

AUDIT REPORT

Department of Children's Services

May 2009



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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DIVISION OF STATE AUDIT**

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May 14, 2009

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable Viola Miller, Commissioner
Department of Children's Services
Cordell Hull Building, Seventh Floor
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Children's Services for the period April 1, 2006, through October 31, 2008.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Management of the Department of Children's Services is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's management 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.

May 14, 2009
Page Two

We have reported other less significant matters involving the department's internal control and instances of noncompliance to the Department of Children's Services' management in a separate letter.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." The signature is written in a cursive style with a large initial 'A' and a distinct 'Jr.' at the end.

Arthur A. Hayes, Jr., CPA
Director

AAH/cj
08/078

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Department of Children's Services
May 2009

AUDIT SCOPE

We have audited the Department of Children's Services for the period April 1, 2006, through October 31, 2008. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of the Children's Trust Fund, the state-funded Foster Care program, the Chafee Foster Care Independent Living Program, administrative leave, miscellaneous issues, Title VI of the Civil Rights Act of 1964, and Title IX of the Education Amendments Act of 1972. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDINGS

The Department of Children's Services Had Numerous Policy Violations for the Independent Living Program, Resulting in Unauthorized Benefits, Missing Plan Updates, Missing Contacts With Participants, Ineffective System Edits, Charges Not Connected to Participants, Unallowable Services, and the Expenditure of State Funds Instead of Available Federal Funds*

Testwork on 25 case files uncovered one or more department policy violations in 20 of those files. Numerous other problems were noted with the recording of charges for services (page 7).

To Ensure Better Accountability for Bank Accounts, Existing Policies for Imprest Accounts Should Be Followed, Inactive Accounts Should Be Officially Closed, and Changes Should Be Made to Policies for Youth Savings Accounts

A review of the department's accountability for bank accounts disclosed a need for improvement. Testwork disclosed three specific problems with departmental bank accounts (page 19).

The Department Continues Not to Obtain Approval for Discretionary Leave With Pay, as Noted During the Previous Audit, and Did Not Mitigate the Risk of Payments for Excessive or Inappropriate Leave*

Of the 21 employees with discretionary leave with pay exceeding 30 days, 8 (38%) did not have leave approved by the Commissioner of the Department of Human Resources during the pay periods from April 15, 2006, through May 31, 2008, although requests for approval had been submitted for three of the employees (page 11).

The Department of Children's Services Failed to Promptly Terminate the Service for Unused Telephone Lines, Resulting in Estimated Unnecessary Costs to the State of \$7,000 per Month

The Director of Information Systems for the Department of Children's Services is responsible for ensuring that unused telephone lines are disconnected in a timely manner. Our review showed that the department incurred unnecessary costs by its failure to disconnect telephone lines that were not being used, and \$927 paid during May 2008 for telephone lines was paid for questionable lines (page 16).

An Improper Agreement Between a Supervisor and an Employee Resulted in Inappropriate Travel Reimbursements for the Employee in Excess of \$14,000

Our review of an employee's travel from July 2006 through November 2007 revealed that the employee claimed commuting mileage to and from his home and his official station when not traveling to other destinations; stayed in hotels at his official station; and claimed per diems at his official station (page 18).

The Department of Children's Services Did Not Prepare a Title IX Implementation Plan

The department did not prepare a Title IX implementation plan as required by Section 4-4-123, *Tennessee Code Annotated*. Title IX prohibits discrimination on the basis of gender in federally funded education programs and activities (page 14).

* This finding is repeated from the prior audit.

Financial and Compliance Audit Department of Children's Services

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Financial and Compliance Audit Department of Children's Services

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Department of Children's Services. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which requires 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.

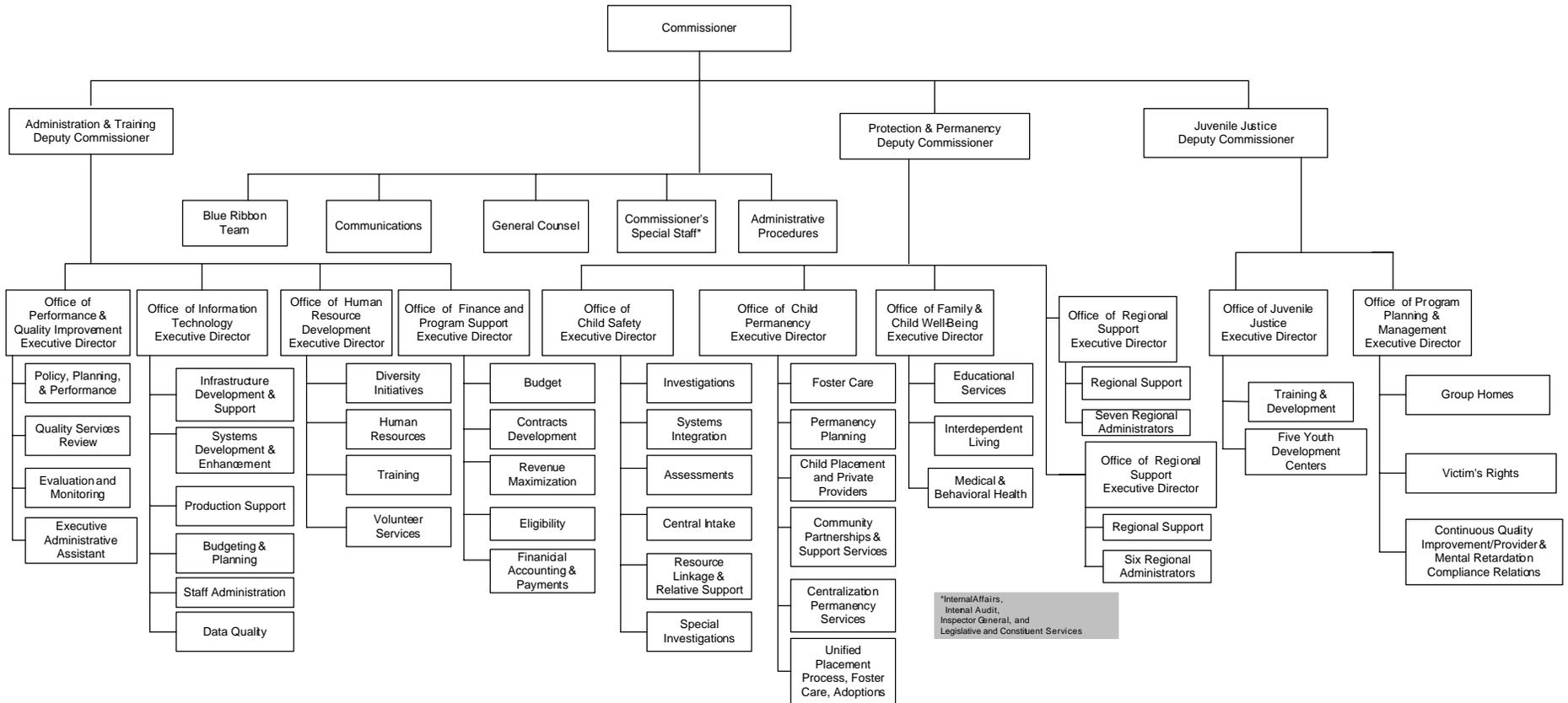
BACKGROUND

The Department of Children's Services was created by the 1996 Public Acts Chapter 1079 on May 21, 1996. The former Department of Youth Development and the Department of Finance and Administration's Office of Children's Services Administration were combined along with certain functions from the Departments of Human Services and Health concerning the welfare of children.

In cooperation with families, local communities, juvenile courts, and schools, it is the mission of the Department of Children's Services to provide timely, appropriate, and cost-effective services for children in state custody and at risk of custody, so these children can strive to reach their full potential as productive, competent, and healthy adults. The department is to provide appropriate care for children and youth in state custody, in close proximity to their homes, and return them to their families or provide for permanency in a timely manner; work with communities to provide prevention and intervention services to protect children, strengthen families, and supervise youthful offenders; increase community involvement, local decision making, and accountability for funding and services; and create an effective management and delivery system to ensure services are provided in a timely and cost-effective manner.

An organization chart of the Department of Children's Services is on the following page.

Department of Children's Services Organization Chart



AUDIT SCOPE

We have audited the Department of Children's Services for the period April 1, 2006, through October 31, 2008. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of the Children's Trust Fund, the state-funded Foster Care program, the Chafee Foster Care Independent Living Program, administrative leave, miscellaneous issues, Title VI of the Civil Rights Act of 1964, and Title IX of the Education Amendments Act of 1972. The audit was conducted in accordance with generally accepted government auditing standards.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Children's Services filed its report with the Department of Audit on July 25, 2007. 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 Children's Services has corrected the previous audit findings concerning the department holding over \$14 million for which the rightful owner is unknown and not transitioning youth to adult services in a reasonable time, resulting in improper payments of over \$365,000 to or on their behalf.

REPEATED AUDIT FINDINGS

The prior audit report also contained findings concerning the department violating its own eligibility requirements for the Independent Living program and not obtaining approval for discretionary leave with pay. These findings have not been resolved and are repeated in the applicable sections of this report.

Most Recent Audit Reports

Report number 08/012 – The Department of Children’s Services’ *Audit Results from the Comprehensive Annual Financial Report and Single Audit Procedures*, issued in April 2008, contained certain audit findings that were included in the *State of Tennessee Single Audit Report*. These findings were not relevant to our current audit, and, as a result, we did not pursue their status as a part of this audit.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

CHILDREN’S TRUST FUND

As a representative payee on behalf of children in state custody, the department is entrusted to maintain accounting for each individual child’s money and to follow certain federal and state regulations. The Children’s Trust Fund consists of money received from the U.S. Social Security Administration for Social Security payments and Supplemental Security Income benefits; the U.S. Veterans Administration, Miners, and Railroad benefits; and child support payments from parents whose children are in custody. The money in each individual’s account may be used to reimburse the state for current and future expenditures made on behalf of the child. When a child leaves custody, it is the department’s responsibility to return the child’s surplus money to the Social Security Administration within 60 days.

Our primary objectives were to follow up on the prior audit finding concerning the lack of trust fund account reconciliations and the untimely return of the remaining balances in the children’s accounts to the Social Security Administration, and to determine whether the department performed and maintained accurate individual monthly accountings for the children receiving benefits.

To accomplish our objectives, we made inquiries of management and interviewed key department personnel to document and evaluate the department’s controls over the children’s trust fund transactions. We reviewed documentation and made inquiries of management to determine if the department had prepared a reconciliation between the total of the individual children’s trust funds and the total balance reported to the State of Tennessee Accounting and Reporting System (STARS), if the monthly accountings were performed and maintained, and if refunds to the Social Security Administration were made according to Chapter 0250-7-10-.11(5) of the department’s rules.

As a result of our inquiries, interviews, and reviews, we determined that the monthly accountings were performed and maintained, and a reconciliation was performed between the total of the individual account balances comprising the Children’s Trust Fund and the total balance reported to the STARS. The department did return the children’s money to the Social Security Administration as required.

STATE-FUNDED FOSTER CARE

In addition to using federal funds to care for children in state custody, the department uses state funds to pay foster parents to care for the children. The department utilizes the Children's Plan Financial System to manage the foster care payments. Payments, through this system, are paid to foster parents who contracted with the department directly. These payments should be stopped when youth leave state custody or age out of foster care at age 18, or 19 if the youth are delinquent. Youth, if eligible, could continue to receive services from the department until their 23rd birthday.

Our primary objectives were to determine whether state funded foster care payments were for eligible youth and whether the department transitioned youth to the appropriate programs or placements in a timely manner.

To accomplish our objectives, we made inquiries of management and interviewed key department personnel to document and evaluate the program's internal controls. We reviewed relevant written policies and procedures. We searched for payments for individuals 19 and over and determined if the youth's payments were allowable according to policy. We reviewed certain case recordings in TNKids to determine if the department transitioned youth to appropriate placements or programs in a timely manner.

As a result of our inquiries, reviews, and testwork, we determined that payments were for the care of youth who were eligible to receive foster care services and that the department did transition youth in foster care to appropriate placements or programs in a timely manner.

CHAFEE FOSTER CARE INDEPENDENT LIVING

The Foster Care Independence Act of 1999 offers assistance to young adults transitioning out of foster care and into independent living. A significant portion of the Foster Care Independence Act deals with the creation of the John Chafee Foster Care Independence Program. The purpose of the Chafee Independent Living Program is the provision of more flexible funding to enable states to design and implement a variety of programs to assist children in the process of making the transition from foster care to independent living.

The Department of Children's Services (DCS) provides Independent Living Services to youth 14 through 17 years of age who are in state custody. Youth adjudicated delinquent and in state custody may receive specified Independent Living services after reaching 18 up to their 19th birthday, commensurate with their placement status. DCS provides Voluntary Post-Custody Services to eligible young adults exiting custody at 18, and requesting to receive such services prior to their 19th birthday. Voluntary Post-Custody services may be provided up to the 21st birthday and in some cases may be extended up to the 23rd birthday based on a young adult's status and continued eligibility. Other youth who exited state custody to permanency via adoption or subsidized permanent guardianship at or after age 16 are eligible for specified

Independent Living Services. Eligible youth and young adults shall receive a full array of developmentally appropriate services to prepare them for Independent Living or to assist with normalizing their life experience. Provision of these services must promote a Chafee Foster Care Independent Living goal, to include educational progress, employment, maintenance of physical and mental health care, housing opportunities, the formation of supportive adult relationships, knowledge of and access to community resources, the acquisition of skills to increase financial viability, and daily life skills. These benefits are not entitlements but designed to support assessed needs and concrete goals.

Our primary objectives were to determine whether

- payments were made only to eligible youth;
- expenditure amounts did not exceed the established limits for financial assistance;
- expenditures were charged under the approved codes; and
- case managers made face-to-face contact with the youth at least once every two months and made monthly telephone or email contact.

To accomplish our objectives, we made inquiries of management and interviewed key department personnel to document and evaluate the department's internal controls over the requirements of the program and reviewed relevant written policies and procedures. We compared expenditures obtained from the system for paying recurring Independent Living expenditures to the preset limits to determine if expenditures for the grant exceeded the established limits. We also searched the expenditure listing to ensure only approved codes were used. In addition, we reviewed case files for youth participating in the post-secondary program to ensure application forms and service contracts (plans) were completed by youth in the program. We also reviewed TNKids to determine whether case managers contacted the youth face to face at least once every two months and contacted them monthly by telephone or e-mail to verify continuing school attendance. We reviewed case files for transcripts and invoices to determine that the youth maintained sufficient grade point averages and attended school full-time unless a waiver was in place.

As a result of the interviews, the testwork performed, and the review of policies and procedures, we determined expenditure amounts exceeded the established limits for financial assistance, and expenditures were not charged under the approved codes. We also determined the department paid for services for youth who were not eligible to receive services under the Independent Living program, and TNKids case recordings did not always indicate that case managers made face-to-face contacts every two months and telephone or email contact monthly. See finding 1.

1. **The Department of Children’s Services had numerous policy violations for the Independent Living program, resulting in unauthorized benefits, missing plan updates, missing contacts with participants, ineffective system edits, charges not connected to participants, unallowable services, and the expenditure of state funds instead of available federal funds**

Finding

As noted in the prior audit, covering the period March 1, 2004, through March 31, 2006, the Department of Children’s Services (DCS) has violated its own policies for the Independent Living (IL) program. Management concurred with the prior finding and stated:

. . . Policy 16.53 Post-Secondary Education-Bright Futures Education and Training Vouchers (ETV) is being reviewed and updated to a) expand the parameters of eligibility for postsecondary students to attend school part-time, work part-time and maintain ETV, and b) expand the parameters of ETV eligibility for post-secondary students who may not access the Pell Grant for a legitimate reason. The plan for remediation includes ensuring that no ETV applications are processed without written waivers for students who must legitimately attend school part-time and work part-time.

Also, the plan for remediation includes ensuring that no ETV applications are processed without the previous semester or term’s academic transcript information, and written waivers for students who fail to maintain adequate academic progress but qualify for a probationary term or semester.

The current audit indicated that management’s actions had corrected previous problems concerning

- youth not eligible for Pell Grant funding and therefore not eligible for the program;
- the improper payment of incentives while the youth was not in school;
- the improper payment of incentives for youth receiving a foster care board rate; and
- youth who were ineligible because of poor grades.

In the current audit, problems continued to exist concerning

- youth who were ineligible because they were not enrolled full-time in school;
- missing transcripts; and
- missing face-to-face and telephone contacts.

Twenty of 25 Files Contained Policy Violations

A sample of 25 youth receiving IL services enrolled in post-secondary schools during the spring 2008 semester was tested. Testwork on the case files uncovered one or more department policy violations in 20 of those files.

Five youth were, according to their documentation, enrolled as part-time students, but these youth did not have justification and approval for their part-time status in their files. Policy 16.52, H.4, states, "Part time attendance requires a written justification and advance approval from the Director of Independent Living or Designee." In addition, the transcripts for two additional youth were missing. As a result, we could not determine if these two youth met the full-time requirement. Management did not ensure, as stated in response to the prior audit finding, that no ETV applications are processed without the previous semester or term's academic transcript information.

As was the case in the prior audit, required contacts with program participants often were not made. Fifteen young adults failed to receive from one to three required face-to-face contacts, and/or one to six telephone contacts from their Family Services Worker. Policy 16.54, E.5, states that face-to-face contact is required every other month, and there should also be monthly telephone or e-mail contact.

Fourteen youth had no documentation to show their IL Plan had been updated every six months. Policy 16.51, A.3, states the IL Plan should be developed for all young adults receiving DCS Voluntary Post Custody Services, and it is the responsibility of the assigned Family Service Worker to update the plan at least every six months. In December 2008, the policy was revised to require only a yearly update.

Six youth did not have an IL Allowance Agreement in their file at the IL office. According to Policy 16.56, C.3, the Independent Living Program Specialists are to ensure that the eligible young adults sign the agreement, and according to the agreement, one copy of the form must be placed in the youth's folder.

The Children's Plan Financial System (ChiPFinS) is the system for paying recurring IL expenditures. The department uses ChiPFinS to record, classify, and issue disbursements for the IL program. In ChiPFinS, staff use different cost centers to identify the source of the funding (federal or state) and procedure codes to identify the nature of the expenditure (e.g., tuition, car repairs, and educational testing fees). ChiPFinS uses edit checks on certain procedure codes to ensure compliance with established dollar limits. During fieldwork, we noted several deficiencies associated with the classification of disbursements for the IL program.

System Edits Rendered Ineffective

During fieldwork, we noted that the department combined procedure codes into either previously existing procedure codes or new procedure codes. Since the procedure codes were combined to include multiple services in one procedure code, the edits used by the system could

no longer be used to effectively monitor for service costs that exceeded the established dollar limits. Management could not provide us with a valid business reason for making this change. Later in the audit period, management separated the procedure codes again.

Disbursements Were Not Associated With Specific Children

A total of \$96,046 was charged to the federal cost center and was not assigned to children. The failure to associate payments with children increases the risk that payments are made for individuals not eligible for the program or which exceed allowable limits without being detected.

State Funds Used Instead of Available Federal Funds

Using computer-assisted audit techniques, we discovered that for a federal cost center, no disbursements were recorded in the “Educational Personal Expense Grant” procedure code. Instead, this procedure code was used in the state cost center where approximately \$34,000 of costs was charged. Based on discussion with management, it is likely that many of the disbursements should have been recorded in the federal cost center instead of the state cost center.

In another case, the federal cost center had a procedure code for rental assistance disbursements; however, rental assistance totaling \$153,322 was incorrectly recorded as state disbursements.

Unallowable Services

Testwork also revealed that costs totaling \$3,675 were charged to procedure codes representing services that are unallowable for the IL program. A total of \$3,375 was funded with state dollars with the remaining \$300 being funded with federal dollars.

Management has policies in place for the IL program. It seems that the department chooses not to follow the policies that it has put in place. By not following its policies, the department allows young adults to receive services for which they are not qualified, thereby using funds that could benefit young adults who are eligible for the services. In addition, the failure to properly record costs can result in improper funding of costs with state dollars instead of with federal dollars.

Recommendation

The program director should ensure that adequate controls are designed, implemented, and maintained to ensure that young adults receiving services through the IL program are meeting the requirements set forth by DCS. Only full-time students or part-time students with written waivers should receive benefits.

The Commissioner or designee should ensure that adequate controls are designed, implemented, and maintained to ensure young adults who move from foster care into IL services receive the necessary case manager contacts and are provided sufficient support to enable a successful transition into adulthood.

The Executive Director of Finance and Program Support with assistance from the Commissioner should

- develop procedures to search for disbursements that exceed limits and improper disbursement procedure or cost center coding;
- ensure that all disbursements are associated with program enrollees; and
- ensure that the procedure code and cost center structure assist in ensuring adherence to established limits and ensure proper funding of program costs.

Management should ensure that other risks of noncompliance, fraud, waste, or abuse are adequately identified and assessed in their documented risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and taking prompt action should exceptions occur.

Management's Comment

We concur. Management has taken a number of corrective action steps relative to the findings noted above. The Director of Independent Living and the Executive Director of Office of Finance and Program Support (OFPS) are responsible for implementing the following changes:

Director of Independent Living Program –

- Independent Living Policies 16.51 through 16.56 have been reviewed and updated to provide a greater clarity for Central Office and Regional Staff in carrying out the program objectives with a focus on the execution of documented plans targeted at positive results for these young adults.
- Independent Living Allowance (ILA) agreements are now being maintained in the Central Office. Also, additional emphasis is being placed on appropriate case documentation, including appropriate supporting documentation for expenditures (transcripts, contact information, etc). This will help ensure appropriate eligibility requirements and other documentation standards are met prior to approval of payments.

- Effective April 2009, Program Coordinators and Program Specialists for each region started monthly reviews of a sample of case files to ensure that young adults are receiving appropriate supervision and services and that planning activities are up to date.

Executive Director OFPS –

- Accounts Payable requires appropriate supporting documentation for qualified program enrollees prior to disbursements related to the Independent Living Program.
- OFPS has corrected the error discovered in system setup. Procedure codes have been uncollapsed. Accordingly, disbursements are within program limits and costs are recorded to correct cost centers.
- Fiscal staff will scrutinize accounting transactions and analyze account balances to ensure correctness of accounting records and funding sources.
- Development of the DCS TFACTS (Tennessee Family and Children Tracking System) is also underway and will include improved system controls. DCS Risk Assessment will include various activities to detect/prevent instances of noncompliance, fraud, waste, or abuse related to funds of the Independent Living Program.

ADMINISTRATIVE LEAVE

Our primary objective was to determine if approval was obtained from the Department of Human Resources (DOHR) for employees on paid administrative leave as required by policy. We interviewed department personnel, reviewed written policies and procedures, and tested all employees who were on administrative leave for more than 30 calendar days to ensure that the leave had been approved by DOHR.

As a result of the interviews and testwork performed, we determined that the department did not obtain approval as required by policy for some employees who received administrative leave with pay. See finding 2.

2. **The department continues not to obtain approval for discretionary leave with pay, as noted during the previous audit, and did not mitigate the risk of payments for excessive or inappropriate leave**

Finding

As noted in a previous audit finding, the Department of Children’s Services (DCS) did not obtain approval from the Department of Human Resources (DOHR) (formerly the Department of Personnel) for discretionary leave with pay that extended beyond 30 days.

Management concurred with the finding and stated that the department previously revised DCS Policy 4.26 to comply with the DOHR policy and created and disseminated a form letter to be used by staff when requesting to extend discretionary leave with pay past 30 days. Management did modify DCS Policy 4.26; however, despite these efforts, there were still problems. Management felt that the problems noted in the current audit were because regional offices failed to inform the central office about administrative leave that went beyond 30 days.

Prior to January 24, 2008, DOHR policy required that periods of leave exceeding 30 days must be approved by the Commissioner of DOHR. On January 24, 2008, the Commissioner of DOHR changed the policy to require advance approval of all administrative leave where practical. The policy also states that leave can be granted retroactively in cases where there is a concern of safety of persons or property.

The administrative leave with pay for employees whose leave exceeded 30 calendar days was tested for approval from the Commissioner of the Department of Human Resources. Of the 21 employees with discretionary leave with pay exceeding 30 days, 8 (38%) did not have leave approved by the Commissioner of DOHR during the pay periods from April 15, 2006, through May 31, 2008, although requests for approval had been submitted for three of the employees.

The employees were placed on leave during official investigations for such matters as gross misconduct, insubordination, betrayal of confidential information, official misconduct, misuse of official information, and sexual harassment. Because of management's failure to follow the state's prescribed policy, the department did not have the necessary authorization to pay the discretionary leave for the portion of the leave that extended beyond 30 days. Unauthorized payments to these eight employees totaled \$73,705.

According to the DCS Executive Director of Human Resource Development, the department now receives a report from DOHR every pay period listing all employees coded as being on administrative leave. He stated that using this report, his staff are able to monitor the reason and the length of time anyone is on administrative leave.

The failure to receive the required approvals from the Commissioner of DOHR increases the risk that unnecessary administrative leave is paid.

Recommendation

The Commissioner should take appropriate steps to make it clear to all staff that it is everyone's responsibility to ensure compliance with the policy on discretionary leave with pay. The Executive Director of Human Resource Development should ensure that all administrative leave with pay has the approval of the Commissioner of DOHR.

Management should ensure that risks such as these noted in this finding are adequately identified and assessed in documented risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls to prevent

and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and taking prompt action should exceptions occur.

Management's Comment

We concur. DOHR policy was changed January 24, 2008, to require advance approval from the Commissioner of Human Resources of all administrative leave where practical. DCS policy 4.26 was changed to reflect DOHR policy. The DCS policy change became effective March 1, 2008.

The DCS Executive Director of Human Resource Development has also disseminated correspondence to the DCS Core Leadership Team, the Regional Administrators, YDC Superintendents, and Group Home Directors emphasizing that administrative leave with pay may only be granted with the Commissioner of Human Resources' advance approval. Accompanying the memo from the ED was the policy memorandum from DOHR and DCS policy 4.26. Additionally, the topic of administrative leave with pay has been discussed on several occasions with DCS regional HR staff on the bi-weekly HR conference call.

The DCS HR Manager 2 continues to monitor reports from DOHR each pay period to ensure that no employees have been coded as receiving administrative leave with pay without proper approval. Should policy exceptions occur, the HR Manager will inform the Executive Director of Human Resource Development, who will be responsible for taking the appropriate, timely action to correct the situation.

DCS Central Office HR will continue to periodically disseminate information to DCS managers to remind them that only the Commissioner of Human Resources can approve administrative leave with pay.

Administrative leave with pay has also been identified as a risk factor and is included in the HRD risk assessment document.

TITLE IX OF THE EDUCATION AMENDMENTS ACT OF 1972

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 objective was to determine whether the department filed its compliance reports and implementation plans under Title IX. We discussed the need to develop and implement plans with management. We determined that the Department of Children's Services has not developed and submitted a Title IX implementation plan. See finding 3.

3. **The Department of Children’s Services did not prepare a Title IX implementation plan**

Finding

The department did not prepare a Title IX implementation plan as required by state law. Section 4-4-123, *Tennessee Code Annotated*, requires each state government entity subject to Title IX of the federal Education Amendments of 1972 to develop an annual Title IX implementation plan. The department does receive federal funding for education through the Special Education grants and does not claim an exemption from Title IX compliance. Title IX prohibits discrimination on the basis of gender in federally funded education programs and activities.

Section 4-4-123, *Tennessee Code Annotated*, states:

(a) Each entity of state government that is subject to the requirements of Title IX of the Education Amendments Act of 1972, compiled in 20 U.S.C. § 1681 et seq., and regulations promulgated pursuant to Title IX, shall develop a Title IX implementation plan with participation by protected beneficiaries as may be required by such law or regulations. To the extent applicable, such plan shall include Title IX implementation plans of any subrecipients of federal funds through the state entity. Each such entity of state government shall submit annual Title IX compliance reports and implementation plan updates to the department of audit by October 1, 2008, and each October 1 thereafter. . . .

Furthermore, 20 USC 1681 states:

(a) No person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving Federal financial assistance.

The absence of a Title IX implementation plan, annual compliance reviews, and plan updates could indicate inadequate attention is given to preventing discrimination on the basis of gender. During fieldwork, the Deputy Commissioner stated that the department would submit a plan as required.

Recommendation

The Commissioner should ensure that the Division of Diversity Initiatives’ Affirmative Action Officer develops a Title IX implementation plan as prescribed by state law. Thereafter, the department should submit annual Title IX compliance reports and plan updates.

Management's Comment

We concur. The Director of the Division of Diversity Initiatives, under the supervision of the Executive Director of Human Resource Development, will be responsible for the development of the DCS Title IX implementation plan. The department will submit the plan as required.

MISCELLANEOUS ISSUES

Our objectives were to determine whether

- adequate procedures were in place to ensure timely terminations of unused telephone lines;
- services for unused telephone lines were terminated in a timely manner;
- mileage reimbursements were properly approved and reasonable;
- the usage of imprest bank accounts was proper;
- policies for youth bank accounts were reasonable; and
- bank accounts for closed facilities were closed timely.

We made inquiries of management and interviewed key department personnel to document and evaluate the department's internal controls over these areas. We reviewed the written policies and procedures pertaining to the department's telephones and travel. We obtained and tested a non-statistical sample of potentially unused telephone lines belonging to the Department of Children's Services and a non-statistical sample of employees who had high mileage reimbursements.

To determine that the usage of imprest bank accounts was proper, we reviewed the nature of independent living disbursements made from imprest bank accounts and evaluated whether the nature of the disbursements was consistent with departmental policy. We reviewed departmental policies to determine if policies for youth bank accounts were reasonable. To determine that bank accounts were closed timely, we obtained a listing from management of all open bank accounts. We confirmed current bank account statuses with management and banking officials.

As a result of our testwork, we determined that the department did not have adequate procedures in place for terminating telephone lines timely and did not promptly terminate the services for unused telephone lines. See finding 4. We determined that mileage reimbursements were properly approved. However, we found that some claims were not reasonable. See finding 5. We determined that the usage of imprest bank accounts was not proper, policies for youth bank accounts were not reasonable, and bank accounts for closed facilities were not closed timely (see finding 6).

4. The Department of Children’s Services failed to promptly terminate the service for unused telephone lines, resulting in estimated unnecessary costs to the state of \$7,000 per month

Finding

The Director of Information Systems for the Department of Children’s Services (DCS) is responsible for ensuring that unused telephone lines are disconnected in a timely manner. Our review showed that DCS incurred unnecessary costs by its failure to disconnect telephone lines that were not being used, and \$927 paid during May 2008 for telephone lines was paid for questionable lines. According to Management of the Office of Information Systems (IS), this problem exists because employees leave and the knowledge of where some telephone lines are located is gone, supervisors don’t want to lose telephone numbers, and because in some sections, there are telephone lines that no one is aware of. Also, IS management is contacted to install a new line but is not always contacted when a line should be disconnected. During the audit period, the department did not have any procedures to detect or terminate unused telephone lines.

A computer-assisted audit technique (CAAT) was performed which identified all telephone lines showing no outgoing long-distance calls during the year ended June 30, 2005. This CAAT identified 548 telephone lines belonging to the Department of Children’s Services that were possibly unused. A comparison of the May 2008 telephone bill to the listing of 548 telephone lines showed that DCS still paid for 446 of these telephone lines. Our review of a sample of 60 of the 446 lines paid for in May 2008 showed that DCS paid for 39 telephone lines that did not appear to be in use by the department. Management requested that all 39 telephone lines be disconnected.

The department has paid for telephone lines that were not in use, and it is likely these telephones lines have been unused for several years. With a population of 446 possibly unused telephone lines, the department could be paying as much as \$7,000 a month for telephone lines not in use. Because the department did not have any procedures to identify unused telephone lines, management was unaware that the department was paying for lines not being used.

Recommendation

The Director of Information Systems should review all 446 potentially unused telephone lines to determine which ones are inactive, and any inactive lines should be terminated. The Director should develop and implement a control mechanism to disconnect telephone lines timely when the need for telephones ceases to exist. After a service has been terminated, controls should ensure that the next month’s telephone bill is reviewed so the department does not pay for terminated telephone lines.

In addition, management should ensure that risks such as these noted in this finding are adequately identified and assessed in documented risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls to

prevent and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and taking prompt action should exceptions occur.

Management's Comment

The Director of Information Systems concurs that there is the lack of a consistent and established procedure and/or policy on terminated phone lines. The department will develop in coordination with Human Resources a policy that corrects this deficiency.

The Information Systems department has already taken the following steps:

1. Reviewed the 60 lines provided by the auditors. The lines verified to be unused were disconnected. The department has recently received the complete list of the 446 lines referenced above. We will similarly review those lines and take the appropriate action within 60 days. The IS management also noted that the auditors referenced a computer aided process to identify potentially unused lines. IS will attempt to gain access to that process for internal use.
2. Began an internal review process that manually checks through our phone list to identify unused lines. This process is conducted from the 15th to the 30th of every month. This process is performed by the IS Telecommunications' staff.
3. Disconnected identified second lines in Centrex facilities. These in general are low use lines.
4. Added "Inactive telephone lines" to our Jan 2009 Quarterly Risk Assessment. The risk and mitigation strategies will be tracked as a part of the risk management process.
5. Mandated that all new and renovated offices make use of PBX instead of Centrex lines. This significantly reduces the overall telephone foot print of a facility.

In addition, Information Systems plans to within 90 days and in association with DCS Human Resources, develop an appropriate policy that:

1. Provides general guidelines and timeframes that advises supervisors when to request that a phone line be terminated. These guidelines will attempt to account for the broad range of circumstances affecting the termination decision such as reconnection timing and cost.
2. Provides a process for proper notification to Information Systems when a phone line requires termination.

5. **An improper agreement between a supervisor and an employee resulted in inappropriate travel reimbursements for the employee in excess of \$14,000**

Finding

Our review of an employee's travel from July 2006 through November 2007 revealed that the employee claimed commuting mileage to and from his home and his official station when not traveling to other destinations; he charged as much as 134 miles a day for a total of \$9,645. Also, it was discovered that this employee stayed in hotels at his official station, which cost an additional \$2,773, and claimed per diems at his official station at a cost of \$1,489. Other unallowable travel expenses paid to the employee while at his station were \$40 for parking and taxis plus duplicate payments of \$180 for mileage. In total, unallowable payments of \$14,127 were made to or on behalf of this employee for travel.

At the time, this employee's immediate supervisor was the Director of Licensing. The employee said he had a "handshake agreement" with the Director of Licensing when he was hired into DCS' Licensing Division in June 2006. The employee stated that the agreement allowed for payment of his commuting mileage since he traveled a great distance to his office. The Director of Licensing said that the agreement was made with the approval of the department's current Inspector General, whom the Director of Licensing was reporting to at that time. However, the Inspector General said she was unaware of the agreement and would not have the authority to make such an agreement.

The State of Tennessee Comprehensive Travel Regulations, issued by the Department of Finance and Administration, clearly delineates the prohibition against reimbursing an employee's commuting mileage. Furthermore, these payments may have constituted taxable income for the employee that was not reported to the Internal Revenue Service.

The department's primary control to prevent these types of reimbursements is review by the employee's supervisor. In addition to the immediate supervisor's approval of employee travel claims, the department requires a review by central office accounting personnel. The central office accounting technician's review is limited to ensuring approval by the supervisor and ensuring that required documentation is present. As a result, the agreement between the employee and the immediate supervisor rendered the department's primary control ineffective that should have detected the improper travel payments for commuting mileage.

When we asked the employee if he knew that the state was prohibited from reimbursing commuting mileage, the employee claimed that he didn't know. However, this does not appear to be reasonable because this individual has been employed by the State of Tennessee since November 1992 and should have been familiar with the State of Tennessee Comprehensive Travel Regulations.

This matter has been turned over to the department's Office of Internal Affairs for further investigation.

Recommendation

The Commissioner should ensure that all employees and supervisory personnel are familiar with the State's Comprehensive Travel Regulations and that they neither submit nor approve claims that violate those regulations. Supervisory personnel and central office personnel should be on the alert for patterns of possible violations of travel policy. Furthermore, the employee should be required to repay the department for all unallowable payments he received. Disciplinary action should be taken against the employee and his supervisor and any other employee of the department as warranted by the results of the investigation performed by Internal Affairs.

Management's Comment

We concur. The Office of Finance and Program Support will make sure that all DCS staff are informed and aware of the State's Comprehensive Travel Regulations (Finance and Administration Policy 8). All employees will be provided with the attached link to F&A Policy 8 as well as instructions and guidance on proper documentation of travel claims. Supervisors and fiscal staff will review claims and approve only claims that qualify according to policy and documentation standards. Employees submitting improper claims will be coached on their mistakes and repeat offenders will be subject to disciplinary action. Because employee travel is a necessary part of our agency operation directed to service children and families, DCS will make sure there are adequate levels of review/approval. The claimant's direct supervisor will perform the first review/approval, followed by fiscal reviews/approvals at both the regional and central office level. Additional periodic monitoring will be conducted designed to detect suspected areas of abuse and, if found, will be forwarded to Internal Affairs for complete investigation. Overpaid claims will be subject to repayment and disciplinary actions. OFPS will have all action steps above completed by April 30, 2009.

6. **To ensure better accountability for bank accounts, existing policies for imprest accounts should be followed, inactive accounts should be officially closed, and changes should be made to policies for youth savings accounts**

Finding

A review of the department's accountability for bank accounts disclosed a need for improvement. Testwork disclosed three specific problems with departmental bank accounts:

Unnecessary Usage of Imprest Bank Accounts

For the Independent Living Program, \$270,378 of approximately \$430,000 of disbursements in the federal cost center, and \$196,401 of approximately \$244,000 of disbursements in the state cost center, were paid as reimbursements to regional emergency fund

imprest accounts. Department of Children’s Services “Procedures for Departmental Imprest Bank Account” states that regional emergency fund imprest accounts are to be used

. . . to process expenditures which are not effectively paid through the state warrant system; to process transactions which are small in amount and frequent in nature . . . or to process state business which can be transacted more effectively through the use of a departmental bank account. . . .

. . . The imprest account should be used only when another payment form is not available or is impractical under the circumstances. The element of timeliness is a qualifying factor; namely the use of any other payment form would present an unnecessary risk associated with the (1) well-being or safety of a child (in or at risk of coming into custody) or (2) present an undue hardship to the operation activities of the department. . . .

According to the Executive Director of Finance and Program Support, he said that often the imprest accounts are used for making payments timely.

However, we noted that for many disbursements, it appears that the imprest emergency fund account usage did not fall within the department’s guidelines. For example, we noted that the descriptions for many services did not appear to be for services “where the use of any other payment form would present an unnecessary risk associated with . . . the well-being or safety of a child . . . or . . . present an undue hardship to the operation activities of the department.” We noted emergency disbursements of

- over \$100,000 for driver’s education/testing fees and other testing fees for the ACT and SAT;
- over \$135,000 for initial housing set-up costs, which are limited to \$500 per young adult; and
- over \$23,000 for child care assistance.

It appears that the majority of these costs could have been anticipated and paid through the state’s warrant system.

Closing Bank Accounts

Testwork disclosed that the department has not maintained adequate internal control over departmental bank accounts. We obtained a listing of all bank accounts from departmental staff. Testwork exposed two bank accounts recorded on the authorized listing from the Department of Finance and Administration that were not on the department’s listing. When we interviewed the Fiscal Director responsible for maintaining the list of bank accounts, he stated that the group homes with the petty cash accounts had been closed four or five years ago and that the accounts were closed before he was employed by the department. In February 2009, he stated one of the accounts had been closed at the bank, but although inactive, the other was still open. In March

2009, we confirmed with bank officials that both accounts had been closed. However, both accounts are still on the Department of Finance and Administration's listing.

Management stated that, to remove an account, an entry would have to be made in the State of Tennessee Accounting and Reporting System (STARS) to document the transfer of the remaining funds to the appropriate fund. The petty cash accounts had a combined authorized balance of \$650. To make the required entry into STARS, a proof of deposit of the remaining funds would be required. However, because of weak internal controls over this area, management did not have the deposit slips and could not explain what happened to the \$650. As a result, the accounts still remain on the authorized listing at the Department of Finance and Administration. Current departmental policy requires bank statements and reconciliations to be sent to the central office for review. However, fiscal staff were unsure that all required bank statements and reconciliations had been received.

Problematic Youth Savings Account Policy

Department of Children's Services Policy 3.19(A)(2) states:

- a. Youth that work or for other reasons obtain a balance in their trust fund account sufficient to establish a savings account must be allowed to establish an interest-bearing savings account. Interest earned must accrue directly to the youth.
- b. The DCS group home supervisor or designee must establish a youth's savings account in the name and social security number of the youth and the DCS group home supervisor.
- c. The DCS group home supervisor or his/her designee must maintain passbooks for each savings account in an officially designated and secure location.

Discussions with management disclosed that this policy has allowed the following problems to occur:

- employee theft of the youth's money;
- interest earnings being reported to the IRS for the adult instead of the youth; and
- employees who do not want to be custodian of the youth's accounts.

Based on discussion with management, it appears the primary motivation for allowing these savings accounts is for youth to earn interest on deposited funds, and the trust funds maintained by the department do not pay interest. Management cited a second reason this arrangement has been allowed, because staff can obtain the youth's funds easily and quickly and the presence of the child is not required at the bank. However, we believe the problems noted above outweigh the potential benefits of allowing youth savings accounts.

Recommendation

The Executive Director of Finance and Program Support with assistance from the Commissioner should ensure that all regional staff understand the circumstances when the usage of imprest accounts are proper. The Executive Director of Finance and Program Support should consider reducing the amounts of the imprest accounts to eliminate use of the accounts for expenditures that should be made through the state's warrant system.

The Executive Director of Finance and Program Support should ensure fiscal staff receive bank statements and reconciliations as required by policy. The Executive Director should ensure that missing or incomplete reconciliations are investigated by fiscal staff with appropriate action taken. Bank statements and reconciliations should be compared to current authorized listings. The Fiscal Director responsible for maintaining the list of bank accounts should seek an exception from the deposit documentation requirements to remove the two accounts from the Department of Finance and Administration's listing of accounts.

The Executive Director of Finance and Program Support, in coordination with department legal staff, should examine the current youth savings accounts policy and make changes to ensure the safety of the youth's money and to eliminate employees' concerns. These changes might include not allowing the youth to have bank accounts or pooling the funds into one account in the name of the department and allocating the interest among the participants.

Management should ensure that other risks of noncompliance, fraud, waste, or abuse are adequately identified and assessed in their documented risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

Management's Comment

We concur. The Executive Director of Finance and Program Support (OFPS) has taken the following steps to ensure better accountability for bank accounts:

- Central Office fiscal staff is now assigned responsibility for monitoring all departmental accounts to include assurance that bank reconciliations are being performed timely and that the imprest accounts are being used for intended purpose per DCS guidelines and procedures.
- OFPS is updating its procedures for its departmental imprest accounts to include the purpose and proper utilization of such accounts. Central Office Accounts Payable staff will be trained on the revised procedures and they will incorporate additional review function when processing a voucher request to replenish or reimburse the region's imprest accounts. Any questionable items will be brought to the attention of

fiscal management and appropriate action will be taken. As part of this process, there will also be a periodic review and determination of the appropriate levels of such accounts and whether there are any unnecessary accounts that need to be closed. Finally, the idle bank accounts noted in the audit have been closed.

- DCS policy 3.19 pertaining to Youth Savings Accounts will be reviewed to determine changes necessary to ensure safety of the youth's money. OFPS will examine the possibility of pooling the funds into one interest bearing account and providing separate accounting statements to its participants (youth). In any event OFPS will provide additional oversight of any such accounts going.
- Activities around DCS bank accounts will be included in its risk management plan and there will be periodic reviews to ensure that controls are adequate for detection or prevention of noncompliance, fraud, waste or abuse.

All of the above actions steps will be completed by June 30, 2009.

OBSERVATIONS AND COMMENTS

MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT

Auditors and management are required to assess the risk of fraud in the operations of the entity. The risk assessment is based on a critical review of operations considering what frauds could be perpetrated in the absence of adequate controls. The auditors' risk assessment is limited to the period during which the audit is conducted and is limited to the transactions that the auditors are able to test during that period. The risk assessment by management is the primary method by which the entity is protected from fraud, waste, and abuse. Since new programs may be established at any time by management or older programs may be discontinued, that assessment is ongoing as part of the daily operations of the entity.

Risks of fraud, waste, and abuse are mitigated by effective internal controls. Management's responsibility is to design, implement, and monitor effective controls in the entity. Although internal and external auditors may include testing of controls as part of their audit procedures, these procedures are not a substitute for the ongoing monitoring required of management. After all, the auditor testing is limited and is usually targeted to test the effectiveness of particular controls. Even if controls appear to be operating effectively during the time of the auditor testing, they may be rendered ineffective the next day by management override or by other circumventions that, if left up to the auditor to detect, will not be noted until the next audit engagement and then only if the auditor tests the same transactions and controls. Furthermore, since entity staff may be seeking to avoid auditor criticisms, they may comply with the controls during the period that the auditors are on site and revert to ignoring or disregarding the control after the auditors have left the field.

The risk assessments and the actions of management in designing, implementing, and monitoring the controls should be adequately documented to provide an audit trail both for auditors and for management, in the event that there is a change in management or staff, and to maintain a record of areas that are particularly problematic. The assessment and the controls should be reviewed and approved by the head of the entity.

FRAUD CONSIDERATIONS

Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, promulgated by the American Institute of Certified Public Accountants requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by October 1 each year beginning with the Title VI compliance report and implementation plan due in 2007. Prior to 2007, the Title VI compliance report and implementation plan was due by June 30 each year. The Department of Children's Services filed its compliance reports and implementation plans on June 30, 2006; June 28, 2007; and October 30, 2008. Reports were submitted in accordance with *Tennessee Code Annotated*.

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

Tennessee Title VI Compliance Commission is responsible for 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.

APPENDICES

MANAGEMENT'S COMMENTS FROM PRIOR AUDITS

Current Finding

The Department of Children's Services had numerous policy violations for the Independent Living program resulting in unauthorized benefits, missing plan updates, missing contacts with participants, ineffective system edits, charges not connected to participants, unallowable services, and the expenditure of state funds instead of available federal funds

Management's Comments

For the Period March 1, 2004 Through March 31, 2006

We concur.

Policy 16.53 Post-Secondary Education-Bright Futures Education and Training Vouchers (ETV) is being reviewed and updated to a) expand the parameters of eligibility for postsecondary students to attend school part-time, work part-time and maintain ETV, and b) expand the parameters of ETV eligibility for post-secondary students who may not access the Pell Grant for a legitimate reason. The plan for remediation includes ensuring that no ETV applications are processed without written waivers for students who must legitimately attend school part-time and work part-time.

Also, the plan for remediation includes ensuring that no ETV applications are processed without the previous semester or term's academic transcript information, and written waivers for students who fail to maintain adequate academic progress but qualify for a probationary term or semester.

Current Finding

The department continues not to obtain approval for discretionary leave with pay, as noted during the previous audit, and did not mitigate the risk of payments for excessive or inappropriate leave

Management's Comments

For the Period March 1, 2004, Through March 31, 2006

We concur. As indicated in the finding, the Department previously revised DCS Policy 4.26 to comply with the DOP Policy and created and disseminated a form letter to be used by staff when requesting to extend discretionary leave with pay past 30 days. However, Departmental staff have not always complied with the requirements of the policy.

DCS Central Office Personnel has established a database to track employees on discretionary leave with pay and a staff person is assigned the duties of tracking all employees on discretionary leave with pay including when leave begins and ends along with DOP approval for leave exceeding 30 days so that immediate action can be taken when exceptions are discovered. The Department will take steps to implement the recommendations to require Regional Administrators, Youth Development Superintendents and Central Office managers to provide weekly updates on employees placed on discretionary leave with pay. Additionally, a review of DCS Policy 4.26 (and form letters relative to discretionary leave with pay) will be conducted to determine if additional changes are needed. The Department will also take steps to assure that this issue (as well as others) is identified and assessed as a part of our risk assessment activities so that we are building adequate internal controls to prevent, detect and deal with exceptions timely.

The Department will assure additional communication to staff regarding the importance of compliance with both DOP and DCS Policy 4.26 relative to discretionary leave with pay. These communications will include e-mails and memos to all leadership, supervisory and Human Resources staff from the Commissioner and the Executive Director of Human Resources explicitly restating the process requirements for approval of discretionary leave with pay and the required DOP approval process when the employee remains on that leave for 30 days or more.

DIVISIONS AND ALLOTMENT CODES

Department of Children's Services divisions and allotment codes:

359.10	Administration
359.20	Family Support Services
359.30	Custody Services
359.35	Needs Assessment
359.40	Adoption Services
359.50	Child and Family Management
359.60	Wilder Youth Development Center
359.61	Taft Youth Development Center
359.62	Woodland Hills Youth Development Center
359.63	Mountain View Youth Development Center
359.64	New Visions Youth Development Center
359.65	Community Treatment Facilities
359.80	Major Maintenance
359.90	Children in State Custody- Trust
359.95	Social Security Trust