

Department of Safety

**For the Years Ended
June 30, 2000, and June 30, 1999**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
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John G. Morgan
Comptroller

November 29, 2001

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

The Honorable Michael Greene, Commissioner

Department of Safety

1150 Foster Avenue

Nashville, Tennessee 37249

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Department of Safety for the years ended June 30, 2000, and June 30, 1999.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/cj
01/062



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April 17, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Safety for the years ended June 30, 2000, and June 30, 1999.

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 Department of Safety's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Department of Safety 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 department'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 department's internal controls and/or instances of noncompliance to the Department of Safety's management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA,
Director

AAH/cj

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Department of Safety
For the Years Ended June 30, 2000, and June 30, 1999

AUDIT SCOPE

We have audited the Department of Safety for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, driver's license records, motor vehicle title and registration, payroll and personnel, contracts, equipment, expenditures, cellular phones, confidential fund, and compliance with the Financial Integrity Act. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America. In addition, a special investigation was conducted by staff of the Division of State Audit.

AUDIT FINDINGS

Counties Are Not Submitting the Proper Amount of Fines and Fees Collected

The department failed to ensure that county clerks have submitted the proper amount of fines and fees in accordance with state law. County clerks have authority to receive 5% for receiving and paying over all taxes, fines, forfeiture, and fees. The auditors noted that certain counties were keeping 15% (page 5).

The Department Does Not Post Bad Checks to the Driver's History File Timely

*

The department has not posted bad checks to drivers' history files in a timely manner. Some bad checks took from 11 to 54 business days to be posted to a driver's history file. In

addition, the compliance inquiry screen utilized by the driver's license stations does not indicate to the driver's license station employees that the driver has issued a bad check to the department in the past (page 6).

Controls Over Cash Receipts Were Inadequate

The department does not have adequate controls over cash-receipting procedures. Cash receipts are not adequately safeguarded, and there is not adequate segregation of duties in the cashier's office. The department's mailroom does not endorse checks at the earliest point of receipt. Cash receipts for restoration fees are not always written timely (page 7).

Accidents' and Violations' Untimely Posting to Drivers' Records Has Increased From the Prior Year**

Since 1990, the department has not posted accidents to drivers' records in a timely manner. Posting to drivers' records took, on average, 10 weeks in fiscal year 1999 and 19 weeks in fiscal year 2000, from the date of the accident to the date the department posted the accident to the driver's record. As a result of this delay, the department may not be promptly identifying unsafe drivers and taking actions, when necessary, to suspend or revoke driving privileges (page 8).

Controls Over the Reconciliation of Motor Vehicle Plates and Decals With Revenue Are Inadequate**

The Motor Vehicle Title and Registration Division (MVD) does not reconcile inventory reports of distributions of vehicle plates and decals with the revenue received from the county clerks for sale of these items. If the MVD does not periodically reconcile remittances from county clerks with reductions in each county's reported inventory, the department cannot be assured it has received all the revenue it is due (page 12).

County Clerk Reports Were Not Submitted Timely**

The county clerks did not submit reports of applications and original registrations and reports of renewal registrations to the Motor Vehicle Title and Registration Division (MVD) in accordance with applicable laws, and the department has not consistently notified county clerks of delinquent reports. The Department of Safety has the option to take action against the county clerks for failing to submit the required reports within the time frame required by law (page 13).

The Motor Vehicle Title and Registration System Does Not Produce Reliable Data and Is an Inadequate Basis for the Reapportionment of Revenue Collected From Registration Fees

The computer system used by the Motor Vehicle Title and Registration division is inadequate in accumulating title and registration fee information. As a result, management had to make adjustments in the funds apportioned to the Department of Transportation and other state departments. However, since the adjustment was based in part on information from the faulty system, the accuracy of the reapportionments cannot be determined (page 14).

Controls Over Payroll Time Sheet Preparation Are Inadequate**

The Department of Safety does not have adequate controls over the preparation and review of payroll time sheets. As a result, the department made 19 overpayments, totaling \$6,577.05, to employees through June 2000, according to reports submitted to the Office of the Comptroller of the Treasury. Six of these overpayments, totaling \$1,390.68, have not been collected (page 16).

The Department Failed to Approve Contracts Before the Beginning of the Contract Period*

The department allowed contract services to be performed before proper approvals of the contract were obtained. For all 30 contracts tested for fiscal year ending June 30, 1999, the contract approvals were not obtained before the beginning of the contract period. If contracts are not approved before the contract period begins and before services are rendered, the state could be obligated to pay for unallowable services (page 17).

Department Personnel Exhibit Lack of Concern for Proper Accountability Over Equipment

The Department of Safety personnel in locations across the state have been insensitive to the need for internal control and accountability over the department's equipment. Personnel at the driver's license stations seemed unaware of proper policies and procedures regarding the accountability of equipment. Personnel at the department's warehouse did not know the location of the

equipment items assigned to the warehouse and did not believe they were responsible for those items (page 19).

Controls Over Equipment Are Inadequate

The department did not maintain proper accountability over equipment. Equipment items were at locations other than what was shown on the equipment record. Equipment items were transferred without documentation, and some items could not be located (page 21).

SPECIAL INVESTIGATION

The Department Failed to Properly Approve Secondary Employment

Department of Safety officials allowed a department employee who was on sick leave status to obtain secondary employment during the time the employee was on sick leave. This practice is strictly prohibited by department policy (page 26).

The Department Failed to Appropriately Supervise an Employee Working at Home While the Employee Was on Sick Leave

The department employee on sick leave status was also paid for work at home despite a lack of formal approval and a lack of detailed documentation of work performed and hours worked (page 27).

* This finding is repeated from the prior audit.

** This finding is repeated from prior audits.

"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

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Audit Report
Department of Safety
For the Years Ended June 30, 2000, and June 30, 1999

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Department of Safety

For the Years Ended June 30, 2000, and June 30, 1999

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Department of Safety. 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

The mission of the Department of Safety is to provide effective, customer-friendly services to and protect the citizens and visitors of Tennessee. Of the 20 divisions which support the commissioner and his staff, the following divisions are most in contact with the public:

- Capitol Police are responsible for patrolling and securing state buildings and grounds surrounding the capitol.
- Highway Patrol is responsible for enforcing motor vehicle and driver’s license laws, investigating traffic accidents, and providing motorists with assistance.
- Commercial Vehicle Enforcement is responsible for enforcing commercial vehicle laws on size, weight, and safety requirements.
- Executive Security provides security for the Governor and associated parties.
- Criminal Investigations investigates auto thefts, stolen vehicle parts, and odometer fraud.
- Special Operations consists of the Tactical Squad and the Aviation Unit and is responsible for special assignments such as bomb threats, VIP security, drug searches and seizures, and prisoner escapes.
- Pupil Transportation provides instructions for all school bus drivers and conducts safety inspections on school and other buses.

- Driver's License Issuance administers oral, written, and road tests and issues and renews driver's licenses.
- Motor Vehicle Title and Registration issues vehicle titles and registrations for all vehicles in Tennessee.
- Law Enforcement Training Academy provides basic law enforcement training for all state and local law enforcement officers.

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

AUDIT SCOPE

We have audited the Department of Safety for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, driver's license records, motor vehicle title and registration, payroll and personnel, contracts, equipment, expenditures, cellular phones, confidential fund, and compliance with the Financial Integrity Act. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America. In addition, a special investigation involving the department was conducted by staff of the Division of State Audit. The result of the investigation is discussed in the Investigation section of this report.

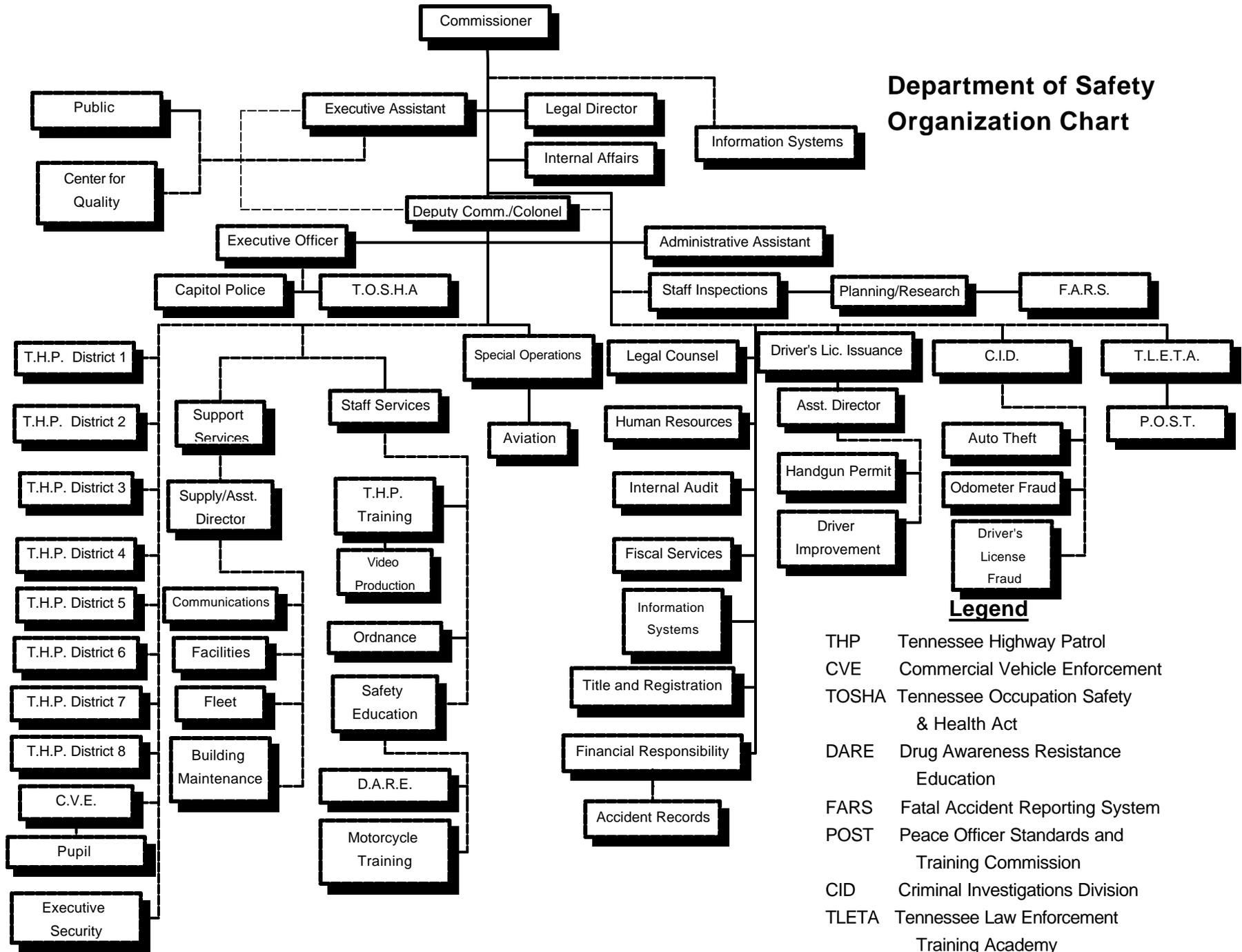
PRIOR AUDIT FINDINGS

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 Department of Safety filed its report with the Department of Audit on April 10, 2000. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Department of Safety has corrected none of the previous audit findings.

Department of Safety Organization Chart



Legend

- THP Tennessee Highway Patrol
- CVE Commercial Vehicle Enforcement
- TOSHA Tennessee Occupation Safety & Health Act
- DARE Drug Awareness Resistance Education
- FARS Fatal Accident Reporting System
- POST Peace Officer Standards and Training Commission
- CID Criminal Investigations Division
- TLETA Tennessee Law Enforcement Training Academy

REPEATED AUDIT FINDINGS

The prior audit report contained findings concerning the untimely posting of bad checks to the drivers' history files, late posting of accidents and violations to drivers' records, inadequate controls over reconciliation of motor vehicle plates and decals with revenue, improper submission of county clerk reports, inadequate controls over time sheets, and failure to approve contracts before the contract period began. These findings have not been resolved and are repeated in the applicable sections of this report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

Our objectives in the area of revenue were to determine whether

- “Reports of Fines and Fees” were accurate and were submitted timely,
- controls over bad checks and collections were adequate,
- driver’s license stations’ revenue procedures were adequate, and
- policies and procedures regarding revenue were adequate.

Testwork on the “Reports of Fines and Fees” consisted of a sample of county and city clerks court reports for the audit period. The sample receipt transactions were traced to deposit slips and reviewed for timely deposits. Four counties were noted to be withholding commissions higher than the amount allowed by state law (see finding 1).

Twenty-three driver’s license testing centers and 21 county clerk offices were visited. Receipting and reconciliation procedures were discussed with key personnel, and a sample of documents was reviewed. Also, cash counts were performed at the driver’s license testing stations. Although we had no findings related to procedures at these locations, minor weaknesses were reported to management in a separate letter.

A sample of bad checks received during the audit period was selected and tested for timely and proper notification to the driver’s license applicant and timely posting to the applicant’s driver history file. The procedures used by the department were not adequate to ensure that bad checks were posted timely to the applicant’s driver file (see finding 2).

A review of policies and procedures regarding revenue revealed that procedures for handling cash receipts were inadequate (see finding 3).

1. Counties did not submit the proper amount of fines and fees collected

Finding

The department failed to ensure that county clerks have submitted the proper amount of fines and fees in accordance with *Tennessee Code Annotated* (TCA). TCA 8-21-401(6)(A)(i) states that county clerks have the authority to demand and receive for their services, where appropriate, fees “for receiving and paying over all taxes, fines, forfeiture, fees and amercements, five percent (5%) on the dollar.” During testwork to determine whether the reports of fines and fees submitted by the counties were mathematically correct, the auditors noted that certain counties were keeping 15 percent on the dollar. Management stated that the predecessor accountant for the department informed personnel that counties could take up to 15 percent on fines and fees. However, the counties keeping 15 percent on the dollar have violated state law, and the department has failed to collect amounts due under the law.

In addition, supervisory personnel responsible for reviewing the reports of fines and fees did not perform thorough reviews of the reports. Management stated that the reports were reviewed only for unusual items. A more thorough review may have revealed the fact that some counties were keeping more than the allowable amount of fines and fees.

Recommendation

The department’s Fiscal Director and staff should ensure all applicable state laws are enforced. In addition, the reports of fines and fees submitted by the counties to the department should be reviewed by management to ensure compliance with TCA, mathematical accuracy, and timeliness of receipt.

Management’s Comment

We concur. The department has always enforced the 5% allowable commission from county general session and city courts. The only counts that we mistakenly allowed a 15% commission were the county circuit courts. The circuit courts account for 4% of our collections and only a few courts were actually taking 15% commission. A letter was sent to all courts on March 1, 2001, stating that “the commission for receiving and paying all fines, forfeitures and fees for motor vehicle violations to the Department of Safety is 5%.”

Supervisory personnel will provide a thorough review of the reports of fines and fees which are audited by accounting technicians in the Cashier’s Office to ensure mathematical accuracy and compliance with applicable laws.

2. Bad checks were not posted to drivers' history files timely

Finding

As stated in the prior audit, the department has not posted bad checks to drivers' history files in a timely manner. Although the department has improved controls over the bad checks since the previous audit, problems still exist.

Testwork revealed that 19 of 60 items tested (30%) took from 11 to 54 business days to be posted to a driver's history file. The number of business days was determined by the number of days from the date that the department received the debit memo from the Department of Treasury until the date the information was entered into the driver's history file.

According to the department's procedures for returned checks, the cashier's office should prepare a coding slip (form 698) to initiate the returned check notification letter within five business days from receipt of the debit memo from the Department of Treasury. After the cashier's office takes the coding slip to data entry, data entry keys it into the driver's license history file. After the coding slip is keyed, a notification letter is sent out. The notification letter is dated the date that the cashier's office received the debit memo from Treasury. The notification letter is not sent out until the coding slip is returned to the cashier's office. In addition, the notification letter has to be returned no later than 30 days from the date on the letter. If the coding slip takes a lengthy amount of time to get back to the cashier's office, the notification letter is delayed, and the person has less time to settle the debt.

In addition, the compliance inquiry screen utilized by the driver's license stations does not indicate to the driver's license station employees that the driver has issued a bad check to the department in the past. As a result, driver's license station employees are accepting checks from drivers who have paid with bad checks in the past. There are many cases in which drivers have written multiple bad checks to the department over a period of time.

Recommendation

The department should continue efforts to improve the timely processing of bad checks. Management should make the necessary changes to the compliance inquiry screen to inform the department employees when a personal check should not be accepted from a customer.

Management's Comment

We concur. Our procedures to initiate returned check notification letters were updated in March 2000 to ensure timely processing. All bad checks are now being posted to driver's history files within departmental guidelines. In addition, the notification letters are dated the date they are generated, not the date we receive the debit memo from the Division of Treasury. This allows the individual who remitted the bad check thirty (30) days to settle the debt.

Procedures were placed in effect in March 2000 to notify driver's license stations supervisors when the department had received three (3) or more bad checks from an individual. The department is evaluating the feasibility of updating the compliance inquiry screen to provide driver's license station employees a quick, cost effective inquiry to see if the applicant has issued a bad check to the department.

3. Controls over cash receipts are inadequate

Finding

The department does not have adequate controls over cash-receipting procedures. The following weaknesses throughout the department were noted:

- The cash receipts are not adequately safeguarded. Nine employees in the cashier's office have access to the room that contains the safe. Also, the room that contains the safe for the Commercial Vehicle Enforcement Division is open all day.
- The department does not have adequate segregation of duties in the cashier's office. One employee prepares the deposits, completes the deposit sheet, and posts the transactions to the accounting ledger.
- The department's mailroom does not endorse checks at the earliest point of receipt. The checks are not endorsed until they reach the intended division within the department. Furthermore, the department's mailroom does not maintain a log of checks received in the mail, thus increasing the risk for checks to be lost or stolen before they are endorsed.
- Cash receipts for restoration fees are not always written timely, which results in fees not being deposited within one business day.

The department's General Order 202, *The Collection and Accounting of Money*, provides guidance to departmental personnel for the above instances; however, the General Order has not been adequately followed.

Recommendation

The department's fiscal staff should ensure that proper internal controls and the related General Order for cash receipting are followed.

Management's Comment

We concur. Steps to move internal controls over cash receipts have either been implemented or are in the process of implementation. Only supervisors in the Cashier's Office now have access to

the locked room which contains the safe and other sensitive items. The room which contains the safe in the Commercial Vehicle Enforcement Division will be locked all day with access only by the daily cashier and the supervisor. Duties of employees in the Cashier's Office have been adjusted to ensure proper segregation of duties in the receipting, depositing and recording of revenues. The department will endorse checks immediately upon opening the mail in accordance with the department's General Order 202. Receipting procedures in the Cashier's Office have been updated to ensure all fees are receipted in a timely manner and deposited within one business day.

DRIVER'S LICENSE RECORDS

Our work in this area consisted of following up a prior finding by selecting a nonstatistical sample of accidents and violations which occurred during the audit period. This finding on untimely posting of violations is repeated again (see finding 4).

4. Untimely posting of accidents and violations to drivers' records has increased from the prior audit

Finding

Since 1990, the department has not posted accidents to drivers' records in a timely manner. Management concurred with the prior audit finding, indicating that they have been able to eliminate the temporary backlog of reports to be processed. Also, management indicated that in November 1998 they had implemented scannable accident reports to be used by the Tennessee Highway Patrol in order to improve the processing of these reports. Management indicated that the other law enforcement agencies in the state would be using the scannable reporting forms in the future, which would further allow the department to reduce the processing time required. Management stated that processes had been developed to identify law enforcement agencies that may not be reporting accidents to the department and to monitor the time delays between the accident date and the date the accident is reported, allowing the department to contact these agencies. In addition, management indicated that a revised manner of calculating points under the Driver Improvement Program had been implemented which allows the department to consider points assessed for violations that were not considered under previous programs. However, these changes do not appear to have been implemented in such a way as to alleviate the problems with timely posting.

Posting to drivers' records took, on average, 10 weeks (69 days) in fiscal year 1999 and 19 weeks (134 days) in fiscal year 2000, from the date of the accident to the date the department posted the accident to the driver's record. Sample testwork revealed that accident posting from the date of the accident took from 22 to 231 days in fiscal year 1999 and from 37 to 284 days in fiscal year 2000, as compared to 50 to 114 days in 1997 and from 57 to 109 days in fiscal year 1998. As a result of this delay, the department may not be promptly identifying unsafe drivers and taking actions, when necessary, to suspend or revoke driving privileges.

Untimely Posting of Accident Records

Accident Record Submittal

A review of a random sample of 25 accident records submitted to the department in fiscal years 1999 and 2000 revealed that law enforcement authorities generally took longer than allowed under Section 55-10-108 of *Tennessee Code Annotated*, which requires law enforcement officers to submit accident reports to the department within seven calendar days of completing the investigation. In fiscal year 1999 and fiscal year 2000, on average the department did not receive the sampled accident reports from law enforcement authorities until 13 days after the accident. The number of days from the accident to receipt of reports ranged from 5 to 23 days in fiscal year 1999 and from 4 to 23 days in fiscal year 2000.

Accident Posting

The problem of timely posting of traffic accidents has been a continuing one for the department and was noted in prior performance and financial audits. Since the last audit, the problem of posting reports once they are received has increased. In fiscal year 1999, it took on average 56 days from the date the department received the accident report to the posting date — with a range of 13 to 214 days. This average increased in fiscal year 2000 to 121 days, ranging from 30 to 269 days.

In response to prior performance and financial and compliance audits, department officials stated that they were in the process of introducing scannable accident reports that would enable the department to process the reports more efficiently. In November 1998, the department started receiving scannable reports from the Tennessee Highway Patrol. However, out of an average of 240,000 accident reports that are submitted annually, only about 30,000 have been submitted on the scannable report form. In addition, the department is still not receiving scannable reports from all law enforcement agencies. At this time, other law enforcement agencies have not made any indications that they would be using these scannable report forms in the future.

Delays in Assessing Violation/Accident Points

Points are assessed to a driver's record based on the date that the department processed the accident report or court conviction rather than on the date of the accident or violation. Since the department sometimes takes more than three months to process accidents, this policy could allow drivers whose licenses should be suspended to continue driving.

Section 55-50-505, *Tennessee Code Annotated*, requires the department to conduct a Driver Improvement Program, the purpose of which is to take appropriate action, including license suspension, against drivers who frequently contribute to accidents or are convicted of traffic violations. The department updates driving records based on the accident reports that law enforcement authorities submit. The department assesses points, based on severity of the offense, to identify drivers whose records reflect a continuous disrespect for traffic laws and the safety of other drivers. For example, contributing to an accident involving property damage results in a three-point assessment, and contributing to an accident resulting in another's death results in an eight-point assessment. When a

driver has accumulated 12 or more points within 12 months of a 24-month period or has been deemed accident prone (three or more avoidable accidents within 12 months of a 24-month period), the driver's license is suspended, subject to appeal.

Department policy 1340-1-4-.04(6) requires that points be assessed to an individual driving record for cumulative purposes based on the date the accident report or traffic violation conviction is processed rather than on the date of the accident or conviction. Because of this policy and delays in processing accident reports, unsafe drivers could avoid having their licenses suspended. The department has implemented a revised manner of calculating points under the Driver Improvement Program. The department now scans the driver's record for a 24-month period from the current date to determine if the driver has accumulated 12 points during any 12 months of that 24-month period. This allows the department to consider points assessed for violations and accidents that were not considered under the previous program. For example, under the previous system, a driver who had eight points on his record in January could have an accident in December of the same year resulting in the assessment of four points. If these points were not processed until February of the next year, the driver could avoid suspension because the points placed on his record in January would have been removed. However, under the revised program, the points would not be removed until 24 months after they are posted; the points posted in January would still remain on the driver's record. The number of people whose licenses have been suspended has doubled from 500 per month to over 1000 per month due to this revised Driver Improvement Program. Nevertheless, points are still assessed based on the date the accident report was processed rather than the date that the accident occurred. This could still allow unsafe drivers to avoid having their license suspended.

Timely posting of accidents and violation convictions is essential to the success of the Driver Improvement Program's point system. Lack of timely posting increases the likelihood that problem drivers will continue to drive, despite accumulating sufficient points to warrant suspension of driving privileges. Late posting may ultimately affect the department's ability to fulfill its primary mission, to provide safer highways for citizens of Tennessee.

Recommendation

The department should continue efforts to improve the timely processing of accident reports, including establishing and enforcing deadlines for processing reports and posting points to drivers' records. The department should attempt to process accident reports within one month of the accidents.

The department should change its policy for its Driver Improvement Program and assess points based on the date of the accident and/or offense, rather than on the date the accident or offense was posted to the driver's record.

Management's Comment

We concur. During the fiscal year 2000, our Information System Division produced a report revealing law enforcement agencies which were not submitting accident reports in a timely manner. Letters citing the requirements of T.C.A. 55-10-108 were mailed to these agencies. Also during fiscal year 2000, electronic transfer of data from our outside keying facility was implemented to post accidents to the drivers' history and accident statistical database on a more timely basis. Strides have been taken and will continue to be taken to export the information from the new scannable report to the mainframe. Training of other law enforcement agencies to use the scannable crash report began on September 1, 2001. Every effort will be made to process accident reports within one month of the accidents.

The department has changed its procedures to calculate points based on the event dates.

MOTOR VEHICLE TITLE AND REGISTRATION

The objectives of the motor vehicle title and registration testwork were to follow up prior audit findings by determining whether

- license plate inventory procedures were adequate;
- controls over title and registration revenue were adequate;
- county clerk controls over title and registration were adequate, and personnel had appropriate levels of access to the motor vehicle title and registration system;
- counties were submitting proper and timely reports;
- daily deposits were adequately reported on the State of Tennessee Accounting and Reporting System (STARS);
- refunds were timely and properly approved; and
- revenue allocation information for license plate sales was properly reported to the Department of Revenue.

The auditors interviewed management to determine whether improvements had been made regarding license plate inventories. Because no changes had been made to the system for inventory procedures, this prior audit finding is repeated (see finding 5).

We interviewed key title and registration personnel, including county clerk office personnel, to gain an understanding of controls over revenue. We also interviewed county clerk personnel to determine whether levels of access to the motor vehicle title and registration system were appropriate.

A sample of 25 counties was selected for registration and title testwork. Remittance reports of title fees were tested for timely submission, adequate documentation, and reconciliation of daily invoices with revenue collected. Renewal registration transmittal reports were tested for timely submission and adequate documentation. This testwork indicated a need to repeat the prior audit finding (see finding 6).

A sample of 60 title and registration fee refunds was tested for prompt processing. This testwork indicated that refunds were processed promptly.

The procedures for reporting to the Department of Revenue information on the sales of various classes of license plates were discussed with title and registration personnel. The system used to generate sales data produces unreliable information and was inadequate (see finding 7).

5. Controls over the reconciliation of motor vehicle plates and decals with revenue are inadequate

Finding

As noted in the previous five audits, the Motor Vehicle Title and Registration Division (MVD) does not reconcile inventory reports of distributions of vehicle plates and decals with the revenue received from the county clerks for sale of these items. Management concurred with the prior finding, stating that the new motor vehicle computer system will include an inventory of license plates and decals that can be reconciled and that a manual reconciliation would be impossible. Additionally, management stated that the Internal Audit division would reconcile remittances from the county clerks with county inventories as time permits. Furthermore, management indicated that the department would continue to diligently seek and acquire quarterly inventory reports from all 95 county clerks until a central computer system maintains and reconciles license plates and decals. However, based on the results of audit testwork, no manual reconciliations were performed, the current computer system is still not capable of performing inventory reconciliations, and the new system is not operational.

If the MVD does not periodically reconcile remittances from county clerks with reductions in each county's reported inventory, the department cannot be assured it has received all the revenue it is due. Furthermore, the reconciliation function is the responsibility of the accounting/fiscal office and is not an internal audit function. Failure of accounting/fiscal personnel to reconcile these reports increases the risk that funds may be misused.

Recommendation

The Director of the Motor Vehicle Title and Registration Division should ensure that remittances from the county clerks are periodically reconciled with each county's inventory until the new motor vehicle computer system is in place.

Management's Comment

We concur. We will attempt to reconcile remittances from the county clerks to their inventory on a sample basis until the new motor vehicle computer system is in place.

6. County clerk reports were not submitted timely

Finding

As noted in the previous four audits, the county clerks did not submit reports of applications and original registrations and reports of renewal registrations to the Motor Vehicle Title and Registration Division (MVD) in accordance with applicable laws. Management concurred with the prior finding and stated that top management would continue to monitor the submission of reports to the division. However, reports are still late, and the department has not consistently notified county clerks of delinquent reports.

The law relative to when reports must be submitted differs for counties depending on whether the county contracts with the state to issue titles. Section 55-6-105(a)(5), *Tennessee Code Annotated*, requires noncontract county clerks to submit the reports within five days after the applications are filed. However, contract county clerks are allowed an additional five days. Of the 95 counties in the state, 24 were noncontract counties at June 30, 2000.

Applications for title reports and original registration reports for 60 counties were tested to determine if the county clerks had submitted reports on time. Forty-five of the counties tested were under contract with the state to issue titles; 15 were not. Nine of 45 contract counties (20%) and 3 of 15 noncontract counties (20%) had not submitted completed reports on time. The reports ranged from 1 to 5 days late. Renewal registration transmittal reports were tested for 60 counties to determine if the county clerks had submitted reports on time. Section 55-6-105(a)(7), *Tennessee Code Annotated*, requires each county clerk to "remit and report, not later than the tenth day of each month, to the department all moneys collected" for renewal registrations. Thirteen of 60 counties (21.67%) submitted the report late. The reports ranged from 2 to 6 days late. The department may penalize the county clerks as described in Section 55-6-105(b), *Tennessee Code Annotated*. However, none of the reports tested were late enough to warrant a penalty (10 days late). Testwork also revealed that the division's *Title and Registration Operations Manual* is in conflict with *Tennessee Code Annotated*. The *Operations Manual* states that any county clerk who is delinquent as much as five working days in forwarding applications for certificate of title, the original registrations, transfers of registration, and surrenders of registration to the division, or as much as ten days in making a report, commits a Class C misdemeanor. However, TCA 55-6-105(b) allows only two days before the report is delinquent.

According to TCA 55-6-105(b), "Any county clerk who is delinquent as much as two (2) days in forwarding the applications for certificate of title, the original copies of the certificates of registration, transfers of registration and surrenders of registrations to the division, or as much as ten (10) days in

making the report hereinabove required to be made to the department, commits a Class C misdemeanor. Each day constitutes a separate offense.” The Department of Safety has the option to take action against the county clerks for failing to submit the required reports within the time frame required by law. *Tennessee Code Annotated*, Section 18-1-303, states that “charges may be exhibited to the court, in writing, by any person, and satisfactorily established by proof, the clerk having a right to be heard in defense, and to an appeal, as in other cases.”

Recommendation

The Director of the Motor Vehicle Title and Registration Division should continue to monitor reports to ensure that they are filed timely and that county clerks are promptly notified of any delinquent reports. The commissioner should consider imposing a penalty for reports submitted over ten days late. The director should ensure that the *Operations Manual* complies with TCA.

Management’s Comment

We concur. The Title and Registration Division continues to work with counties to encourage them to submit timely title and registration reports to the division. We will consider imposing a penalty for reports submitted over ten (10) days late. The Title and Registration Operations Manual has been amended to comply with T.C.A.

7. The Motor Vehicle Title and Registration system does not produce reliable data and is an inadequate basis for the reapportionment of revenue collected from registration fees

Finding

As noted in a previous audit, the computer system used by the Motor Vehicle Title and Registration division is inadequate in accumulating title and registration fee information. As a result, management had to make a \$3,700,000 adjustment in the funds apportioned to the Department of Transportation and other state departments.

During the fiscal year ending June 30, 2000, the Motor Vehicle Title and Registration division discovered that the amount of revenue accumulated by its Fund Accumulation subsystem was less than the amount of revenue reported by the county clerks. The division investigated and found that the program had not been updated to reflect changes in several plate classes.

The division estimated the number of plates issued based on seasonal fluctuations and logic. The estimate was made in this manner because of the lack of reliable data stored in the system and the fact that the system did not store enough information to cover the entire time period in question.

The result of this work by the division was a decrease of \$3.7 million in the amount of revenue apportioned to the Department of Transportation. The \$3.7 million was reapportioned to other state departments. However, since the adjustment was based in part on information from the faulty system, the accuracy of the reapportionments cannot be determined.

Recommendation

The division should ensure that the system is updated to add new plates issued and delete existing plates that are discontinued. The division should monitor levels of revenue to ensure that the correct amounts are reported to the Department of Revenue for apportionment.

Management's Comment

We concur. System changes have been made to update the class code tables for new plates issued and to delete class codes from the tables for discontinued plates.

We will continue to monitor levels of revenue to ensure that the correct amounts are reported to the Department of Revenue for apportionment.

PAYROLL AND PERSONNEL

Our objectives in the area of payroll and personnel were to

- determine whether evidence of job qualifications is obtained before an employee is hired,
- follow up on the prior audit finding concerning controls over the preparation of and review of payroll time sheets to determine the reasons for employee overpayments reported to the Comptroller's Office,
- determine whether overtime is paid in compliance with General Orders,
- determine whether the department maintains a complete list of identification cards issued to commissioned members, and
- determine whether employees received performance evaluations timely.

Twenty-five personnel files were reviewed for evidence of job qualification determinations being made before an employee was hired. The files reviewed indicated that the determinations were made and properly documented before an employee was hired.

We interviewed the department's key human resources personnel to gain an understanding of the procedures for preparing and auditing time sheets before they are entered into the payroll system as

well as procedures for collecting overpayments from the department's current and former employees. This prior audit finding is repeated (see finding 8).

In order to determine whether overtime was paid in accordance with General Orders, overpayments were reviewed to determine whether any of the overpayments were the result of incorrect overtime payment calculations. None of the overpayments reviewed were the result of incorrect overtime calculations.

Testwork was performed to determine if the listing of ID cards issued to commissioned members was complete and up-to-date. The listing appeared complete and up-to-date.

A sample of 25 employees was tested to determine if management had prepared timely performance evaluations. This testwork indicated that performance evaluations were not being performed timely. Although a finding will not be taken, this weakness is reported to management in a separate letter.

8. Controls over payroll time sheet preparation are inadequate

Finding

As noted in two prior audits, the Department of Safety does not have adequate controls over the preparation and review of payroll time sheets. Management concurred with the prior finding and stated that the Fiscal Director would send correspondence explaining the importance of promptly notifying the timekeeping section of all personnel changes. Management also stated that letters would be sent to supervisors and their related directors or section heads if a personnel change was submitted late. Management stated that procedures would be put in place to identify new employees to the department and to verify leave balances if the employee transferred from another department. In addition, management stated that payroll registers would be reviewed regularly to ensure accuracy of personnel transactions, and a log would be kept of all overpayments and actions taken. These procedures appear to have been put into place, and significant improvements in the amount and nature of overpayments have occurred since the last audit. However, problems still exist.

Testwork revealed that the department made 19 overpayments, totaling \$6,577.05, to employees through June 2000, according to reports submitted to the Office of the Comptroller of the Treasury. Six of these overpayments, totaling \$1,390.68, have not been collected. Of these six, five totaling \$952.94 were made to separating employees; the remaining item totaling \$437.34 was made to an active employee who later filed for bankruptcy. The remaining overpayments were deducted from active employees' subsequent payroll checks.

Recommendation

The Fiscal Director and timekeeping section should ensure that adequate controls are in place for time sheet preparation. To prevent overpayments to employees, the Fiscal Director should ensure that field supervisors promptly communicate personnel changes to the department's Human Resources Division. Also, the Fiscal Director should ensure that the payroll register is regularly compared to the personnel transaction listings and that an agreement is made with former employees concerning repayments. The Fiscal Director should also ensure that overpayments are monitored and that appropriate follow-up is made for those overpayments. Finally, the Fiscal Director should ensure that staff review computer output for accuracy when information has been electronically processed.

Management's Comment

We concur. We will strengthen our efforts to ensure that personnel changes are properly communicated to our Human Resources Division. We will compare the payroll register to the personnel transaction listing on a regular basis. We will attempt to obtain written agreements with former employees for payroll overpayments. We will closely monitor any overpayments and make a concerted effort to collect such delinquent amounts. Our staff will carefully review data which has been electronically processed.

CONTRACTS

The objective of our review of contract controls and procedures was to determine whether the department approved the contract before the scheduled start of services.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over contracts. We reviewed a sample of approved contracts for the audit period and determined that contracts were not approved before the contract period began, as discussed in finding 9.

9. The department failed to approve contracts before the beginning of the contract period

Finding

As noted in the prior audit, the department allowed contract services to be performed before proper approvals of the contracts were obtained. Management concurred with the prior finding and stated that the Fiscal Director would notify all sections within the department that contracts should be initiated well in advance of the starting date of the contract. In addition, management stated that contract files would be reviewed to ensure that all sections were complying with this recommendation. Testwork revealed that significant improvement has been made in the last half of the audit period.

However, problems still exist. Testwork results indicated that for all 30 contracts tested for fiscal year ending June 30, 1999, the contract approvals were not obtained before the beginning of the contract period. The approvals were obtained from 16 to 266 days after the beginning of the contract period. For fiscal year 2000 contracts tested, 9 of 30 contracts were not approved in advance of the beginning of the contract period. The approvals were obtained from 7 to 196 days after the beginning of the contract period.

Chapter 0620-3-3-.04(d)(8) of the *Rules of the Department of Finance and Administration* states that “upon approval by the Commissioner of Finance and Administration, [the contract] shall be an effective and binding contract.” If contracts are not approved before the contract period begins and before services are rendered, the state could be obligated to pay for unallowable services.

Recommendation

The department’s fiscal director should continue to ensure the contract process is initiated far enough in advance to allow the contract to go through the proper channels of approval. Proper personnel should approve contracts before the beginning of the contract period. Also, supervisory staff should perform regular monitoring to ensure compliance with the contract process. The department’s fiscal director should encourage potential contractors to return contracts promptly for final processing and should follow up on contractors failing to return the contract documents timely.

Management’s Comment

We concur. We will continue to monitor contracts to ensure that they are received and approved in a timely manner. We will urge our section heads to initiate the contract process far enough in advance to allow the contracts to go through the proper channels of approval. We will ensure that the contracts are properly approved before the beginning of the contract period. We will encourage potential contractors to return their contracts promptly and will follow up on contractors failing to return their documents in a timely manner.

EQUIPMENT

Our objectives in the area of equipment were to

- determine whether the list of equipment assigned to the department represents a complete and accurate listing of the assets physically on hand, including equipment at driver’s license testing stations and county clerk offices;
- determine whether equipment is adequately safeguarded; and

- determine whether proper procedures are followed concerning lost or stolen equipment.

Our work in the area of equipment consisted of selecting a sample of equipment reported at the Driver's License Testing Stations and the County Clerks' Offices as well as items at the department's Nashville facilities and physically verifying the location, description, and state tag number of the items. Numerous items selected for testwork could not be located. This appears to be the result of inadequate procedures for adding and deleting equipment from the department's equipment listing as well as inadequate procedures for changing equipment location.

Furthermore, department personnel exhibited a lack of concern for proper accountability over equipment. These issues are included in findings 10 and 11.

In addition, physical security over equipment was assessed for adequacy. Items at the department's warehouse facility did not appear to be physically secure. This is included in finding 10.

Procedures regarding lost or stolen equipment were evaluated for adequacy and appeared adequate.

10. Department personnel exhibit lack of concern for accountability over equipment

Finding

As evidenced by the problems noted in finding 11, the Department of Safety personnel in locations across the state have been insensitive to the need for internal control and accountability over the department's equipment.

Due to problems noted with the department's annual inventory that was taken by department personnel after the end of the audit period, auditors performed additional testwork to substantiate the location of equipment that had been noted as missing when the inventory was taken. The auditors found that the department was not maintaining proper documentation for equipment transferred to other locations or for obsolete or damaged equipment that was surplus. See finding 11 for specific details regarding the results of the testwork.

Discussions with department personnel at the driver's license stations also revealed that many of the personnel seemed unaware of proper policies and procedures regarding the equipment. Discussions with personnel at the department's Charlotte Avenue warehouse revealed that the warehouse personnel did not know the location of the equipment items assigned to the warehouse and did not believe they were responsible for those items. Testwork at the warehouse facility also revealed that the facility did not appear to provide adequate safeguards for the computers and related equipment stored there. The auditors noted that several computers and printers were stacked near a large door at the front of the warehouse. The door is large enough to accommodate an automobile, which raises the concern of

physical security. The warehouse has secure wire-enclosed storage areas inside, but these secure areas contained only paper. In addition, the warehouse did not have an adequate fire protection system or a climate-controlled environment for computer equipment stored there. Warehouse personnel further stated that they had no record of the computers and printers currently stored and no record of items that had been delivered or removed. Apparently these items were purchased between February and June 2000 and, as of the end of fieldwork, have not yet been installed. Management indicated that they did not have enough staff to install the computers timely.

Also during the course of testwork, the auditors determined that computers and related items are routinely moved from the central receiving point to the Information Technology division before being assigned to the permanent department location. Testwork revealed that these equipment items that are routinely removed from the department's central receiving facility and moved to either the warehouse or the Foster Avenue facility are moved without documentation. Items are also moved from the warehouse and the Foster Avenue facility to other locations without documentation.

Although the Department of General Services and the Department of Safety have policies and procedures for personnel in maintaining proper control and accountability over equipment, the department has not followed these procedures. The department's inventory records are inaccurate because location changes and other events are not properly documented. Failure to follow prescribed procedures also increases the risk of items being stolen or misappropriated without detection. In addition, inventory valuations may not be proper because of the inaccuracies in equipment recordkeeping.

Recommendation

The department's property officer should immediately inform all department personnel of the necessity of critical internal controls and accountability for the department's equipment. The property officer should follow up the most recent inventory of equipment and ensure that all proper documentation is maintained and that the Property of the State of Tennessee (POST) system is updated immediately.

Management's Comment

We concur. Correspondence will be distributed to all section heads describing the importance of internal controls and accountability for the department's equipment. Our property officer will follow up the most recent inventory of equipment to ensure that proper documentation is maintained and POST is properly updated.

11. Controls over equipment are inadequate

Finding

During the audit period, the department did not maintain proper accountability over equipment. The Property of the State of Tennessee (POST) manual, Appendix C, contains guidelines for safeguarding and accounting for equipment. However, the department did not adhere to the guidelines.

The testwork performed at the department's Nashville facilities resulted in errors for 9 of 25 equipment items tested (36%). The following weaknesses were noted:

- Of the 9 items, one item (4%) was at a location other than what was shown on POST.
- One item (4%) had an incorrect description on POST.
- Two items (8%) were transferred without documentation.
- One item (4%) was surplused without documentation.
- Four items (16%) could not be located.

One of the four items not located was a computer at the Tennessee Law Enforcement Training Academy (TLETA). The auditor matched tag numbers, but the serial number for that tag number on POST was not the serial number on the equipment at the school. Further investigation by the auditor on the location of the computer revealed that the old computer listed on POST was apparently traded in for the new computer located at the facility. The value of the old item on POST was \$18,446. Further discussion with department personnel indicated that the original value of \$18,446 inappropriately included all equipment and software that was to be used with the computer itself. The value of the new item on POST, according to invoices obtained by the auditors, was \$2,199, which also included the cost of a monitor and two days of related training. In addition to the valuation problem, there was no documentation to support the trade-in.

The testwork performed at selected driver's license stations across Tennessee resulted in errors for 11 of 76 equipment items tested (14%). Equipment at the driver's license stations is often moved without documentation; therefore, physical locations often do not match POST. The following weaknesses were noted:

- Eight items were at a location other than what was shown on POST.
- Two items were lost in a flood and replaced without documentation. These items were a CPU-microcomputer and eye testing equipment.
- One item, a printer, was removed from a facility with no documentation.

Additional testwork was performed at the warehouse on Charlotte Avenue and at the Title and Registration facility on Vantage Way. Of the 30 items tested at the warehouse, 7 (23%) could not be located.

Of 30 items tested at the Title and Registration facility, 3 items (10%) could not be located. Two of these items, according to Title and Registration personnel, were en route to county clerk offices. However, this could not be verified. The location of the third item was unknown.

As noted in finding 10, although the Department of General Services and the Department of Safety have policies and procedures for personnel in maintaining proper control and accountability over equipment, the department has not followed these procedures. The department's inventory records are inaccurate because location changes and other events are not properly documented. Failure to follow prescribed procedures also increases the risk of items being stolen or misappropriated without detection. In addition, inventory valuations may not be proper because of the inaccuracies in equipment recordkeeping.

Recommendation

Management should follow established policies and procedures for equipment. A thorough annual inventory (which includes verification of serial numbers) in each department should be completed and sent to the property officer, and any discrepancies should be reconciled with POST. Any transferring or surplus of equipment should be documented and reported to the property officer. Items lost or stolen should be reported to the property officer, and supporting documentation should be obtained. Items should be adequately safeguarded, which includes storing items in areas that are physically secure and have the proper environment for storage.

Management's Comment

We concur. It is the intention of management to follow established policies and procedures in order to maintain an accurate accountability over equipment. Any discrepancies discovered during the inventory process will be reconciled with POST. Proper documentation will be maintained for any equipment which is transferred, surplus, lost, or stolen. A change has already been made in the way this department tags new computer equipment. All computer equipment which must first go to Information Systems for loading of programs, etc., will be assigned to Information Systems and not the actual division for which the equipment was ordered. Information Systems will submit change orders to the department property office when equipment is relocated.

We will emphasize to all personnel that equipment must be adequately safeguarded in a proper environment. New equipment will be properly valued at the time it is entered into POST.

EXPENDITURES - ANALYTICAL PROCEDURES

Our objectives in the area of expenditures were to determine whether

- unusual or high-dollar travel payments needed further investigation,
- unusual or high-dollar vendor payments needed further investigation, and
- expenditures were reported in unusual object codes.

We reviewed a sample of State of Tennessee Accounting and Reporting System (STARS) expenditure reports. Our analytical procedures testwork included a review of supporting documentation for unusual items to determine whether the expenditures were proper and were classified properly into STARS. Items were adequately supported and were properly classified in STARS.

CELLULAR PHONES

The objectives of our review of cellular phones were to

- determine whether personnel have been assigned to authorize the use of cellular phones,
- determine whether assignments of cellular phones were reasonable,
- ensure that cellular phone usage was monitored by the department for lengthy or non-business-related calls, and
- determine whether the department had written procedures governing cellular phone use and related monitoring.

The department's policies and procedures concerning cellular phone use were to determine whether personnel have been assigned to authorize the use of cellular phones. Authorization assignments were included in the policy.

A listing of cellular phone assignments was reviewed to determine whether assignments of cellular phones were reasonable. Based on the review, assignments appeared reasonable.

A sample of cellular phone users was selected, and all applicable bills were reviewed for evidence that cellular phone usage was monitored by the department for lengthy or non-business-related calls. No evidence of such review, including reconciliation of phone bills to phone logs, was noted. This weakness was communicated to management in a separate letter.

The department's written procedures governing cell phone use and related monitoring were reviewed and appear adequate.

CONFIDENTIAL FUND

The objectives of our review of the confidential fund were to

- determine whether approval for the fund was obtained from appropriate authorities,
- determine whether expenditures from the fund were in compliance with established policies and procedures and were sufficiently documented,
- determine whether bank reconciliations were properly prepared and approved, and
- determine whether accounting for confiscated money is appropriate.

Key auditee personnel were interviewed to determine whether approval for the fund was obtained from appropriate authorities. Approval appeared to have been obtained.

A sample of expenditures was tested to determine compliance with established policies and procedures. Sufficiency of documentation was also evaluated. Items tested appeared to be in compliance with established policies and procedures, and documentation appeared sufficient.

A sample of bank reconciliations was reviewed for proper preparation and approval. Reconciliations appeared proper.

A sample of revenue transactions was selected from the schedule of confiscated money and tested to determine whether the accounting was appropriate. Items tested appeared to be appropriately accounted for.

FINANCIAL INTEGRITY ACT

Section 9-18-104, *Tennessee Code Annotated*, requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30, 1999, and each year thereafter. In addition, the head of each executive agency is also required to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter.

Our objectives were to determine whether

- the department's June 30, 2000, and June 30, 1999, responsibility letters and December 31, 1999, internal accounting and administrative control report were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*;
- documentation to support the department's evaluation of its internal accounting and administrative control was properly maintained;

- procedures used in compiling information for the internal accounting and administrative control report were in accordance with the guidelines prescribed under Section 9-18-103, *Tennessee Code Annotated*; and
- corrective actions have been implemented for weaknesses identified in the report.

We interviewed key employees responsible for compiling information for the internal accounting and administrative control report to gain an understanding of the department's procedures. We also reviewed the supporting documentation for these procedures. We reviewed the June 30, 2000, and June 30, 1999, responsibility letters and the December 31, 1999, internal accounting and administrative control report submitted to the Comptroller of the Treasury and to the Department of Finance and Administration to determine adherence to submission deadlines. To determine if corrective action plans had been implemented, we interviewed management and reviewed supporting documentation as considered necessary.

We determined that the Financial Integrity Act responsibility letters and internal accounting and administrative control report were submitted on time with the exception of the responsibility letter for June 30, 2000. This weakness is reported to management in a separate letter. Support for the internal accounting and administrative control report was properly maintained, and procedures used were in compliance with *Tennessee Code Annotated*. Corrective action was being taken on the weaknesses noted.

SPECIAL INVESTIGATION

The department failed to properly approve secondary employment and failed to appropriately supervise an employee working at home while the employee was on sick leave

On June 21, 2000, the Division of State Audit received information alleging that a Department of Safety employee was allowed to have secondary employment while on sick leave. On June 21, 2000, Division of State Audit staff, in collaboration with the Department of Safety's internal audit staff, began a review of this matter.

The objectives of the review were

- to determine the department's internal controls over allowing department employees to work a secondary job while on sick leave;
- to determine the nature and extent of any impropriety relating to the employee's secondary employment while on sick leave;
- to report the results of the review to department management; and
- to refer the results of the review to the Office of the State Attorney General and other relevant state agencies, if necessary.

The review included interviews with department staff, the employee alleged to be working a secondary job while on sick leave, and officials from the Department of Personnel.

The review determined that department officials improperly approved the employee to work a secondary job while the employee was on sick leave. The department also failed to approve in advance the employee's work at home while the employee was on sick leave and further failed to require appropriate documentation of work performed at home. See findings 12 and 13.

12. The department allowed an employee on sick leave status to obtain secondary employment

Finding

Department of Safety officials allowed a department employee to obtain secondary employment during the time the employee was on sick leave status. Department of Safety General Order Number 250, *Secondary Employment*, states that "members who are on medical or other leave due to sickness . . . shall not be permitted to work secondary employment." The employee received payment of \$1,155.14 for teaching classes (one class during the fall semester of 1999 and half of one class during the spring semester 2000) at a community college.

The problem occurred because the department did not have in place a procedure to prevent an employee on sick leave status from obtaining approval for secondary employment. One department official approved the employee's sick leave while another department official approved his employment at the community college. No comparison was made between the list of employees approved for secondary employment and the list of employees on sick leave status.

Recommendation

Management should implement a formal procedure to determine whether an employee who has applied for secondary employment is on extended sick leave status. This review should be documented and should include the name of the reviewer and the date of the review. The documentation should be retained with the records pertaining to the employee's secondary employment. If an employee is on sick leave status, secondary employment should not be approved. The department should also consider taking disciplinary action against the employee.

Management's Comment

We concur. Management will implement procedures to verify the leave status of an employee who applies for contract secondary employment. The leave status will be documented to indicate the name of the reviewer and the date. Such documentation will be included with the secondary

employment contract. If the employee is on extended sick leave status, the contract employment will be denied.

13. An employee on sick leave was paid for work at home despite a lack of formal advance approval and a lack of detailed documentation of work performed and hours worked

Finding

The department employee noted in finding 12 was also paid for work at home while on sick leave status in spite of a lack of formal approval and a lack of detailed documentation of work performed and hours worked. The employee claimed that he had worked at home on department projects during his period of sick leave and requested payment from the department. The department agreed to pay the employee for the hours worked that the employee could document even though the employee had not maintained time records that showed the periods of work by day. Due to the lack of documentation, the department paid the employee a lesser amount than the employee had originally claimed. The department paid the employee \$2,859.85 (gross earnings due) for the employee's at-home work, including accrued annual, sick, and holiday leave. The payment was made as supplemental pay rather than a regular payroll check.

On April 14, 2000, the department sent the employee a letter directing the employee to cease any and all work for the department while the employee was on leave for medical reasons. The letter stated that the employee's supervisor had not authorized the employee to work at home. However, the letter stated that if the employee's manager accepted and acknowledged the work performed, the department would pay the employee. Based on interviews with department personnel, the reasons for paying the employee were that other department staff had asked the employee to perform work and also that the employee had continued, while on sick leave, to perform regular job duties and related work.

Recommendation

Management should authorize, in writing, work at home for employees on sick leave status. The work performed should be appropriately documented. The employee's time and attendance reports should clearly differentiate between the employee's sick leave hours and regular work hours. Supervisory staff should review the work performed and approve the employee's work hours. An employee's work-at-home hours should be shown on the employee's time sheets and should be paid through regular payroll checks. Working at home while an employee is on extended sick leave status should not result in compensation made in any form other than a regular payroll check.

Management's Comment

We concur. In the future, management does not anticipate that employees will be performing work at home while on sick leave status. However, in the event such work is performed, management will authorize it in advance. The work will be appropriately documented and will be properly reviewed and approved. Any such work performed will be paid through the regular payroll check.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, 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 Department of Safety filed its compliance reports and implementation plans on June 20, 2000, and June 28, 1999.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

On October 15, 1998, the commissioner of Finance and Administration notified all cabinet officers and agency heads that the Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

Department of Safety divisions and allotment codes:

- 349.01 Administration
- 349.02 Driver's License Issuance
- 349.03 Highway Patrol
- 349.04 Motorcycle Safety Education
- 349.06 Auto Theft Investigations
- 349.07 Motor Vehicle Operations
- 349.08 Driver Education
- 349.09 Law Enforcement Training Academy
- 349.10 POST Commission
- 349.11 Motor Vehicle Title and Registration
- 349.12 Major Maintenance
- 349.13 Technical Services
- 349.14 CID Anti-theft