

**Department of Labor**

**For the Year Ended  
June 30, 1996**

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Editor

June 4, 1997

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
The Honorable Alphonso R. Bodie, Commissioner  
Department of Labor  
710 James Robertson Parkway  
Gateway Plaza Building  
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Labor for the year ended June 30, 1996.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Department of Labor's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Department of Labor is responsible for establishing and maintaining the internal control structure 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 Labor's management in a separate letter.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/tp  
97/019

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Department of Labor**  
For the Year Ended June 30, 1996

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## AUDIT SCOPE

We have audited the Department of Labor for the period July 1, 1995, through June 30, 1996. Our audit scope included those areas material to the State of Tennessee's Comprehensive Annual Financial Report for the year ended June 30, 1996, and to the Tennessee Single Audit Report for the same period. In addition to those areas, our primary focus was on management's controls and compliance with policies, procedures, laws, and regulations in the areas of federal compliance with the Job Training Partnership Act, accounts receivable in the TOSHA division and Boilers and Elevators division, and Department of Finance and Administration Policy 20. The audit was conducted in accordance with generally accepted government auditing standards.

## AUDIT FINDINGS

### **Inadequate Controls Over Accounts Receivable in TOSHA\*\***

Management did not adequately monitor, review, or supervise the billing, collection, and maintenance of its accounts receivable in the Tennessee Occupational Safety and Health division. As a result, the division's accounting records were inaccurate (page 9).

### **Inadequate Controls Over Accounts Receivable in Boilers and Elevators Division\*\***

The computer software used by the elevators section to record and maintain account balances was not able to generate a list of receivables or information about the aging of receivables (page 12).

### **Contract Revision Not Made in a Timely Manner**

The fiscal division did not adequately calculate and monitor fund expenditures in a Job Training Partnership Act contract with a service delivery area (SDA) (page 7).

**Service Delivery Area Cash Balances Not Corrected Timely\***

One of five SDAs tested appeared to have excess cash on hand. Management failed either to identify SDAs having excess cash or to take corrective action to limit excess cash (page 6).

- \* This finding is repeated from the prior audit
- \*\* This finding is repeated from prior audits.

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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

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

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**Audit Report**  
**Department of Labor**  
**For the Year Ended June 30, 1996**

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# **Department of Labor For the Year Ended June 30, 1996**

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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 Labor. 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 General Assembly created the Department of Labor in 1919 to supervise workshops and factories and enforce the laws regulating them. Since 1972, the department’s scope has expanded to include seven divisions:

1. The Division of Administration coordinates the activities of the other divisions; prepares financial budgets and work programs; and provides for the department’s legal, fiscal, personnel, and procurement needs.
2. The Division of Occupational Safety and Health (more commonly known as the Tennessee Occupational Safety and Health Act [TOSHA] division) is responsible for ensuring safe and healthful on-the-job conditions for every worker in Tennessee. The division has three primary functions: to train and educate employers and employees in occupational health and safety, to perform inspections throughout the state to ensure that Tennessee’s occupational safety and health standards are followed, and to administer and enforce the Hazardous Chemical Right-to-Know Law.
3. The court-administered Tennessee Workers’ Compensation Law operates under the Division of Workers’ Compensation. This division’s primary duties are to inform, advise, and assist workers as to their rights under the law and to administer

the Workers' Compensation Second Injury Fund. The division is also responsible for the administration of the Workers' Compensation Reform Act.

4. The Division of Mines trains miners and mine owners and operates and coordinates state rescue efforts in the event of a mine disaster. The division maintains two mine rescue teams and also licenses underground and strip mines.
5. The Division of Boilers and Elevators is responsible for the administration and enforcement of the Tennessee Boiler and Pressure Vessel Inspection Law and the Tennessee Elevator Inspection Law.
6. The Division of Labor Standards is charged with enforcing the Tennessee Child Labor Act, the Prevailing Wage Act, the Equal Pay Act, and the Wage Earners' Protection Act. The Research and Statistics Office, which compiles data on work-related injuries, operates under this division but reports directly to the assistant commissioner. The division's Employee Assistance Professionals (EAP) unit certifies and issues licenses to employee assistance counselors at worksites. The EAP also enforces rules and regulations established by the unit.
7. The Division of Employment and Training is responsible for the administration of the Job Training Partnership Act of 1982 as amended. This division coordinates programs to prepare youth and unskilled adults for entry into the labor force and to provide job training for economically disadvantaged individuals facing serious barriers to employment. This division also administers grants under the Job Opportunities and Basic Skills (JOBS) program. The Department of Human Services, the grantee, has subcontracted with the Department of Labor to administer the program, which is available to persons receiving Aid to Families with Dependent Children (AFDC) payments. The program provides support services and job training.

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 Labor for the period July 1, 1995, through June 30, 1996. Our audit scope included those areas material to the State of Tennessee's Comprehensive Annual Financial Report for the year ended June 30, 1996, and to the Tennessee Single Audit Report for the same period. In addition to those areas, our primary focus was on management's controls and compliance with policies, procedures, laws, and regulations in the areas of accounts receivable procedures for the Division of Occupational Safety and Health (TOSHA) and the Division of Boilers and Elevators and on Department of Finance and Administration Policy



20. The audit was conducted in accordance with generally accepted government auditing standards.

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

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### **AREAS RELATED TO TENNESSEE'S COMPREHENSIVE ANNUAL FINANCIAL REPORT AND SINGLE AUDIT REPORT**

Our audit of the Department of Labor is an integral part of our annual audit of the Comprehensive Annual Financial Report (CAFR). The objective of the audit of the CAFR is to render an opinion on the State of Tennessee's general-purpose financial statements. As part of our audit of the CAFR, we are required to gain an understanding of the state's internal control structure and determine whether the state complied with laws and regulations that have a material effect on the state's general-purpose financial statements.

Our audit of the Department of Labor is also an integral part of the Tennessee Single Audit which is conducted in accordance with the Single Audit Act of 1984. The Single Audit Act requires us to determine

- whether the state complied with rules and regulations that may have a material effect on each major federal financial assistance program, and
- whether the state has internal accounting and administrative control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations.

We determined the following area within the Department of Labor was material to the Comprehensive Annual Financial Report and to the Single Audit Report: Job Training Partnership Act (JTPA).

To address the objectives of the audit of the CAFR and the Single Audit Report, as they pertain to the major federal financial assistance program, we interviewed key department employees, reviewed applicable policies and procedures, and tested representative samples of transactions. In addition, we performed analytical procedures to determine if the department has sufficient controls to ensure the federal program is administered in accordance with the basic laws and regulations governing it.

We have issued an unqualified opinion on the general-purpose financial statements of the State of Tennessee in our Independent Auditor's Report dated December 20, 1996, which is included in the Comprehensive Annual Financial Report for the year ended June 30, 1996. The Tennessee Single Audit Report for the year ended June 30, 1996, will include our reports on the

Schedule of Federal Financial Assistance, internal control structure, and compliance with laws and regulations.

We determined that timely corrective action was not taken for excess cash on hand at a service delivery area, as discussed in finding 1, and that the fiscal division did not make a contract revision in a timely manner, as discussed in finding 2.

## **1. Timely corrective action was not taken for excess cash on hand at a service delivery area**

### **Finding**

As noted in the previous audit, Job Training Partnership Act (JTPA) cash on hand appeared to exceed immediate need in one of five Service Delivery Areas (SDAs) tested, indicating a need for improved monitoring.

According to the JTPA/JOBS *Financial Management Handbook*, Section II, Provision Number 2, “At no time shall the Grant recipient or contractor retain funds which exceed immediate cash needs.” The provision further states that the grant recipient is required to time its cash requests to coincide with cash needs so that no excess cash is drawn down. The department has defined “excess cash” as a cash balance that exceeds an average of three days’ expenditures for the month.

To minimize cash balances, the Tennessee Department of Labor (TDOL) requires each SDA to submit a Status of Federal Funds Report indicating the daily cash balances during the month. The department utilizes a Cash Analysis Worksheet to calculate the necessary cash each SDA should have on hand. This worksheet was not used consistently throughout the year.

Of the 12 months tested for excess cash, the fiscal division’s contract administrators had completed the Cash Analysis Worksheets for only three months. Two of the three worksheets contained mathematical errors. Errors in calculating the cash balances could result in failure to identify an SDA with excess cash. Testing revealed that all 12 months had excess cash balances. The average daily balance of excess cash was over \$110,000 for the year. If the contract administrators had prepared a worksheet each month, the excess cash would have been apparent. In response to the prior finding, management stated, “The fiscal office is also reviewing these balances prior to advances being processed.” However, these reviews were not done. When the fiscal office became aware of excess cash at an SDA, it did not follow the procedures for notifying the SDA. These procedures are outlined in the JTPA/JOBS *Financial Management Handbook*, Section II, Provision Number 2.

### **Recommendation**

The fiscal division’s contract administrators should better monitor their SDA cash balances by completing the Cash Analysis Worksheet monthly and retaining these worksheets on file. The fiscal director of TDOL should determine why corrective actions have not been effective and take steps to ensure that the condition is not repeated. The fiscal director of TDOL should then review each SDA’s monthly Status of Federal Funds report and Cash Analysis Worksheet for excess cash balances. Once an SDA is identified as having excess cash on hand, corrective actions should be taken by the fiscal director in accordance with the JTPA/JOBS *Financial Management Handbook*, Section II, Provision Number 2. Information on SDAs with excess cash

should be forwarded to the monitoring staff so that they may consider it in planning and performing their monitoring visits.

### **Management's Comment**

The Fiscal Services Section is preparing the Cash Analysis Worksheet on SDAs that appear out of line (it is unnecessary to prepare an analysis on negative balances) and requiring corrective action when necessary. Once the Fiscal Office has determined that an SDA has excess cash on hand, we forward the information to the Program Monitoring staff for follow-up during their review. The Service Delivery Area in question has corrected the cash on hand balance and is now reporting properly.

## **2. The fiscal division did not make a contract revision in a timely manner**

### **Finding**

The Tennessee Department of Labor's (TDOL's) internal controls did not detect the improper calculation of Job Training Partnership Act (JTPA) administrative cost limitations. Internal controls were also inadequate to detect in a timely manner that the statewide administrative expenditures for the JTPA Title II-B program were over the 15% amount allowed by Chapter 20, *Code of Federal Regulations*, Section 629.39(a)(2), and by the JTPA/JOBS *Financial Management Handbook*, Section I.

The department entered into a contract (#94-11-999-760-99-20) with Columbia State Community College (CSCC) for the period April 1, 1994, to March 31, 1995. This contract was then extended until March 31, 1996. The contract originally budgeted administrative costs at 17.44% of the contract, in violation of the 15% amount allowed by JTPA regulations. CSCC carried out the program according to the approved budget, and expended the original allotment of administrative costs by November 1994. TDOL's lack of controls in the contracting process resulted in CSCC exceeding the JTPA administrative cost limitations. Furthermore, the lack of controls resulted in TDOL exceeding the 15% administrative cost limitation statewide. In order to comply with the statewide limitation on administrative costs, on July 2, 1996, TDOL made a unilateral modification to the CSCC contract which reduced the administrative budget from 17.44% of the contract to 15% of the contract. This modification also had a corresponding increase in the Participant Support Budget.

In order to comply with the retroactive contract modification imposed by TDOL, CSCC submitted a revised Invoice for Reimbursement. This invoice showed a reduction in administrative costs offset by a corresponding increase in support costs for this contract. According to the fiscal officer at CSCC, administrative and support costs were reallocated between this contract (#94-11-999-760-99-20) and the next year's contract (#95-11-999-760-99-20) which ran from April 1, 1995, to March 31, 1996. Although the two contracts ran concurrently from April 1,

1995, to March 31, 1996, the administrative costs reallocated to the second contract were actually incurred prior to its inception.

Office of Management and Budget (OMB) Circular A-87, Attachment B, Section C(6), prohibits certain transfers between contracts: “Costs incurred prior to the effective date of the grant . . . are allowable only when specifically provided in the grant agreement.” Section D(9) states that “any excess of cost over the Federal contribution under one grant agreement is unallowable under other grant agreements.”

Although both contracts provided for the same types of costs, the administrative costs transferred to the second contract were actually incurred prior to its inception. Therefore, the department improperly transferred expenditures between contracts, and costs of \$16,558.85 could be considered questioned costs. However, TDOL and CSCC instituted a series of journal entries that address the possibilities of questioned costs. These journal entries involve the use of de-obligated funds from a contract from Motlow State Community College to CSCC; a budget modification to a different JTPA contract; a reversal of the original attempt to correct the problem; allowable movement of expenditures from one contract through two other contracts; and the final placement of the expenditures in an incentive contract.

The above steps alleviated the questioned costs because the expenditures were applied to an appropriate contract with available funds to cover them. However, the delay from the contract’s approval to its correction created a situation in which questioned costs could have occurred had these steps not been taken.

### **Recommendation**

The fiscal director of TDOL should ensure that any contract that has restrictions or limitations is checked for accuracy and is in compliance with guidelines pertaining to the contract before it is officially signed and processed. Expenditures should be checked periodically to ensure that they are in compliance with the limitations and restrictions of the contract. Budget modifications should be in place before the contract funds are expended.

### **Management’s Comment**

The Fiscal Services Section decided to exercise flexibility with this SDA to give them time to work through this problem. This section is reviewing the budget of each contract that has restrictions or limitations for accuracy and making corrections as needed. Expenditures are checked monthly on an internal report designed to reflect any problems with cost limitations.

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## TOSHA ACCOUNTS RECEIVABLE

Our objectives in the review of the controls over accounts receivable for the Division of Occupational Safety and Health Act (TOSHA) were to determine whether

- accounts receivable duties were adequately segregated,
- reconciliation procedures were in place between the cash-receipting functions done by the TOSHA division and the cash-deposit functions performed by the fiscal office,
- the division ensured proper reconciliation among the card files, the computer records, and the inspection files for penalties assessed by inspectors,
- the division's computer system could generate a proper accounts receivable listing with appropriate aging criteria required by the Department of Finance and Administration's policies, and
- proper collection procedures were followed, and if accounts deemed uncollectible were written off according to Department of Finance and Administration policies.

We interviewed key departmental personnel to gain an understanding of the division's accounts receivable procedures. We also reviewed supporting documentation and tested nonstatistical samples of accounts receivable transactions. Additionally, Department of Finance and Administration personnel were interviewed so we could better understand the division's write-off procedures.

We found that many controls were not in place and that the receivable listings were inadequate to meet the requirements of the Department of Finance and Administration. These problems are discussed in finding 3.

### **3. Management supervision of and controls over accounts receivable in the TOSHA division were inadequate**

#### **Finding**

As noted in the prior two audits, management of the Tennessee Occupational Safety and Health (TOSHA) division did not adequately monitor, review, or supervise the billing and collection of its accounts receivable. Furthermore, the division did not have an adequate system for recording fines and penalties owed to the division and for determining the status of accounts receivable for inspection violations.

The division's computerized system is designed to track each violation by recording proposed penalties, assessed penalties, payment adjustments due to abatements, collections, negotiated settlements, write-offs, actions taken by the debtor, and the progress of the division's collection efforts. This information is normally used to answer inquiries from businesses and employees about the status of violations and penalty assessments. In addition, the division maintains a card file with the same information for each business; however, in three of 16 files tested (18.75%), the index card could not be located. Additionally, two of the 13 located cards (15.4%) had information different from that on the computer file and on the individual inspection file. Therefore, none of the three sets of records could be relied on to provide accurate balances or the status of accounts receivable.

The division's computer system software was created by the Occupational Safety and Health Administration (OSHA); however, according to the department's Information Systems Management director and a computer systems analyst, the nature of the programming limits the division's ability to create specialized reports. At June 30, 1996, the division did not have a program able to create an accounts receivable balance or aging information for a given point in time. Chapter 0620-1-9-.02-(1) of the *Rules of the Department of Finance and Administration* states, "All accounts receivable should be aged periodically (at least on a quarterly basis)." An aged schedule of receivables would provide a list of those delinquent accounts whose collection the division may need to pursue more vigorously.

In an August 3, 1995, memorandum to the director of the TOSHA division, the department's staff attorney noted that four computerized lists were created to assist the staff in pursuing collections. The staff attorney stated that each list contained differing information and that "the only practical way for determining amounts owed is to use the old method of accessing the file folder, reading whatever is in the file, and manually listing names, addresses, and amounts owed." Furthermore, the staff attorney requested that the division director take whatever steps necessary to provide accurate figures for collection letters and for amounts to be written off, but apparently no action has been taken.

The computer systems analyst from the department's Information Systems Management division attempted to create a program that would give an aged receivable listing quarterly, or at any other interval requested. The Division of State Audit conducted a follow-up visit to retrieve an accounts receivable listing as of June 30, 1996. The division was unable to provide listings that totaled the 30-, 60-, and 90-day groupings for June 30. Nor was the July 1, 1996, listing available. Even though requests are made with an "as of" entry, the system will only give information as of the day the request is printed. The computer listing will give a valid balance only for the very date it is printed, and this program cannot periodically age accounts.

If the accounts receivable listing is not updated and checked periodically for payments, contestments, and abatements, the department cannot collect appropriate amounts timely.

Furthermore, as stated in the prior audit, the division did not properly segregate duties over maintaining records and over billing, collecting, and reconciling. Management responded to the finding and stated that the people who receive the checks can no longer update the computer

system to alter collection information—only the office supervisor can update records. However, the office supervisor receives information from the administrative secretaries only after they have added information to the card file. The office supervisor does not see any original documentation (checks). Therefore, the administrative secretaries still have the ability to alter the payment records.

Personnel also revealed that no reconciliations are performed between the fiscal division, which deposits the checks, and the TOSHA division, which maintains the records. Without proper reconciliations, the division cannot determine if all checks are recorded and then deposited.

Collection attempts were inadequate. Records showed that in the month of October 1995, 192 cases had files sufficient to write collection letters for a receivable totaling \$182,046. The division mailed letters to the 192 employers informing them that outstanding TOSHA penalties were due. As of September 20, 1996, the department had made collections on only seven cases (3.65%) totaling \$1,650 (.91%). No other follow-up letters had been sent, and the remaining overdue cases had not been written off. Chapter 0620-1-9 of the *Rules of Department of Finance and Administration* states that collection attempts on all accounts receivable should be done on a “systematic and periodic basis.” The department has apparently not followed this policy because some of the collection letters were for cases originally dating to 1984, including a large portion from 1990 and 1991.

Without an accurate accounts receivable listing, management cannot periodically review accounts receivable and may not identify businesses that have accumulated several fines and penalties over a period of years. Furthermore, without an adequate listing, management has no assurances that appropriate billings are timely or are even taking place. If accounts receivable balances are not monitored before and after the accounts have reached the collection phase, the receivables cannot adequately be determined or written off.

### **Recommendation**

Management in the TOSHA division should ensure that all receipting, posting, and depositing activities are periodically reconciled by personnel not directly involved with those processes. Billing, receipting, and posting functions should be adequately segregated to ensure that penalties assessed and collected are properly accounted for. The TOSHA division should ensure that information contained on the index card file, the computer system, and the inspection files accurately reflects penalties assessed, violations abated, penalties paid, and any other relevant transactions. The legal staff should communicate the results of collection proceedings and write-offs to the TOSHA division so that records can be updated properly in the computer system. Management in both the TOSHA division and the Information Systems Management division should ensure that computer records of accounts receivable can be properly aged and grouped for proper billing and should ensure that collections and write-offs are timely.

## Management's Comment

The decision has been made to totally abolish the old system for receipting and recording of the accounts receivable in the TOSHA division. Many attempts have been made to correct the old system and none were successful. The department is in the process of determining whether we should obtain an existing system or hire a contractor to write new programs. The new programs will ensure that all receipting, posting and billing functions are adequately designed and that there is adequate separation of duties. The new system will properly age and group the vendors for proper billings and ensure that collections and write-offs are timely.

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### **BOILER AND ELEVATOR ACCOUNTS RECEIVABLE**

The objectives of our review of the accounts receivable procedures and records were to determine if the Division of Boilers and Elevators maintained an accurate list of permit fees and penalties receivable and could accurately generate an aged accounts receivable listing. Our work consisted of interviewing key personnel in the division to determine if the local area network (LAN) could process the information and generate an accurate listings of accounts receivable.

We determined that the division could not generate a listing of accounts receivable for the elevators department, which is discussed in finding 4.

#### **4. Controls over accounts receivable in the boilers and elevators division were inadequate**

### **Finding**

As noted in the three prior audits, the Division of Boilers and Elevators' computer software did not generate an accurate list of permit fees and penalties receivable. Management concurred with the prior audit finding and stated that a local area network (LAN) system was being developed which would produce reports to enable the division to adequately monitor its accounts receivable. The LAN system for boilers was operational; however, the LAN system for elevators was not yet completed.

The original LAN system allowed the elevators section to access information on an individual elevator. However, the system could not produce a listing of entities owing fees and penalties or the amount of fees and penalties owed at a given time. Furthermore, the system could not provide management with aging information and the collection status of its accounts receivable. Chapter 0620-1-9 of the *Rules of Department of Finance and Administration* states, "All accounts receivable must be aged periodically (at least on a quarterly basis)." An aged schedule of receivables would provide a list of those delinquent accounts whose collection the division may need to pursue more vigorously.

Without an accurate accounts receivable listing, the elevators section is unable to determine which organizations owe money and what the total amount of fines and penalties due to the section is at any given time. Furthermore, without aging and collection status information, the division cannot properly monitor accounts receivable balances. As a result, money owed the state may go uncollected, and some organizations may inadvertently be allowed to operate elevators without paying the required fees and penalties.

### **Recommendation**

The division director and director of Information System Management should ensure that the LAN system's aged accounts receivable computer program is completed and is operating properly. Office supervisors should ensure that the monthly reports of receivables, when available, are accurate. In addition, the aged schedule of receivables should be reviewed when available, and steps should be taken to vigorously pursue collection of overdue accounts.

### **Management's Comment**

The new LAN system for the elevator section will be in place by June 30, 1997.

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### **DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20, "RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES"**

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

- appropriate grant information was entered into the STARS Grant Control Table upon notification of the grant award, and related revenue and expenditure transactions were coded with the proper grant codes;
- appropriate payroll costs were reallocated to federal programs within 30 days of each month-end using an authorized redistribution method;
- the department made drawdowns at least weekly using the applicable STARS reports;
- the department negotiated an appropriate indirect cost recovery plan and indirect costs were included in drawdowns; and

- the department used the appropriate STARS reports as bases for preparing the Schedules of Federal Financial Assistance and reports submitted to the federal government.

We interviewed key personnel to gain an understanding of the department's procedures and controls concerning Policy 20. No material discrepancies were noted.

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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 Labor filed its report with the Department of Audit on October 14, 1996. A follow-up of all prior audit findings was conducted as part of the current audit.

## **REPEATED AUDIT FINDINGS**

The prior audit report also contained findings concerning controls over accounts receivable in the TOSHA division and in the boilers and elevators division. Also, service delivery areas' cash balances were not monitored effectively by the fiscal division. These findings have not been resolved and are repeated in the applicable sections of this report.

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## **OBSERVATIONS AND COMMENTS**

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### **TITLE VI OF THE CIVIL RIGHTS ACT OF 1964**

*Tennessee Code Annotated*, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. For the year ending June 30, 1996, the Department of Labor filed its compliance report and implementation plan on September 6, 1996.

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 national 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 State Planning Office in the Executive Department was assigned the responsibility of serving as the monitoring agency for Title VI compliance, and copies of the required reports were filed with the State Planning Office for evaluation and comment. However, the State Planning Office has been abolished. The Office of the Governor is currently evaluating which office in the Executive Branch will be the new monitoring agency.

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.

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## APPENDIX

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### DIVISIONS AND ALLOTMENT CODES

Department of Labor divisions and allotment codes:

337.01	Division of Administration
337.02	Division of Occupational Safety
337.03	Division of Workers' Compensation
337.04	Division of Mines
337.05	Boiler and Elevator Inspection
337.06	Division of Labor Codes Enforcement
337.07	Manpower Development
337.08	Second Injury Compensation Fund



