not been corrected. The officials responsible for approving payments at the state and at the county level still do not have a mechanism to determine what expenses have also been paid by another funding source.

The General Assembly should determine if city and county governments should continue to provide funding to district attorneys general without a mechanism to verify that claims are submitted to only one government for reimbursement, or determine if the conference should be fiscal officer for all the district attorneys general's sources of funds.

SALARY SUPPLEMENTS FOR STATE DISTRICT ATTORNEYS GENERAL EMPLOYEES AND COUNTY FUNDING OF DISTRICT OFFICES

Currently, the payment of salary supplements to district attorneys general and their staff is handled differently by the counties providing the supplements. Some counties pay the supplement directly to the employee through the county payroll, while others pay the supplement to the conference office, which pays the supplement to the employee through the state payroll system.

The General Assembly should determine if its legislative intent was for Fraud and Economic Crime funds and county appropriations to be used to supplement the salaries of individuals employed by certain district attorneys general's offices. If the salary supplements are considered appropriate, the General Assembly should then consider requiring all salary supplements for the district attorneys general and their staff be remitted to the state and then paid through the state payroll system.

In addition, some counties subsidize the funding of the district attorneys general's offices by providing county employees to work in the district attorneys general's offices, travel expenses of county and state employees, and office space, etc. The General Assembly should consider requiring any county funding of the district attorneys general's offices, except for office space provided in county-owned facilities, to be remitted to the state and then paid through the state system.

OBSERVATIONS AND COMMENTS

REVIEW OF THE SPECIAL FUNDS OF THE DISTRICT ATTORNEYS GENERAL

The special funds of the 31 district attorneys general were reviewed by the Comptroller of the Treasury, Department of Audit, Division of County Audit, for the fiscal year ended June 30, 1998. These funds include Fraud and Economic Crimes Prosecution Act funds, Judicial District Drug Task Force funds, and Federal Asset Forfeiture funds. The Division of County Audit noted material findings regarding the administration of the special funds in 11 districts for the year ended June 30, 1998. Districts 1, 8, 9, 12, 13, 14, 15, 21, 24, 25, and 30 received findings.

The special funds of the district attorneys general are often used to provide salary supplements to certain staff members. The Division of County Audit issued for June 30, 1998, and June 30, 1997, a report on its *Review of Fraud and Economic Crime Funds, Judicial District*

Drug Task Force Funds, and Other Funds Administered by the District Attorneys General, First Judicial District through Thirty-First Judicial District. In the transmittal letters of those reports, the Division of County Audit states that the propriety of the use of Fraud and Economic Crime funds and county appropriations for the payment of salary supplements to individuals employed by certain district attorneys general's offices was not addressed. The transmittal letters also state that these salary supplements raised public policy concerns which should be examined by the General Assembly.

APPENDIX

DIVISIONS AND ALLOTMENT CODES

Tennessee District Attorneys General Conference divisions and allotment codes:

- 304.01 District Attorneys General—This code provides salaries and operating expenses for the 31 judicial districts that handle criminal prosecution.
- 304.05 District Attorneys General Conference—This code provides travel and related expenses associated with the annual conference, various meetings and committees, and other training the district attorney or his/her staff may attend.
- 304.10 Executive Director—This code provides salaries and operating expenses for the Executive Director's office.
- 304.15 Title IV-D Child Support—This code provides salaries and operating expenses for the 20 districts that have child support programs handled by the district attorneys general. These offices are responsible for assisting children and their guardians in locating absent parents and enforcing child support decrees of the court.