

**Department of Safety**

**October 2003**

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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

October 21, 2003

The Honorable Phil Bredesen, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

The Honorable Fred Phillips, 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 period July 1, 2000, through June 16, 2003.

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/kt  
03/037



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
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June 16, 2003

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 period July 1, 2000, through June 16, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive style.

Arthur A. Hayes, Jr., CPA,  
Director

AAH/kt  
03/037

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Department of Safety**

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## AUDIT SCOPE

We have audited the Department of Safety for the period July 1, 2000, through June 16, 2003. Our scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of administrative leave and terminations, computer applications access, equipment, fines and fees, payroll and personnel, motor vehicle title and registration, license plates and decals, contingent/deferred revenue, expenditures, the confidential fund, building leases, secondary employment, aircraft, driver training, the Financial Integrity Act, Title VI of the 1964 Civil Rights Act, Title IX of the Education Amendments of 1972, and computer security. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## AUDIT FINDINGS

### **The Department Did Not Notify the Comptroller's Office About Gross Misconduct**

The department did not notify the Comptroller's office about four employees who were terminated for inappropriate conduct which should have been reported to the Comptroller's office (page 4).

### **The Department Has Not Properly Monitored Employees' Access to the State's Computer Applications**

Persons who either no longer work for the state or have transferred to other departments continued to have access to departmental accounting, purchasing, equipment, and driver's license records. Other employees had levels of access that either created an inadequate segregation of duties or were not needed for their job duties (page 6).

### **Controls Over Equipment Are Inadequate\***

Aircraft costing approximately \$2 million was not listed in the Property of the State of Tennessee (POST). Equipment costing \$225,000 was reported lost or stolen during the audit period. Two pieces of active equipment costing at least \$5,000 could not be found. Information in POST about some equipment was incorrect (page 10).

### **The Cash Receipting Procedures and Controls at the Driver's License Stations Were Not Adequate**

Reconciliations of applications to fees received were not prepared timely. Access to the change fund was not adequately limited. Some cash receipting duties were not adequately segregated. Driver's license renewals and reinstatements could not always be reconciled to the corresponding deposit of the money received from the driver (page 13).

### **The Department Still Has Not Posted Accidents and Violations to Drivers' Records Timely \*\***

Since 1990, the department has not posted accidents and violations to drivers' records in a timely manner. For accidents, it took an average of 158.3 days from the date of the accident to the date that it was posted to the driver's record. For violations, it took an average of 121.5 days from the conviction date to the date that the violation was posted to the driver's record. The department has not been performing a quarterly reconciliation of the fines and fees shown on the department's ticket accountability system to the money actually received from the counties (page 15).

### **On-Line Driver's License Renewals Were Not Properly Reconciled**

The department has not been reconciling the on-line renewal activity shown on the state's legacy system to the daily activity reports received from the Internet portal provider and the credit card settlement company (page 17).

### **Bad Checks Were Not Posted to the Database Timely \*\***

The department has not always posted bad checks to the database within 10 days. The delays ranged from 11 to 195 days. The department has not been notifying drivers promptly about the bad checks (page 18).

### **The Department Has Not Properly Verified Local Law Enforcement Agency Annual Rosters of Peace Officers Seeking Salary Supplements**

The department's POST commission has not been monitoring the accuracy of the pay supplement rosters submitted by the local law enforcement agencies (page 26).

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

The Motor Vehicle Title and Registration Division (MVD) has not been reconciling the vehicle plates and decals issued to the counties to the revenue received from the county clerks for the sale of these items (page 23).

### **Controls Over Secondary Employment Were Inadequate\***

The department has not been ensuring that commissioned employees who have been approved for secondary employment are not working on a second job while they are on sick leave status with the state (page 30).

**Driver Training Schools Were Not Properly Monitored**

The department has not been monitoring driver training schools at least once per year to ensure that the quality of instruction is adequate (page 34).

**The Department Did Not Submit a Title IX Implementation Plan**

The department has not been submitting a Title IX implementation plan to the

Comptroller's office each year, even though it conducts a training program that is open to the public (page 36).

**Adequate Physical Controls Not Present for Department's Computer Room**

Management does not have adequate physical controls over the computer room to prevent unauthorized access to the system (page 38).

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"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 Financial and Compliance

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# Department of Safety

## October 2003

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### INTRODUCTION

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#### 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 and to 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.

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## AUDIT SCOPE

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We have audited the Department of Safety for the period July 1, 2000, through June 16, 2003. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of administrative leave and terminations, computer applications access, equipment, fines and fees, payroll and personnel, motor vehicle title and registration, license plates and decals, contingent/deferred revenue, expenditures, the confidential fund, building leases, secondary employment, aircraft, driver training, the Financial Integrity Act, Title VI of the 1964 Civil Rights Act, Title IX of the Education Amendments of 1972, and computer security. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

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## PRIOR AUDIT FINDINGS

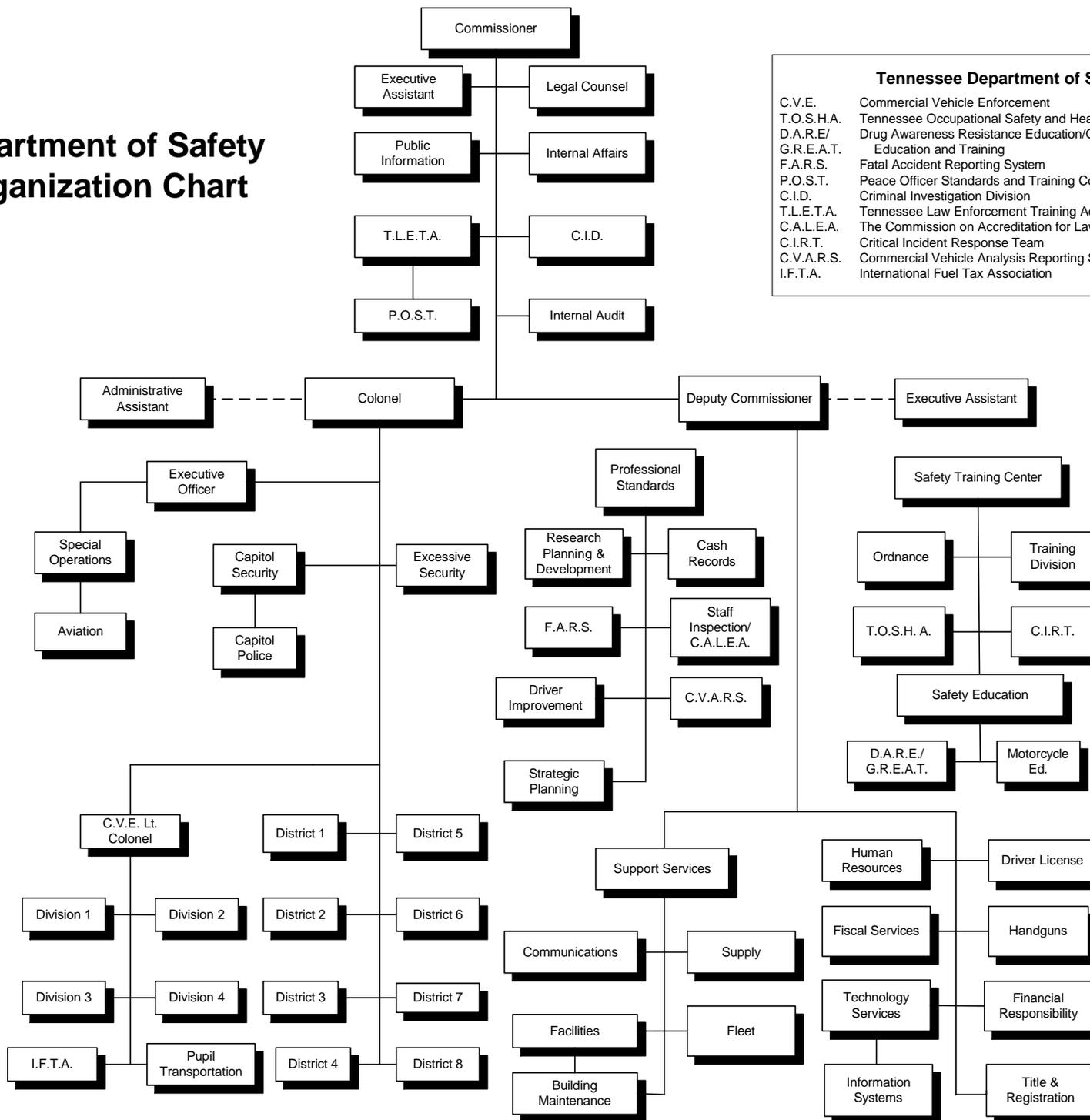
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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Safety filed its report with the Department of Audit on May 13, 2002. 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 previous audit findings concerning submission of incorrect fines and fees collected by counties, inadequate controls over cash receipts in the Foster Avenue offices, untimely submission of county clerk reports on Title and Registration fee activity, unreliable registration fee data used for the reapportionment of revenue, inadequate controls over the preparation of payroll time sheets,

# Department of Safety Organization Chart



**Tennessee Department of Safety**

C.V.E. Commercial Vehicle Enforcement  
 T.O.S.H.A. Tennessee Occupational Safety and Health Act  
 D.A.R.E./G.R.E.A.T. Drug Awareness Resistance Education/Gang Resistance Education and Training  
 F.A.R.S. Fatal Accident Reporting System  
 P.O.S.T. Peace Officer Standards and Training Commission  
 C.I.D. Criminal Investigation Division  
 T.L.E.T.A. Tennessee Law Enforcement Training Academy  
 C.A.L.E.A. The Commission on Accreditation for Law Enforcement Agencies  
 C.I.R.T. Critical Incident Response Team  
 C.V.A.R.S. Commercial Vehicle Analysis Reporting System  
 I.F.T.A. International Fuel Tax Association

failure to approve contracts by the beginning of contract period, and inadequate monitoring of an employee on sick leave who was paid for work at home.

## **REPEATED AUDIT FINDINGS**

The prior audit report contained findings dealing with the untimely posting of bad checks to drivers' history files, untimely posting of accidents and violations to drivers' records, inadequate controls over the reconciliation of motor vehicle plates and decals with revenue, inadequate controls over equipment, and inadequate monitoring of secondary employment. These findings have not been resolved and are repeated in the applicable sections of this report.

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## **OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS**

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### **ADMINISTRATIVE LEAVE AND TERMINATIONS**

Our objective was to determine if the department was complying with all applicable laws and regulations. We reviewed the applicable laws and regulations. We interviewed management to gain an understanding of the procedures used to ensure compliance with these laws and regulations and to determine the adequacy of the procedures. We then obtained a listing of all employees who were placed on administrative leave and/or terminated between July 1, 2000, and January 22, 2003. For a sample of employees who were placed on administrative leave or were terminated for reasons other than gross misconduct, we reviewed all related correspondence to determine if state regulations were followed. We also reviewed the related correspondence on all employees who were terminated for gross misconduct and determined if the misconduct should have been reported to the Comptroller's office. We also determined if the final pay for these persons was properly calculated.

Based on this review, we determined that the department had complied with the applicable laws and regulations that pertained to administrative leave and terminations for reasons other than gross misconduct. However, the department did not report certain gross misconduct terminations to the Comptroller's office as required by law. This is discussed further in Finding 1.

#### **1. The department did not notify the Comptroller's office about gross misconduct**

##### **Finding**

The Department of Safety did not notify the Office of the Comptroller of the Treasury when it terminated employees for gross misconduct. Since July 2000, the department has

terminated four employees for conduct which should have been reported to the Comptroller's office. One employee was terminated on August 17, 2001, when it was discovered she was receiving bribes for helping someone obtain a commercial driver's license. This person was also prosecuted and convicted. Three employees were terminated on May 31, 2002, when they called in sick but, in fact, were staging a work stoppage. Management did not notify the Comptroller's office about any of the misconduct until a state auditor brought it to management's attention.

The Deputy Commissioner stated that he did not realize that these matters needed to be reported.

Section 8-19-501, *Tennessee Code Annotated*, states:

It is the duty of any official of any agency of the state having knowledge of shortages of moneys of the state, or unauthorized removal of state property, occasioned either by malfeasance or misfeasance in office of any state employee, to report the same immediately to the comptroller of the treasury.

Failure to report such misconduct is a violation of state law and could cause unnecessary delays in the prosecution of the case.

### **Recommendation**

The Commissioner should ensure that appropriate staff communicates all misconduct relating to malfeasance or misfeasance to the Office of the Comptroller of the Treasury in accordance with state law.

### **Management's Comment**

We concur. The department will report all misconduct relating to malfeasance or misfeasance to the Office of the Comptroller in accordance with state law. Correspondence will be distributed to all employees of the Department of Safety directing employees who have knowledge of misconduct relating to malfeasance or misfeasance to report such misconduct in writing to the Commissioner's Office, with a copy to the Internal Audit Director.

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## **COMPUTER APPLICATION ACCESS**

To properly carry out its administrative and financial duties, the department uses the State Employee Information System (SEIS), the Tennessee On-Line Purchasing System (TOPS), Property of the State of Tennessee (POST), the State of Tennessee Accounting and Reporting System (STARS), and the driver's license system. In order to access these applications, the employees have active Resource Access Control Facility (RACF) IDs. Our testwork focused on determining if the persons with access to these systems were active employees, the persons had

job duties which required this access, and the level of access did not create an inadequate segregation of duties within each area of responsibility. Our testwork on the driver's license system included a review of persons who are not employees of this department and are not state employees but who are county employees with access to the department's system.

We interviewed management to determine how it monitored employees' access as well as outside individuals' access. We obtained current listings of all employees with access to these applications (except for the driver's license system) and determined if these persons were active employees of the department. We tested a sample of persons with active RACF IDs and persons with access to the driver's license system. We also determined if all persons with access to SEIS, POST, and STARS had job duties that required their level of access, and that the level of access did not create an inadequate segregation of duties. We performed the same testwork on a sample of employees with access to TOPS. For the driver's license system, we tested a sample of persons with access to determine if the persons had job duties that required their level of access. We also reviewed the supervisors' level of access at the driver's license stations that we visited and determined whether the level of access created an inadequate segregation of duties.

As a result of our testwork, we found that there were some persons with access who were not active employees of the department, there were some employees with access who had job duties which did not require that level of access, and there were some employees with a level of access which created an inadequate segregation of duties. This is discussed further in Finding 2.

## **2. The Department of Safety has not properly monitored employees' access to the state's computer applications**

### **Finding**

The department's Information Systems Division does not periodically review departmental employees' access to the various state computer applications to determine if the level of access is appropriate and necessary for their job duties. Furthermore, the department does not have adequate procedures to ensure that access to the state's computer applications is promptly revoked for employees who terminate or transfer to other positions or departments.

Testwork revealed that persons who no longer work for the state or who have transferred to other departments continued to have an active Resource Access Control Facility (RACF) ID or had access to departmental accounting, purchasing, driver's license, or equipment records. Testwork also revealed other employees with levels of access that either created an inadequate segregation of duties or were not needed to perform their job duties.

Specific testwork results were as follows:

- Twenty current and former employees did not have their RACF IDs revoked when they either left the department or were transferred to positions that did not require the access.

- Eight of 37 persons (22%) with access to the Property of the State of Tennessee equipment inventory system (POST) were no longer employees of the department.
- One of four employees (25%) with access to the State Employee Information System (SEIS) had a level of access that was not required by the employee's job duties.
- Two of 25 employees (8%) with the Tennessee On-line Purchasing System (TOPS) access had a level of access that created an inadequate segregation of duties. Both had buyer, approval, and receipt authority.
- Two of 23 employees (9%) with access to the State of Tennessee Accounting and Reporting System (STARS) had a level of access that was not needed for their current job responsibilities.
- Twenty of 25 employees (80%) had a level of access to the driver's license system that created an inadequate segregation of duties. All were authorized to correct transaction records and reinstate driver's licenses. Furthermore, there were no controls to ensure that such edits of driver files would be reviewed by someone else. This could result in an unauthorized change to a driver's record not being discovered timely or a payment made by a driver not being deposited in the state's account.
- For 15 of 25 persons (60%) with access to the driver's license system, documentation to justify their access was either insufficient or absent.

When access to the state's computer systems is not properly controlled, the risk increases that someone could make an unauthorized change in the state's records.

### **Recommendation**

The Commissioner should initiate a review of access to all of the state's computer applications. Employees' job duties should be considered so that employees are given the minimum level of access required. Those employees with more access than is needed should have their access reduced. Employees with access to TOPS should not have authority to initiate, approve, and receive purchases. The Commissioner should ensure that the director of the Driver's License Division reviews the driver's license station supervisors' level of access and should either reduce the level of access or establish adequate compensating controls in situations where there is an inadequate segregation of duties. The Commissioner should also establish procedures to ensure that access to computer applications is canceled promptly after an employee is terminated or transferred to another position or department.

## Management's Comment

We concur. The department has initiated a review of access to all of the state's computer applications. The Commissioner has requested reports of all persons who have access to departmental applications and departmental networks. The Director of each division will be required to review his or her employees' access on each computer system and network. The directors will also be required to review and submit to the Information System Director minimum levels of access required to perform their job duties. The Information Systems Director will develop policy and procedures requiring annual review of access to departmental information systems and networks. These procedures will incorporate a policy to ensure all employees are reviewed either annually or upon position termination/change. We have initiated changes in procurement practices to preclude any person having the authority to initiate, approve, and receive purchases.

The Director of the Driver License Division or a designee will periodically review a report from our Information Systems Division on all driver license employees' access levels. This report will be reviewed and appropriate action will be taken to ensure that access levels for all driver license employees are authorized at the minimum levels for employees to efficiently perform their assigned job responsibilities.

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## EQUIPMENT

The objectives of our equipment work were to determine whether

- the department has adequate controls in place to ensure that equipment is properly safeguarded and accounted for;
- the department performed an annual physical inventory of all capitalized equipment;
- the information in Property of the State of Tennessee (POST) about the equipment assigned to the department is accurate;
- equipment purchased with federal funds was used in the program that funded the purchase;
- the total of POST acquisitions during the fiscal year ended June 30, 2002, reconciles to the total of the State of Tennessee Accounting and Reporting System (STARS) expenditures charged to equipment for the same period;
- the department maintains proper accountability over the vehicles that are assigned to it by the Department of General Services;
- the department maintains proper accountability over confiscated property;
- lost or stolen equipment is promptly reported to the Comptroller's office and removed from POST timely; and
- the department maintains proper accountability over leased equipment.

We interviewed management to gain an understanding of the procedures that it follows to ensure that all equipment assigned to it is properly accounted for and safeguarded. We asked management about the controls in place to ensure that equipment purchased for the county clerks across the state to use in the title and registration program was properly safeguarded. We obtained from the Department of General Services a listing of all equipment assigned to the department as of January 9, 2003, which cost at least \$5,000. We reviewed the list to determine if all equipment with an acquisition date prior to April 2002 had an inventory date after April 1, 2002. We selected a sample from this list and tested it to determine if the equipment could be found, the information in POST was correct, and equipment purchased with federal funds was being used in the program that funded the purchase. We compared the total cost of all equipment on this list with an acquisition date between July 1, 2001, and June 30, 2002, with the total expenditures in STARS charged to equipment for the same period to determine if the two totals could be reconciled. We obtained from the Department of General Services a listing of all vehicles assigned to the department as of January 21, 2003. We selected a sample of vehicles located in Davidson County and determined if the vehicles could be found, the information about the vehicles was accurate, and the mileage log was up to date. We obtained a list of all confiscated property on hand at the Criminal Investigation Division office in Nashville as of February 27, 2003, and determined if a sample of the property could be found and the inventory log was up to date. We reviewed a sample of the reports of lost or stolen equipment that were sent to our office and determined if the reports were sent timely, and the related adjustments to POST were made timely. We obtained a listing of all expenditures from July 1, 2000, through December 31, 2002, charged to rentals and insurance and investigated any that appeared to be for equipment.

As a result of our discussions and testwork, we concluded that

- the department has adequate controls in place to ensure that equipment is properly safeguarded and accounted for;
- the department performed an annual physical inventory of all capitalized equipment;
- the information in POST for the equipment assigned to the department is not always accurate, as discussed further in Finding 3;
- equipment purchased with federal funds was used in the program that funded the purchase;
- the total of POST equipment acquisitions recorded during the fiscal year ended June 30, 2002, reconciled to the total of STARS expenditures charged to the equipment object code for the same period;
- the department maintains proper accountability over the vehicles that are assigned to it by the Department of General Services;
- the department maintains proper accountability over confiscated property;
- the amount of lost or stolen equipment appeared excessive, as discussed further in Finding 3; however, it was promptly reported to the Comptroller's office and was removed from POST timely; and

- the department maintains proper accountability over leased equipment.

### **3. Controls over equipment are inadequate**

#### **Finding**

As noted in the prior audit, 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. In its response to the prior audit finding, management stated that the property officer has been correcting the information in POST since the completion of the last physical inventory. Management also stated that it had stressed to departmental personnel the importance of keeping the information on its equipment up to date. In spite of these efforts, problems persist.

Testwork revealed that six helicopters assigned to the department, with a total cost of \$1,995,000, were not listed in POST. The total cost is included in the state's financial statements through a manual adjustment outside of POST. Testwork was also performed on a sample of 27 pieces of equipment assigned to the department as of December 11, 2002. The following problems were noted:

- Two of 27 items tested (7%) could not be found. One was a night vision system costing \$5,217.00. The other was a video player costing \$13,500.00.
- Thirteen of 25 items located (52%) were found at a location different from the one shown in POST.
- Three of 25 items located (12%) either had an incorrect serial number in POST or the serial number could not be verified because the serial number on the equipment had been rubbed off.
- One of 25 items located (4%) had an incorrect description in POST.
- Two of 25 items located (8%) had an incorrect model number in POST.
- One of 25 items located (4%) did not have a state tag attached to it.

When the information in POST is not correct, there is an increased risk that equipment could be stolen and the loss not be detected. Furthermore, without accurate information in POST, there is a greater likelihood that the cost of equipment on the state's financial statements will be misstated. From July 1, 2000, through February 3, 2003, the department reported to the Comptroller's office that 143 pieces of equipment costing \$225,050.38 were either lost or stolen. Some of these losses could be attributable to the lack of accountability over equipment items.

## **Recommendation**

Management should follow established policies and procedures for equipment. The helicopters should be added to POST as soon as possible. When equipment is moved, the property officer should be notified so that the information in POST can be changed. The Commissioner should establish policies that ensure that equipment is adequately safeguarded and employees are held accountable for lost or stolen equipment.

## **Management's Comment**

We concur. Helicopters have been added to POST. We will reevaluate our policies on equipment accountability in order to ensure that equipment is properly recorded in POST, that equipment is adequately safeguarded, and that employees are held accountable for lost or stolen equipment.

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## **FINES AND FEES**

The objectives of the fines and fees testwork were to determine whether

- controls over the receipt of fines and fees at the Foster Avenue offices in Nashville were adequate;
- cash receipting procedures at driver's license stations were adequate;
- driver's license renewals could be traced or reconciled from the customer database to the deposit;
- license reinstatements were properly documented, and the amount paid for the reinstatement could be traced or reconciled from the documentation in the Financial Responsibility division and to the deposit of the fine connected with the reinstatement;
- traffic violations and accident reports were posted timely to the driver's records;
- the department's reconciliation of trooper tickets to the "Reports of Fines and Fees" submitted by the counties was completed timely and adequately supports the deposits of fines and fees by the county;
- the monthly "Reports of Fines and Fees" from the cities and counties were accurate and were submitted timely;
- on-line driver's license renewals could be traced or reconciled from the department's driver's license system to the transaction reports from the Internet portal provider and the credit card settlement provider and to the transfer of funds into the state's bank account; and

- the department's procedures for handling bad checks were in compliance with state rules and regulations.

We interviewed management at the Foster Avenue offices and at the 24 driver's license testing centers receiving the largest daily revenue in order to gain an understanding of the procedures used to ensure that cash is properly receipted and driver's records are properly updated. At each of the 24 centers that we visited, we reviewed the most recent daily reconciliation of applications to fees received to determine if the reconciliations were being prepared timely and accurately. We selected a sample of driver's license renewals from the driver's license system with the transaction date of May 2003 and tested these renewals to determine if the amount paid for the renewal could be traced or reconciled to a deposit. We selected a sample of driver's license reinstatements with transaction dates between August 2002 and April 2003 and tested them to determine if the documentation in the Financial Responsibility division related to the reinstatement was proper and the amount paid for the reinstatement could be traced or reconciled to a deposit. We selected a sample of accident reports and traffic violations from the period from August 1, 2001, through June 1, 2002. For the sample accidents, we determined if they were reported within seven days and if the time between the accident and the date that it was posted to the driver's records did not exceed 30 days. For the sample traffic violations, we determined if they were reported within seven days and if the time between the conviction date and the date that it was posted to the driver's record did not exceed 30 days. We reviewed the reconciliation of trooper tickets to the reports of fines and fees submitted by county for the fiscal year ended June 30, 2002, and determined if it was prepared timely and adequately supports the deposits of fines and fees by the county. We reviewed the monthly reports of fines and fees from the driver's license stations for December 2002 to determine if they were submitted timely and were mathematically accurate. We selected a sample of on-line renewals with a transaction date during January 2003 and determined if the renewal could be traced or reconciled from the department's driver's license system to the daily activity report received from the Internet service provider and the daily activity report received from the credit card settlement provider. We then selected the 25 largest bad checks that the department received from July 1, 2000, through April 4, 2003, and determined if the checks were promptly posted to the department's history file and if there was proper follow-up with the person or company that wrote the bad check.

As a result of our discussions and testwork, we concluded that

- controls over the receipt of fines and fees at the Foster Avenue offices in Nashville were adequate;
- cash-receipting procedures at driver's license stations were not always adequate, (Finding 4);
- driver's license renewals could not always be traced or reconciled from the customer database to the deposit (Finding 4);
- license reinstatements were properly supported, but the amount paid for the reinstatement could not be traced or reconciled from the documentation in the

- Financial Responsibility division to the deposit of the fine connected with the reinstatement (Finding 4);
- traffic violations and accident reports were not always posted timely to the driver's records, as discussed in Finding 5;
  - the department's reconciliation of trooper tickets to the reports of fines and fees from the counties was not completed timely and did not adequately support the deposits of fines and fees by the county (Finding 5);
  - the monthly "Reports of Fines and Fees" from the cities and counties were accurate and were submitted timely;
  - the sample of on-line driver's license renewals could be traced or reconciled from the department's driver's license system to the transaction reports from the Internet portal provider and the transaction reports from the credit card settlement provider and the transfer of funds into the state's bank account; however, the department was not performing a regular reconciliation of all activity in the department's driver's license system to the transaction reports received from the Internet service provider and the credit card settlement provider (Finding 6); and
  - the department's procedures for handling bad checks were not always in compliance with state rules and regulations, as discussed further in Finding 7;

**4. The cash receipting procedures and controls at the driver's license stations were not adequate**

**Finding**

Cash receipting procedures and related controls were not adequate at the department's driver's license stations. Testwork revealed that the staff at the driver's license stations did not always perform daily reconciliations of station activity to fees received; did not limit access to the station's change fund; did not properly segregate cash-receipting duties; and did not reconcile cash receipts to the corresponding deposit into the state's bank account.

Auditors performed testwork at 24 driver's license stations during March 2003. The following results were noted:

- Ten stations could not provide auditors with a completed reconciliation of driver's license renewals, moving violation reports, and handgun permits to fees received for the previous day. These stations were Knoxville at 40 west, Gallatin, Murfreesboro, Lebanon, Jackson, Millington, Columbia, Chattanooga 501 and 502, and West Nashville.
- For two stations, Columbia and Knoxville Strawberry Plains, there was no review of the reconciliation of daily license reinstatement activity by someone independent of the person who prepared the reconciliation.

- For four stations? Chattanooga 501, Mall of Memphis, Millington, and Memphis Summer Avenue? the employee who took the deposit to the bank also prepared the reconciliation of cash register activity to the deposit.
- At the Chattanooga 501 station, there was no evidence of supervisory approval of voids, no-sales, and refunds.
- At 15 stations? Blountville, Crossville, Knoxville Strawberry Plains, Morristown, Mall of Memphis, Millington, Lebanon, Murfreesboro, West Nashville, Cookeville, Cleveland, Chattanooga 501, Columbia, Lawrenceburg, and Whitehaven? access to the driver's license station change fund was not sufficiently limited. At one of these stations, the change fund was kept in a towel dispenser.

Testwork performed on a sample of 25 driver's license renewals from across the state disclosed that 8 (32%) of the renewals lacked sufficient documentation in Nashville at the cashier's office to determine if or when the funds were actually deposited. A deposit slip and a daily reconciliation were on file; however, staff did not prepare a detailed listing of cash receipts making up that deposit. Therefore, due to inadequate documentation, auditors were not able to determine if all cash collected was deposited.

The Infopac report of daily license renewals that are used by the staff at the driver's license stations to perform the daily reconciliations does not include license reinstatements. This means that there is less assurance that all reinstatements will be included in the reconciliations performed at the driver's license stations. Furthermore, testwork revealed that staff in Nashville did not perform a reconciliation of driver's license reinstatements issued to the corresponding cash collection and deposit. For a sample of 25 driver's license reinstatements from across the state, auditors could not determine whether any of the money collected for these reinstatements had been deposited. There was documentation about the reasons for the reinstatement and a deposit slip was on file, but staff could not provide a detailed listing of the cash receipts supporting the deposit.

Without proper cash-receipting procedures and controls, there is an increased risk that fraudulent activity could occur at one or more of these stations and go undetected.

### **Recommendation**

The Commissioner should ensure that procedures and controls over cash are established and consistently followed. The Director of the Driver License Division should ensure that the daily reconciliations that are sent to Nashville include a report that lists all cash receipts supporting the deposits and the cash register tapes. The Director of Fiscal Services should monitor the timeliness of each driver's license station's daily reconciliation of applications to fees received. The Director of the Driver License Division should take immediate action to address those stations that are not preparing the reconciliation timely. The Director of the Driver License Division should also consider receiving a daily report of all renewals and reinstatements by station from the driver's license issuance system and including this in the reconciliation

review process in Nashville. This report should also be compared to the daily reconciliations that are sent to Nashville by each station. The Director of the Driver License Division should review the cash-receipting duties at each of the stations and ensure that duties are segregated appropriately to limit access to cash. The Director of Internal Audit should make more unannounced visits to stations on a regular basis. These visits should include cash counts and review of the daily reconciliations, observation of cash-receipting duties, observation of procedures used to secure cash overnight, and an evaluation of the number of staff with access to cash. The Director of the Driver License Division should consider whether all driver's license stations need safes to secure the cash overnight.

### **Management's Comment**

We concur. The Director of the Driver License Division or a designee will continue to work with the Fiscal Services, Internal Audit, and Information Systems divisions to determine the best method of ensuring adequate accounting of all state revenues collected in the driver license stations. Electronic submission will be utilized to the extent possible in order to reduce manual reports and paperwork. The Director of Driver License will continue to work with Internal Audit to ensure that the division's funds management policy is both adequate and that it is being strictly adhered to in our driver license field offices. The Director is exploring all revenues avenues regarding security of both employees and funds at the driver license stations. This includes the possibility of safes, armored car services, and security camera systems. The Director of Fiscal Services will monitor the timeliness of each driver license station's reconciliation of applications to fees received and report the stations not submitting timely reconciliations to the Director of the Driver License Division. The Director of Internal Audit will make more unannounced visits to driver license stations on a regular basis. These visits will include cash counts, review of the daily reconciliations, observation of cash-receipting duties, observation of procedures used to secure cash overnight, and an evaluation of the number of staff with access to cash.

### **5. The department still has not posted accidents and violations to drivers' records timely**

#### **Finding**

Since 1990, the department has not posted accidents or violations to drivers' records in a timely manner. Management concurred with the prior audit finding and stated that it had identified those law enforcement agencies that were not submitting accident reports timely and had sent letters to each of these agencies. Management also stated that it had begun transferring accident and traffic violation data electronically from its outside keying facilities to the mainframe. Management stated that other law enforcement agencies began to receive training on the new scannable crash report in September 2001. However, according to management, as of May 29, 2003, there were approximately 43 agencies statewide that were not using the scannable report, and there were 150,000 crash reports that had been filmed but not posted.

In an effort to speed up the implementation process, management also stated that as of July 1, 2003, the department would no longer accept the old non-scannable reports. However, these changes do not appear to have reduced delays during the audit period.

Testwork was performed on a sample of 25 accident and violation reports (21 violations and 4 accidents) for the period August 1, 2001, through June 1, 2002. The following results were noted:

- For violations, it took staff an average of 121.5 days from the conviction date to post the violation to the driver's record. The time lag ranged from 27 to 252 days.
- For accidents, it took staff an average of 158.3 days from the date of the accident to post the accident to the driver's record. The time lag ranged from 103 to 252 days.

Section 55-10-108, *Tennessee Code Annotated*, requires that law enforcement officers submit accident reports within seven calendar days of completing the investigation. Testwork also revealed that during the audit period, it took an average of 16 days for law enforcement officers to submit the accident reports. The time lag ranged from 6 to 24 days.

Furthermore, because the department has not processed violations timely, it has also not performed the quarterly reconciliation of tickets adjudicated to the fines and fees reports submitted by the counties. The most recent completed reconciliation was for the fiscal year ended June 30, 2002. It was completed in March 2003. Of the 820 tickets that were selected for the reconciliation, 352 listed no fine; however, the department did not follow up with the counties involved to determine why these tickets did not result in a fine. Without adequate follow-up, the reconciliation process is incomplete.

Delays such as these result in the department not promptly identifying unsafe drivers and taking actions, when necessary, to suspend or revoke driving privileges. Late posting may ultimately affect the department's ability to fulfill its primary mission, which is to provide safer highways for citizens of Tennessee. Untimely reconciliations may result in the department not receiving fines to which it was entitled.

### **Recommendation**

The Commissioner should determine why the department cannot post accident and violation reports within one month from the date of occurrence or conviction, and then take appropriate action to revise the process.

### **Management's Comment**

We concur. Action will be taken to identify the obstacles that are preventing the posting of accident and violation reports within one month of conviction. We will examine our current processes and initiate the necessary revisions in our processes in our attempt to achieve the goal of posting both accidents and violations within one month of conviction.

## **6. On-line driver's license renewals were not properly reconciled**

### **Finding**

The department has not reconciled driver's license renewals recorded in the department's driver's license system with the daily report of activity of license renewals received from the National Information Consortium (NIC), the state's Internet portal vendor, and the daily settlement report of license renewals provided by Key Merchant Services, the credit card settlement provider.

Tennessee drivers can renew their Class D or M licenses or identification cards on-line 24 hours a day through the State of Tennessee's homepage (Tennessee Anytime). The Department of Safety relies on NIC to provide the on-line renewal activity for each day. The information includes the name of the person renewing, the license number, and the amount paid. The department also receives information from Key Merchant Services which includes the amount of money settled overnight for each merchant (Visa, American Express, or MasterCard).

In addition, the Office for Information Resources, a division of the Department of Finance and Administration (F&A) provides the Department of Safety with a Safety 12 report of renewal activity generated from the driver's license database at Safety. F&A also prints the renewal stickers that will be sent to the drivers who renew on-line. The renewal sticker has an adhesive back and is attached to the back of the driver's license card. The sticker shows the driver class, address, driver's license number, a control number unique to that card, and the expiration year since the license expires on the person's birthday.

The Safety 12 report shows, for each driver that renewed, the driver license number, the driver's last name, the prior license issued, the type of license issued, the transaction code, and the current fee remitted. However, the report does not show the unique control number that is on the renewal sticker for drivers, and the report has a different cut-off than the reports provided by NIC or Key Merchant Services, thus making reconciliation difficult. Although the Department of Finance and Administration reconciles the cash settlement report from Key Merchant Services to actual transfers into the state's bank account, the Department of Safety does not reconcile the report of renewal activity obtained from NIC to the cash settlement report obtained from Key Merchant Services and to the Safety 12 report obtained from F&A.

If the fiscal staff do not reconcile renewals issued per the state's driver's license system to the reports received from NIC and Key Merchant Services, some renewals could be issued without a corresponding transfer of funds to the state, and any errors could go undetected. Additionally, the inability of the department to account for the renewal sticker control numbers that are issued will further complicate the reconciliation process.

## **Recommendation**

The Commissioner should ensure that the Information Systems director captures critical information, such as the driver's control numbers, which are printed on the renewal stickers, on the legacy report. Furthermore, the Information Systems director should ensure that the cut-off time period of the Safety 12 report matches the cut-off time period of the NIC and Key Merchant Services reports. Exception reports should be developed which show control numbers that have been issued but do not have a corresponding transfer of funds to the state. The Commissioner should also ensure that the Director of Fiscal Services promptly reconciles the activity in the department's driver's license system to the NIC and Key Merchant Services reports.

## **Management's Comment**

We concur. The Information Systems Director will initiate actions to capture critical information, such as the driver's control numbers on its legacy report. Also, the Information Systems Director will initiate actions with NIC and Key Merchants to assure that the Safety 12 report matches the cut-off time period of the NIC and Key Merchants reports in order to enhance a more timely and accurate reconciliation process. The Information Systems Director is in process of developing exception reports, which show control numbers that have been issued without a corresponding transfer of funds to the state. Fiscal Services has begun the reconciliation of the activity in the department's driver's license system to NIC and Key Merchants Services reports. All exceptions of licenses issued without payment are reported to NIC to enable them to process the credit card payments.

### **7. Bad checks were not posted to the database timely**

#### **Finding**

As noted in the prior two audits, the department has not posted bad checks to history files in a timely manner. Between July 1, 2000, and April 4, 2003, bad checks to the department totaled \$7,397.95 for driver's license fees; \$8,462.82 for license reinstatements; \$18,746.40 for other types of personal fees; and \$1,972,882.58 for truckers' International Fuel Tax Agreement (IFTA) fees and International Registration Plan (IRP) fees. The prior audit's testwork focused on the problem of bad checks written for driver's license fees. Management stated in its response to the prior audit finding that it had revised the date of the notification letter which is sent to the person who wrote the bad check in order to give the person more time to correct the problem. The department also provided the driver's license stations with the names of persons who had written at least three bad checks to the department.

Although the bad checks written to the department for driver's license fees were less significant for this audit, testwork revealed that a significant number of bad checks were written for truckers' fuel tax and international registration fees. The amount of the individual bad checks written for IFTA and IRP fees ranged from \$11,743.68 to \$355,683.57.

Testwork on 25 IFTA and IRP bad checks revealed that 12 (48%) were not posted to the history file within 10 days from the date that the department received the returned check. The delays ranged from 11 to 195 business days. In one instance, a company sent the state a total of three bad checks: one dated June 25, 2002, for \$12,532.82; one dated June 25, 2002, for \$11,966.07; and one dated March 7, 2003, for \$72,968.65. Seven of these companies were not sent any notification letters advising them of the bad check and outstanding debt. The other five were not notified timely. The departmental policy requires staff to send the first notification letter within three days after the Commercial Vehicle Enforcement Division receives the bad check from the department's Fiscal Services Division and another letter 45 days later if the payment has still not been received.

If bad checks are not posted timely to the IFTA/IRP database, the state may not be able to recover the money to which it is entitled, and the companies that wrote the bad checks may continue to write them without penalty.

### **Recommendation**

The Commissioner should require the Director of the Commercial Vehicle Enforcement Division to ensure that the IFTA/IRP database is updated within 10 days after the department personnel learn that they have received a bad check. The Commissioner should also advise the Director to enforce departmental policy requiring timely notification letters to companies that write bad checks. Finally, the Commissioner should monitor the division to ensure that policies are followed and should investigate the possibility of prosecuting those companies/individuals who frequently write bad checks.

### **Management's Comment**

We concur. In order to ensure that the IFTA/IRP database is updated within 20 days after the department personnel learn that they have received a bad check, a log will be maintained indicating the date the check was returned, the date the Commercial Vehicle Enforcement Division received the check from the Fiscal Division and the date the database was flagged. All companies who have issued a bad check are being issued a notification letter and each case has been forwarded to the Department of Revenue Tax Enforcement Division for collection in accordance with T.C.A. 55-4-113. The Director of the Motor Carrier Division has been advised and understands the importance of the timely notification to companies that write bad checks. The Director of Internal Audit will perform periodic checks to ensure that policies are being followed. We will investigate the possibility of recommending prosecution of those companies who frequently write bad checks.

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## PAYROLL AND PERSONNEL

The objectives of the payroll and personnel testwork were to determine whether

- the department's controls over payroll and personnel were adequate;
- employees had the level of education and experience needed to satisfy the state's requirements;
- the department verified employees' work history and obtained a criminal history check on commissioned employees;
- overpayments were not material and were promptly repaid;
- the department's list of identification cards issued to commissioned employees is up to date, and expired cards were returned before new ones were issued; and
- lump sum sick leave expenditures were properly supported and in compliance with state regulations.

We interviewed management to obtain an understanding of the procedures used to ensure that controls were adequate. We obtained a list of all commissioned employees as of January 30, 2003, and tested a sample to determine if the employees had the required level of education and experience for their position. We determined if the department verified these employees' work history and obtained a criminal history background check prior to their hiring. We reviewed overpayments reported to our office. We also reviewed the documentation connected with each overpayment to determine if the repayment was timely and the amount of overpayments was not material. We obtained a list of all identification cards that were issued from July 2000 through January 2003 and tested a sample of the names listed as active to determine if the persons were employees as of January 1, 2003. We reviewed the procedures followed when old cards were returned and destroyed to determine if procedures appeared adequate. We obtained a listing of all lump sum sick leave expenditures for officers killed in the line of duty incurred from July 1, 2000, through December 31, 2002, and we determined if the documentation supporting the expenditures appeared adequate and the expenditures were in compliance with all applicable state regulations.

As a result of our discussions and testwork, we concluded that

- the department's controls over payroll and personnel were adequate;
- employees had the level of education and experience to satisfy the state's requirements;
- the department verified employees' work history and obtained a criminal history check;
- overpayments were not material and were promptly repaid;
- the list of identification cards issued to commissioned employees is up to date, and expired cards were returned before new ones were issued; and

- lump sum sick leave payments were properly supported and in compliance with applicable state regulations.

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## **MOTOR VEHICLE TITLE AND REGISTRATION**

The objectives of the motor vehicle title and registration testwork were to determine whether

- controls over the processing of Motor Vehicle Title and Registration receipts were adequate;
- revenue allocation information was properly reported to the Department of Revenue;
- variances in the annual amount of motor vehicle registration collections were adequately explained;
- the daily invoice remittance reports submitted by the county clerks were submitted timely or included a notification letter if submitted late and included detail numbers of the titles and registrations issued;
- the daily summary report information about receipts traced or reconciled to deposit slips;
- the revenue from cultural or specialized license plates was properly apportioned;
- revenue from temporary operator permits and drive out tags reconciled to cash deposits;
- monthly renewal registration transmittal reports were submitted timely by the county clerks, included decal numbers, and were sequentially batched;
- renewals were keyed into the system timely, the information in the system was accurate, and the amount of the renewal reconciled to cash deposits; and
- refunds were only issued for allowable purposes, were properly approved, were properly calculated, and the requests were filed within six months from the date of the overpayment.

We interviewed management to gain an understanding of the procedures being followed to ensure that controls over the processing of Motor Vehicle Title and Registration receipts were adequate. We performed an analytical review of Motor Vehicle Title and Registration fees collected in the fiscal years ending June 30, 2001, and June 30, 2002, and determined if revenue allocations were properly reported to the Department of Revenue. We also compared collections for each class of motor vehicle for each of the two fiscal years, and obtained and verified explanations for any significant variances. We tested a sample of county clerk daily invoice remittance reports for the fiscal years ending June 30, 2001, and June 30, 2002, to determine if the reports and fees were received timely and the reports included the numbers of the titles and registrations issued. We tested a sample month of daily summary reports from the fiscal years

ending June 30, 2001, and June 30, 2002, to determine if the amounts could be reconciled to the deposit slips. We reviewed Section 55-4, *Tennessee Code Annotated*, to determine the cultural or specialty plates that were authorized or made obsolete for the fiscal year ending June 30, 2003. We then performed testwork to determine if new plates were properly added to the apportionment system and obsolete plates were deleted. We reviewed the reconciliations of temporary operator permits and drive out tags revenue received to cash deposits for June 2001 and June 2002 to determine if the reconciliations were properly prepared and the amounts shown on the report could be traced or reconciled to supporting documentation. We tested a sample of monthly renewal registration transmittal reports from the fiscal years ended June 30, 2001, and June 30, 2002, to determine if the reports submitted by the county clerks were timely and were sequentially batched and the decal numbers were included. We selected a sample of renewals from the Title and Registration system with a transaction date of May 9, 2003, to determine if the payment was proper for the particular fee being purchased, the payment reconciled to a deposit, the deposit of the payment was made timely, and the system was updated timely. We selected a sample of refunds during the fiscal years ending June 30, 2001, and June 30, 2002, and tested each to determine if the reason for the refund was proper, the refund was properly approved, the refund was properly calculated, and the refund request was approved only if the person filed the request within six months of the overpayment.

Based on our discussions and the testwork, we concluded that

- controls over the processing of Motor Vehicle Title and Registration receipts were adequate;
- revenue allocation information was properly reported to the Department of Revenue;
- changes in the amount of motor vehicle registration collections were adequately explained;
- the daily invoice remittance reports submitted by the county clerks were submitted timely or included a notification letter if submitted late and included detail numbers of the titles and registrations issued;
- the daily summary report information traced or reconciled to deposit slips;
- the revenue from cultural or specialized license plates was properly apportioned;
- revenue from temporary operator permits and drive out tags reconciled to cash deposits;
- renewal registration transmittal reports were submitted timely by the county clerks, included decal numbers, and were sequentially batched;
- renewals were recorded in the system timely, the information in the system is accurate, and the amount of the renewal reconciled to cash deposits; and
- refunds were only issued for allowable purposes, were properly approved, were properly calculated, and were only approved if the request was filed within six months of the overpayment.

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## LICENSE PLATES AND DECALS

The objectives of the license plates and decals testwork were to determine whether

- the controls over accountability of license plates and decals were adequate;
- the motor vehicle plates and decals issued by the counties reconciled to the revenue received from the counties;
- expenditures charged to items for resale were properly approved, and the receipt of the purchased items was properly documented; and
- year-end physical inventories reconciled to the department's inventory records.

We interviewed management to gain an understanding of the procedures being used to ensure that controls over accountability over license plates and decals were adequate. We requested reconciliations of the number of motor vehicle plates and decals issued by the counties to the revenue received from the counties. We tested a sample of expenditures charged to items for resale to determine if the purchases were properly approved and the receipt of goods was properly documented. We requested the count sheets and inventory listing prepared at June 30, 2002, and determined if the physical inventory could be reconciled to the department's inventory records. On May 5, 2003, we physically counted all inventory items at the department's Charlotte Avenue warehouse that were considered sensitive and were kept in a separate locked section of the warehouse. We determined if the count totals could be reconciled to the warehouse's inventory records.

Based on our discussions and testwork, we concluded that

- the controls over accountability of license plates and decals were adequate;
- management has not been reconciling the motor vehicle plates and decals issued by the counties to the revenue received from the counties, as discussed further in Finding 8;
- expenditures charged to items for resale were properly approved, and the receipt of the purchased items was properly documented; and
- year-end physical inventories were reconciled to the department's inventory records.

### **8. Controls over the reconciliation of motor vehicle plates and decals with revenue are inadequate**

#### **Finding**

As noted in the previous six 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 they would 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.

Management began a monthly reconciliation of the two smallest counties but decided that the effort was too time-consuming. The new system is still not operational, and the department does not know when the new system will be operational.

If the MVD does not periodically reconcile remittances from county clerks with reductions in each county's reported inventory or implement the new system, the department cannot be assured it has received all the revenue it is due. 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. The staff of the Motor Vehicle Title and Registration Division will attempt to periodically reconcile with each county's inventory given the limitations of the current computer system and available manpower.

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## **CONTINGENT AND DEFERRED REVENUE**

The objectives of the Contingent and Deferred Revenue testwork were to determine whether

- controls over the classification and use of contingent/deferred revenue were adequate;
- transactions charged to contingent/deferred revenue were properly classified and in compliance with applicable laws and regulations; and
- confiscated currency was properly safeguarded and accounted for.

We interviewed management to obtain an understanding of the procedures used to ensure that contingent and deferred revenue transactions are properly classified. We obtained a listing of all contingent and deferred revenue transactions. We then tested all federal seizure deferred revenue transactions that did not involve the accrual of interest and a sample of all contingent revenue transactions to determine if the transactions were properly classified and in compliance with applicable laws and regulations. We also selected a sample of confiscated currency receipts from the confiscated currency log maintained by the department and determined if the receipts had been properly safeguarded and accounted for.

As a result of our discussions and testwork, we concluded that

- controls over the classification and use of contingent/deferred revenue were adequate;
- transactions charged to contingent/deferred revenue were properly classified and in compliance with applicable laws and regulations; and
- confiscated currency was properly safeguarded and accounted for.

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## **EXPENDITURES**

The objectives of the expenditure testwork were to determine whether

- controls over expenditures were adequate;
- expenditures charged to professional and administrative services, and grants and subsidies were properly approved, in the proper format, in compliance with the applicable state rules and regulations, and properly supported;
- expenditures charged to awards and indemnities, and unclassified object codes were properly classified, in compliance with state rules and regulations, and properly supported;
- sole-source purchases were properly classified; and
- expenditures charged to travel were in compliance with state travel regulations.

We interviewed management to gain an understanding of the procedures followed to ensure that controls over expenditures were adequate and that expenditures were in compliance with applicable state rules and regulations. We obtained a listing of all expenditure transactions greater than \$10,000 that were not charged to salaries and benefits for the period between July 1, 2000, and December 31, 2002; a listing of travel expenditure transactions which exceed \$500; and a listing of all expenditures charged to awards and indemnities or unclassified which exceeded \$200. We tested a sample from each of these populations to determine if the expenditures were charged to the proper object code, were in compliance with applicable laws and regulations, and were properly supported. We obtained from the Department of General Services a listing of all sole-source purchases made between July 1, 2000, and February 3, 2003. We tested the 17 largest purchases to determine if the purchases qualified for sole-source status. We obtained a summary by vendor of total expenditures incurred between July 1, 2000, and December 31, 2002, that were charged to professional and administrative services or grants and subsidies and tested a sample of those vendor contracts. In this sample, we determined if the contract format was proper for the goods and/or services being provided, the contract was properly approved, and the goods or services being provided were in accordance with the terms of the contract.

Based on our discussions and testwork we concluded that

- controls over expenditures were adequate;

- expenditures charged to professional and administrative services, and grants and subsidies were properly approved and in the proper contract format, were in compliance with the applicable state rules and regulations and contract terms, but were not always properly supported (Finding 9);
- expenditures charged to awards and indemnities and unclassified object codes were properly classified and in compliance with state rules and regulations, and properly supported;
- sole-source purchases were properly classified; and
- expenditures charged to travel were in compliance with state travel regulations.

**9. The department has not properly verified local law enforcement agency annual rosters of peace officers seeking salary supplements**

**Finding**

The Department of Safety has not verified annual rosters, submitted by local law enforcement agencies, of peace officers who are seeking salary supplements. Local law enforcement agencies can receive a salary supplement for police officers in their employment who have completed 40 hours of in-service training. The amount of the supplement is determined each fiscal year by the State of Tennessee Legislature. During the fiscal year ended June 30, 2002, the department incurred expenditures of \$6.3 million for these supplements.

To receive the supplement, each local law enforcement agency sends to the Peace Officer Standards and Training Commission (POST), a division of the Department of Safety, a roster listing key information about each qualifying police officer, including the date and location of in-service training that each officer received during the past calendar year. At the bottom of the roster is the signature of the sheriff or chief of police attesting to the accuracy of the roster. However, the department does not perform any independent verification of the accuracy of the rosters.

Based on a review of the 2001 rosters, two payments were identified as payments to state employees who were not eligible for the salary supplements. Because the department failed to verify these corresponding rosters, a total of \$1,200 was improperly disbursed.

Without an independent verification, it is possible that local law enforcement agencies could include fictitious or unqualified persons on their rosters and receive supplements to which they are not entitled.

**Recommendation**

The Commissioner should establish procedures to independently verify the accuracy of rosters listing names of peace officers who are seeking salary supplements. Independent verification could include regular visits to the local law enforcement agencies to review

supporting documentation and interview the officers whose names are on the rosters. Specifically, local law enforcement agencies need to be notified of restrictions involving supplemental payments to state employees. The department could include such notification as part of the certification language on the roster form. Furthermore, the department should review each improper payment identified in this finding and consider request for repayment.

### **Management's Comment**

We concur. Steps will be taken to independently verify the accuracy of rosters listing names of peace officers that are seeking salary supplements. To the extent of available manpower, we will consider visits to local law enforcement agencies to review supporting documentation and to interview the officers whose names are on the rosters. Local law enforcement agencies will be made aware of restrictions involving supplemental payments to state employees. We will review the improper payment in this finding and consider the request for repayment.

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### **CONFIDENTIAL FUND**

The department has a confidential fund bank account which is used in auto theft undercover investigations by the Criminal Investigation Division.

The objectives of the confidential fund testwork were to determine whether

- approval for the fund was obtained from the Department of Finance and Administration,
- controls over the use of confidential funds were adequate,
- bank signature cards were up to date,
- the amounts on the monthly bank reconciliations were properly documented,
- bank balances reconciled to the monthly inspector reports and the monthly accountability by case number forms,
- money in the possession of the special agents reconciled to the amounts shown on the most recent supervisors' reports,
- bank reconciliations were approved by someone other than the preparer,
- checks that were outstanding for more than one month were investigated,
- cash transfers between officers reconciled to the monthly supervisor's reports,
- payments from the account were properly approved and in compliance with all state regulations and departmental general orders, and
- cash receipts were properly and promptly deposited.

We contacted the Department of Finance and Administration and verified that the bank account had been properly approved and that the authorized amount agreed with the amount in the bank account.

We interviewed management to gain an understanding of the procedures followed to ensure that controls over the confidential fund were adequate. We obtained the bank signature cards that were in effect since July 1, 2000, and determined if the department had kept the information up to date. We obtained the monthly bank reconciliations for the period between July 2000 and January 2003 and reconciled or traced all amounts on the reconciliations to the monthly inspector reports and the monthly accountability by case number forms. We selected the district that had the largest amount of money in the agents' possession as of April 30, 2003, and performed a cash count on May 13, 2003, and May 16, 2003. This consisted of physically counting the money in each agent's possession and reconciling this amount to the most recent monthly supervisor's report, which in this case was the April 2003 report. We reviewed each monthly reconciliation to determine if the reconciliation was approved by someone other than the preparer. We examined all checks to determine if any did not clear within one month and the circumstances surrounding those that did not. We reviewed the monthly supervisors' reports for the months between July 2000 and January 2003 to determine if the cash transferred from officers reconciled to the cash received by the officers. We tested a sample of disbursements made during this period to determine if they were properly approved and in compliance with all state regulations and departmental general orders. We tested all cash receipts shown on the bank statements for July 2000 through January 2003 to determine if the receipts were properly and promptly deposited.

As a result of our discussions and testwork, we concluded that

- approval for the fund was obtained from the Department of Finance and Administration,
- controls over the use confidential bank account funds were adequate,
- bank signature cards were up to date,
- bank balances did reconcile to the monthly inspector reports and the monthly accountability by case number forms,
- money in the possession of the special agents reconciled to the amounts shown on the most recent supervisors' reports,
- bank reconciliations were approved by someone other than the preparer,
- checks that were outstanding for more than one month were investigated,
- cash transfers between officers reconciled to the monthly supervisor's reports,
- payments from the account were properly approved and in compliance with all state regulations and departmental general orders, and
- cash receipts were properly and promptly deposited.

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## **BUILDING LEASES**

The objectives of our review of building leases were to determine whether

- the controls over the use of building leases were adequate,
- applicable rules and regulations were followed when the leases were negotiated,
- lease expenditures were properly recorded in the State of Tennessee Accounting and Reporting System (STARS),
- the lease expenditures complied with the terms of the agreement, and
- the lease expenditures were properly approved.

We interviewed management to gain an understanding of the controls and procedures used to ensure that the buildings were leased for allowable purposes. We tested a sample of lease expenditures incurred between July 1, 2000, and April 30, 2003, to determine if applicable rules and regulations were followed when the leases were negotiated, the lease expenditures were properly recorded in STARS, the lease expenditures reconciled to the terms of the agreements, and the lease expenditures were properly approved.

Based on our discussions and testwork, we concluded that

- the controls over the use of building leases were adequate,
- applicable rules and regulations were followed when the leases were negotiated,
- lease expenditures were properly recorded in STARS,
- the lease expenditures reconciled to the terms of the agreement, and
- the lease expenditures were properly approved.

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## **SECONDARY EMPLOYMENT**

The objectives of our review of secondary employment were to determine whether

- controls over secondary employment were adequate,
- employees on extended sick leave were not approved for secondary employment, and
- employees on extended sick leave were not permitted to work from home unless proper approval had been given in advance.

We interviewed management to gain an understanding of the controls and procedures used to ensure that employees do not work on a second job while they are on sick leave and that they are not paid to work from home unless they have had prior approval. We tested a sample of commissioned employees who were approved for secondary employment between July 1, 2000,

and December 31, 2002, to determine if management made sure that the employees were not on extended sick leave prior to granting its approval. We obtained a listing of all sick leave taken for the employees tested in the sample to determine if it appeared that the employees were using an excessive amount of sick leave since the approval for secondary employment had been granted. We obtained a listing of all departmental employees who received supplemental pay between July 1, 2000, and December 31, 2002, and determined if the pay was for work from home.

Based on our discussions and testwork, we concluded that

- controls over secondary employment were not adequate, as discussed further in Finding 10;
- employees on extended sick leave were not approved for secondary employment, but there were some employees who appeared to be using an excessive amount of sick leave after the approval was granted (this is discussed further in Finding 10); and
- employees on extended sick leave were not permitted to work from home unless proper approval had been given in advance.

#### **10. Controls over secondary employment were inadequate**

##### **Finding**

As noted in the prior audit, the department did not adequately monitor commissioned employees who have a second job to ensure that they are not working the second job while on sick leave from the department. Management stated in its response to the prior audit finding that it would implement procedures to verify the leave status of employees who were applying for secondary employment.

Testwork confirmed that the department does ensure that an employee is not on extended sick leave when approved for secondary employment. However, after the initial approval is given for secondary employment, there are no further reviews to verify that departmental employees are not working on the second job while they are on sick-leave status with the state. Testwork on 25 commissioned employees with secondary employment disclosed that four employees (16%) had taken significant amounts of sick leave, but the department had not confirmed that the employees were not working on their second job.

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.”

In addition, the testwork disclosed that 10 of the 25 requests for secondary employment (40%) were not completed properly. Five requests were not signed by all of the required authorities. Four requests had all appropriate signatures, but the signatories did not indicate

whether they approved or disapproved of the secondary employment. Also, one of the requests did not show the numerical score of the most recent performance evaluation.

If the sick leave of employees with a second job is not monitored and the secondary employment requests are not properly completed, the risk increases that someone could work on a second job while on sick leave from the department, thus violating state regulations.

### **Recommendation**

The Colonel in charge of all commissioned employees should ensure that all requests for secondary employment are properly completed. The Commissioner should ensure that the Director of Human Resources monitors employees who have been approved for secondary employment and who have taken significant amounts of sick leave.

### **Management's Comment**

We concur. The Colonel and/or his designated representative will closely review each secondary employment form submitted for accuracy and omissions to ensure proper completion. The Colonel's Office will be given access to the Leave and Attendance Report to enable periodic reviews of sick leave taken by personnel who are working a secondary job. Any suspected abuse of sick leave by such personnel will be forwarded to the appropriate supervisor for investigation and disposition.

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## **AIRCRAFT**

The department's aviation division has six helicopters: four 206B Bell Jet Rangers and two UH-1H Hueys. The helicopters provide air support for the Tennessee Highway Patrol and other agencies, and assist the Governor's Task Force for Marijuana Eradication. All but one of the helicopters are in current use.

The objectives of the testwork were to determine whether

- controls over the operation and maintenance of the department's aircraft were adequate;
- all aircraft were shown in Property of the State of Tennessee (POST), and the information in POST on the aircraft was accurate;
- the aircraft flight logs were complete and up-to-date;
- all flights were approved in advance by someone other than the pilot; and
- aircraft parts inventory and maintenance documentation were adequate.

We interviewed management to obtain an understanding of the controls and procedures used to ensure that the aircraft was only used for official business and that access to the parts inventory was properly controlled.

We obtained a POST listing as of December 11, 2002, from the Department of General Services and determined if all aircraft were listed and if the information on each was correct. We reviewed each aircraft's flight logs to determine if the logs were complete and up to date. We reviewed all available documentation on each flight to determine if the flights were approved in advance by someone other than the pilot. We reviewed the maintenance contracts that the department has to ensure they were properly approved. We tested a sample of aircraft parts inventory to determine if the quantity shown in the inventory records reconciled to the actual quantity in the storage room.

As a result of our discussions and testwork, we concluded that

- overall controls over the operation and maintenance of the department's aircraft were adequate;
- none of the aircraft were shown in POST, as noted in Finding 3;
- the aircraft flight logs were complete and up-to-date;
- all flights were approved in advance by someone other than the pilot; and
- aircraft parts inventory and maintenance documentation were adequate.

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## **DRIVER TRAINING SCHOOLS**

The department currently administers five different types of driver training schools: Commercial Driver Training Schools (CDT), Court Ordered Schools, Defensive Driving Courses, Cooperative Driving Testing Program (CDTP), and Third Party Commercial Driver License Companies (Third Party CDL).

The purpose of the commercial driving training schools is to prepare persons to take the state's driving and written test for a Class D license. Section 55-19-101 through 19-111, *Tennessee Code Annotated*, grants the Commissioner of the Department of Safety the authority to issue licenses to commercial driver training schools and instructors. The commercial driver training schools and the court-ordered schools are administered through the Safety Education Division. The court-ordered schools are used by the courts as an alternative to posting the violation to the driver's record. Section 55-10-301, *Tennessee Code Annotated*, authorizes the department to approve the instructors for the court-ordered schools.

Section 55-50-505, *Tennessee Code Annotated*, authorizes the department to oversee Defensive Driving Courses. This is carried out by the Driver Improvement Division. The purpose of a Defensive Driving Course is to provide remedial training to motorists who frequently disobey traffic laws.

The purpose of the Cooperative Driver Training Program is to give drivers the knowledge and skills needed to pass the written and skills tests for a Class D license or Class PD learner's permit. The schools actually administer both the written and the skills tests. A person who passes a test given by one of these schools does not have to take the tests given at the department's driver's license examining stations. Section 55-50-322, *Tennessee Code Annotated*, authorizes the department to regulate the Cooperative Driver Training Program.

The Third Party Commercial Driver License Companies provide commercial driver's license (CDL) skills tests, but the companies do not administer the knowledge test. This means that a person who passes a skills test given by one of these companies must take the knowledge test at one of the department's examining stations. Section 55-50-322, *Tennessee Code Annotated*, authorizes the department to regulate Third Party Commercial Driver License Companies.

The objectives of the testwork were to determine whether

- the department has adequate controls in place to ensure that it meets its responsibilities as they apply to driver's training schools, and
- the department has complied with any monitoring or licensing requirements that apply to driver's training schools.

We reviewed the applicable laws and regulations. We interviewed management to obtain an understanding of the controls and procedures used by management to ensure that the department is meeting its responsibilities in the oversight of these schools. We tested all CDTs that were in operation during calendar years 2000, 2001, and 2002 to determine if they were monitored each calendar year. We tested a sample of the CDLs and the CDTPs to determine if there was documentation to show that the schools were monitored during calendar year 2002. Management stated that it was not inspecting the defensive driving courses and was only approving the instructors for the court-ordered schools.

As a result of our discussions and testwork, we concluded that

- the department does not have adequate controls in place to ensure that it meets its responsibilities as they apply to driver's training schools, and
- the department has not always complied with the monitoring or licensing requirements that apply to driver's training schools.

This is discussed further in Finding 11.

## **11. Driver training schools were not properly monitored**

### **Finding**

The department has not performed annual inspections of the state's licensed driver training schools. The department currently administers five different types of driver training programs: Commercial Driver Training Schools, Court Ordered Schools, Defensive Driving Courses, the Cooperative Driving Testing Program, and Third Party Commercial Driver License Companies.

The Commercial Driving Training Schools prepare persons for the state's driving and written test for a Class D license. While the schools do not administer any tests for the state, they do provide 30 hours of classroom instruction and 6 hours of driving instruction.

Section 55-19-101, *Tennessee Code Annotated*, grants the Commissioner of Safety the authority to issue licenses to commercial driver training schools and instructors. Section 55-19-104 of the code permits the Commissioner to prescribe “. . . reasonable requirements for granting of such licenses.” In addition, Department of Safety rule 1340-1-6-.05 states, “Driver training motor vehicles must be presented to designated inspection stations [the school] a least once per year for inspection and certification . . .”

Testwork was performed on all Commercial Driver Training Schools in operation during calendar years 2000, 2001, and 2002. The following results were noted:

- 25 of the 33 schools operating in calendar year 2002 (76%) were not inspected.
- 7 of 30 schools operating in calendar year 2001 (23%) were not inspected.
- 21 of 30 schools operating in calendar year 2000 (70%) were not inspected.

Without proper inspections, the Department of Safety cannot ensure that adequate training is provided by the schools before the state issues licenses.

The Court Ordered Schools are used by the state's courts as an alternative to, or in addition to, adding a violation to a driver's record. The Court Ordered Schools provide training for drivers who have been ticketed for driving violations. Section 55-10-301, *Tennessee Code Annotated*, requires such schools to be approved by the department. The audit testwork revealed that the department does not maintain an up-to-date list of all such schools and has not monitored these schools.

Section 55-50-505, *Tennessee Code Annotated*, also authorizes the department to oversee Defensive Driving Courses. These courses provide remedial training to motorists who frequently disobey traffic laws. Auditor inquiry revealed that the department has not monitored these courses beyond the initial approval of the instructors.

Section 55-50-322, *Tennessee Code Annotated*, authorizes the department to regulate the Third Party Commercial Driver License Companies (CDLs) and the Cooperative Driver Training

Program (CDTP). The CDLs teach and administer the skills portion of the driver's license test. The CDTPs teach and administer both the knowledge and the skills portions of the driver's license test. CDLs and CDTPs provide certificates when students pass their tests. The certificates can be presented to one of the department's driver's license examining stations in lieu of taking the state's test.

Testwork was performed on a sample of 26 of the CDLs and CDTPs to determine how well the department was monitoring them. Testwork revealed the following:

- Eleven of 26 (42%) were not inspected in calendar year 2002.
- Two of the 26 (8%) did not have the required application on file as required by departmental rule 1340-1-13-.22 (1) (a), which states

Companies desiring authorization to administer third party commercial driver license (CDL) skills tests may be certified by the State providing they file an application in compliance with Department procedure and meet the requirements of this section.

If schools are not inspected annually, it is likely that the quality of the programs will vary significantly from one school to another, and the overall quality of the training provided will suffer.

### **Recommendation**

The Commissioner should ensure the Directors of the Safety Education and Driver's License Issuance Divisions inspect all driver training schools at least once each calendar year. The department should provide each school a copy of the inspection report.

### **Management's Comment**

We concur. The Directors of the Safety Education and the Driver's License Issuance have developed a schedule to ensure that all driver training schools will be inspected at least once each calendar year. We will provide each school a copy of the inspection report.

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## **TITLE VI OF THE CIVIL RIGHTS ACT OF 1964 AND TITLE IX OF THE EDUCATION AMENDMENTS OF 1972**

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 each year.

The Department of Safety filed its compliance reports and implementation plans on July 22, 2002, and July 2, 2001.

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. 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.

Section 4-4-123, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title IX of the Education Amendments of 1972 to submit an annual Title IX compliance report and implementation plan to the Department of Audit by June 30, 1999, and each June 30 thereafter. Title IX of the Education Amendments of 1972 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no one receiving benefits under a federally funded education program and activity is discriminated against on the basis of gender.

Our objectives were to determine whether the department filed its compliance reports and implementation plans under Title VI and Title IX. We reviewed the reports and plans that were available.

We determined that the department did not file the Title IX compliance reports or implementation plans for the years ended June 30, 2001, and June 30, 2002. This is discussed further in Finding 12.

## **12. The department did not submit a Title IX implementation plan**

### **Finding**

The Department of Safety did not submit the Title IX compliance reports and implementation plans that were due June 30, 2001, and June 30, 2002, in compliance with Section 4-4-123, *Tennessee Code Annotated*. The department received federal funds through the state Department of Education to conduct training of Drug Abuse Resistance Education (DARE) officers and to monitor the DARE programs across the state. Since the funds financed education classes that were open to the public, the department was subject to the requirements of Title IX of the Education Amendments Act of 1972.

Section 4-4-123, *Tennessee Code Annotated*, states, “Each such entity of state government shall submit annual Title IX compliance reports and implementation plan updates to the department of audit by June 30, 1999, and each June 30 thereafter.”

The absence of a Title IX implementation plan, annual compliance reviews, and plan updates could indicate that inadequate attention is given to preventing discrimination on the basis of gender.

### **Recommendation**

The Commissioner of the Department of Safety should appoint a Title IX coordinator to be responsible for the requirements of Title IX and to prepare the required implementation plan, plan updates, and annual compliance review reports.

### **Management's Comment**

We concur. The department will contact the State's Title IX coordinator to determine the procedures required to comply with requirements of Title IX, including the required implementation plan, plan updates, and annual compliance review reports.

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## **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 objective was to determine whether the department's June 30, 2002, and June 30, 2001, responsibility letters were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*.

We reviewed the June 30, 2002, and June 30, 2001, responsibility letters submitted to the Comptroller of the Treasury and to the Department of Finance and Administration to determine adherence to submission deadlines.

We determined that the Financial Integrity Act responsibility letters were not submitted on time. The letter due June 30, 2001, was received from the department July 24, 2001. The letter that was due June 30, 2002, was received on July 19, 2002.

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## COMPUTER SECURITY

The specific objective of our review of controls relating to computer security at the Department of Safety's Foster Avenue computer room was to determine whether adequate physical and environmental controls over network security equipment have been implemented.

We interviewed key Department of Safety personnel to gain an understanding of the department's physical and environmental controls over network equipment, and performed observational testwork for those controls.

Our testwork revealed that the physical controls over network equipment were inadequate (Finding 13.).

### **13. Adequate physical controls were not present for the Department of Safety's Foster Avenue computer room**

#### **Finding**

During the current period, that adequate physical controls were not in place for computer network equipment located in the Foster Avenue campus computer center for the Department of Safety. Among this equipment was a firewall module responsible for providing network security for the department's Foster Avenue campus network segment. A firewall module is a hardware and/or software device that either accepts or denies network traffic based on a set of predetermined rules. During audit testwork, it was discovered that the doors to the computer room lacked locks or other access controls that would prevent unauthorized access to the facility. The Department of Safety is attempting to obtain a security system but cannot provide an estimate of when adequate physical controls will be implemented.

In accordance with industry accepted standards, all computer equipment should be adequately protected from theft or tampering.

Failure to provide adequate physical controls increases the risk that the computer network equipment, including the firewall module, could be inappropriately altered, sabotaged, or stolen.

#### **Recommendation**

The Commissioner should ensure that all critical equipment is located in a facility which possesses adequate physical controls.

## Management's Comment

We concur. Electronic locks have been installed on all doors to the computer room at Foster Avenue. Timed entries can only be obtained for those persons carrying authorized proximity cards cleared by the Information Systems Director. These locks became operational on September 10, 2003. A log is maintained for all entries. This electronic locking system has also been extended to the main entry doors of the Menzler-Nix building.

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## APPENDIX

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Department of Safety divisions and allotment codes:

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