

Tennessee Human Rights Commission

**For the Years Ended
June 30, 1997, and June 30, 1996**

Arthur A. Hayes, Jr., CPA

Director

Charles K. Bridges, CPA

Assistant Director

Lea Ann Boucher, CPA

Audit Manager

Suzanne Smotherman, CPA

In-Charge Auditor

Ryan Younggren

Staff Auditor

Nancy Bernstein, CPA

Auditor IV

Jane Russ

Editor



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

William R. Snodgrass
Comptroller

October 27, 1998

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Julius Sloss, Executive Director
Tennessee Human Rights Commission
530 Church Street
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Human Rights Commission for the years ended June 30, 1997, and June 30, 1996.

We conducted our audit in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the commission's compliance with the provisions of laws, regulations, and contracts significant to the audit. Management of the Tennessee Human Rights Commission is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The commission'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 commission's internal controls and/or instances of noncompliance to the Tennessee Human Rights Commission's management in a separate letter.

Very truly yours,

W.R. Snodgrass
Comptroller of the Treasury

WRS/sk
98/069

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Human Rights Commission
For the Years Ended June 30, 1997, and June 30, 1996

AUDIT SCOPE

We have audited the Tennessee Human Rights Commission for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, payroll and personnel, equipment, and compliance with the Financial Integrity Act. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

Need to Improve Controls Over Disbursements

The commission did not follow state purchasing procedures. Payments were not always timely and the receipt of goods was not always documented (page 4).

Late Reports and Inadequate Support for Financial Integrity Act Reviews

The commission did not submit on time the 1996 and 1995 reports of its review of internal accounting and administrative controls and did not maintain adequate supporting documentation for the review (page 7).

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

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

Audit Report
Tennessee Human Rights Commission
For the Years Ended June 30, 1997, and June 30, 1996

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	1
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	3
Revenue	3
Expenditures	3
Finding 1 The commission needs to improve its controls over disbursements	4
Payroll and Personnel	5
Equipment	6
Financial Integrity Act	6
Finding 2 The commission failed to prepare and submit its Financial Integrity reports in accordance with state law	7
PRIOR AUDIT FINDINGS	8
Resolved Audit Findings	8
OBSERVATIONS AND COMMENTS	8
Title VI of the Civil Rights Act of 1964	8
APPENDIX	9
Allotment Code	9
Funding Sources	10

Tennessee Human Rights Commission For the Years Ended June 30, 1997, and June 30, 1996

INTRODUCTION

POST-AUDIT AUTHORITY

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

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

BACKGROUND

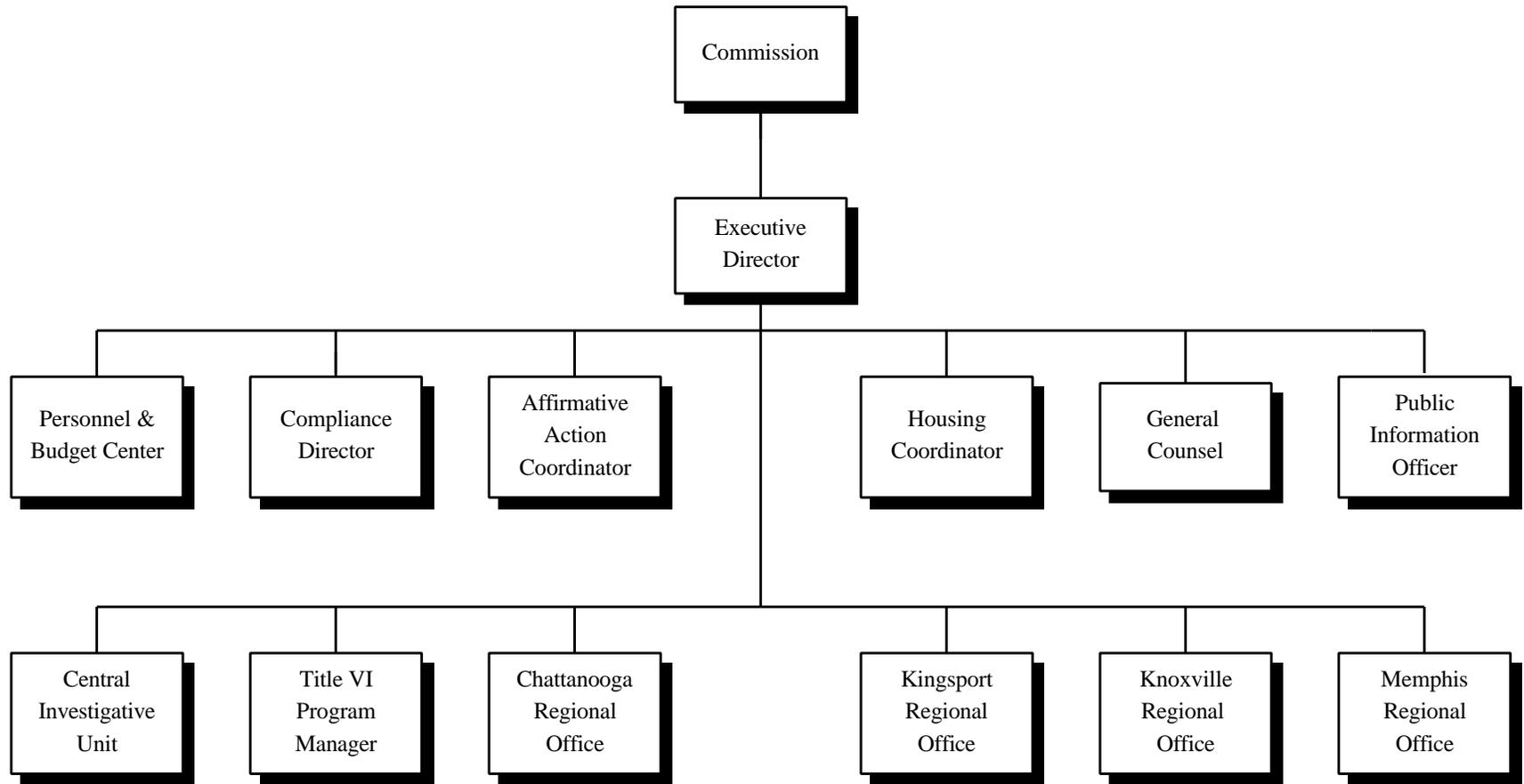
The mission of the Tennessee Human Rights Commission is to promote civil rights in Tennessee. The commission is charged to encourage, promote, and develop fair and equal treatment of and opportunity for all Tennesseans regardless of race, color, creed, sex, or national origin; to assist local governmental agencies with human relations; to report yearly to the Governor and the legislature the commission’s activities; and to adopt rules and regulations to govern the proceedings of the commission.

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

AUDIT SCOPE

We have audited the Tennessee Human Rights Commission for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, payroll and personnel, equipment, and compliance with the Financial Integrity Act. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Tennessee Human Rights Commission



OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

Our objectives in reviewing the revenue controls and procedures were to determine whether

- transactions were properly supported,
- revenue or fees were billed or charged and recorded at the correct amount,
- records were reconciled with Department of Finance and Administration reports, and
- proper support for journal vouchers was maintained.

We interviewed key commission personnel to gain an understanding of the procedures for and controls over billing and receiving funds. We also reviewed supporting documentation and tested a sample of revenue transactions. We had no findings related to revenue; however, other minor weaknesses came to our attention and were reported to management in a separate letter.

EXPENDITURES

Our objectives in reviewing expenditure transactions were to determine whether

- expenditures were for goods and services that had been authorized and received,
- payments were made in a timely manner,
- agency records were reconciled with the state's accounting system, and
- travel payments were made in accordance with the Comprehensive Travel Regulations.

We discussed disbursement, contract, and reconciliation controls and procedures with commission personnel to gain an understanding of the procedures for these areas. We reviewed supporting documentation and tested a sample of transactions to determine whether the commission complied with the state's purchasing rules and regulations. We determined the commission did not always make payments in a timely manner nor did it always document receipt of goods and services. In addition to the finding, other minor weaknesses came to our attention and were reported to management in a separate letter.

1. The commission needs to improve its controls over disbursements

Finding

The Tennessee Human Rights Commission's controls over disbursements need strengthening. The commission did not always make timely payments. Four of 20 disbursement items tested (20%) were not paid in a timely manner. The number of days late ranged from five to 50. We also reviewed one vendor's file for the 1996 fiscal year and found seven additional payments that were from eight to 28 days late. Section 12-4-703, *Tennessee Code Annotated*, states:

An Agency which acquires property or services pursuant to a contract with a business shall pay for each completed delivered item of property or service in accordance with the provisions of the contract between the business and agency or, if no date or other provision for payment is specified by contract, within forty-five (45) days after receipt of the invoice covering the delivered items or services.

The agency could be required to pay interest when payments are late, and relationships with vendors could be jeopardized.

Four of 11 invoices tested (36%) did not have an employee's initials or signature indicating the goods and services were received. The Department of General Services *Purchasing Procedures Manual*, Section 17.1, states that "the receiving agency thereof shall make a written certification that the supplies, materials, or equipment received were equal in quality and quantity to those purchased." If agency personnel do not certify the receipt of goods and services, the agency may not receive the proper quantity or item or may pay for goods not received.

Recommendation

Management should ensure that all vendors are paid promptly and that the receipt of goods and services is always documented.

Management's Comment

We concur and the following represents the corrective steps we have taken.

1. Have instituted a plan by which all vendors are to be paid in a timely fashion.
2. Budget Officer has been attending courses offered by TOPS and STARS support personnel to ensure understanding of these systems.

3. Budget Officer is the sole individual responsible for procurement of goods and services. Agency policy.
4. Budget Officer upon receipt of goods or services date stamps and initials packing slip for said.
5. Budget Officer now maintains copy(ies) of request for goods or services by Commission staff to verify that said request is what is ordered and received.
6. Budget Officer now date-stamps and initials invoice(s) to insure they are paid within the 45-day timeframe.
7. Budget Officer has created a tickler filing system broken out by category for vendors to assure that timeline is adhered to.
8. Budget Officer, along with Assistant Directors, are responsible for accepting (signing) for goods sent to Commission via express mail and express package delivery service, i.e., FedEx, UPS, etc., and annotating with caption (Upon Further Inspection/UFI). Agency policy.
9. Budget Officer carefully scrutinizes all invoices before payment is initiated by utilizing the prescribed procedure(s) outlined in the Department of General Services Purchasing Procedures Manual.

PAYROLL AND PERSONNEL

The objectives of our review of the payroll and personnel controls and procedures were to determine whether

- payroll deductions were properly supported and approved;
- payroll disbursements (wages, salaries, and benefits) were made only for work authorized and performed; and
- leave slips were properly approved and signed by employees.

We interviewed key commission employees to gain an understanding of procedures and controls over leave-slip and time-sheet approval. We reviewed supporting documentation for these controls and procedures. In addition, a sample of personnel files was tested for proper approval of salary rates, leave slips, and time sheets. Also, deductions were reviewed to ensure they were authorized by employees. We had no findings related to payroll and personnel; however, another minor weakness came to our attention and was reported to management in a separate letter.

EQUIPMENT

The objectives of our review of the equipment controls and procedures were to determine whether

- property and equipment on the property listing represented a complete and valid listing of the capitalized assets purchased and physically on hand; and
- all sold, abandoned, damaged, or obsolete fixed assets had been removed from the property listing.

We interviewed key commission personnel to gain an understanding of procedures and controls for safeguarding and accounting for equipment and reviewed these controls and procedures. In addition, we tested samples of equipment items to determine if the actual items agreed by description, tag number, serial number, and location with the equipment listing. We had no findings related to equipment; however, other minor weaknesses came to our attention and were reported to management in a separate letter.

FINANCIAL INTEGRITY ACT

The Financial Integrity Act of 1983 requires each executive agency to annually evaluate its systems of internal accounting and administrative control and report the results of its evaluation to the Commissioner of Finance and Administration and the Comptroller of the Treasury by December 31 of each year.

The objectives of our review of the Tennessee Human Rights Commission's compliance with the Financial Integrity Act were to determine whether

- the commission's reports were filed in compliance with the Financial Integrity Act of 1983,
- documentation to support the commission's evaluation was properly maintained,
- procedures used in compiling information for the reports were adequate, and
- corrective actions had been implemented for weaknesses identified in the reports.

We interviewed key employees responsible for compiling information for the reports to gain an understanding of the procedures. We also reviewed the reports submitted to the Comptroller of the Treasury and to the Department of Finance and Administration.

We determined that the Financial Integrity Act reports were not submitted on time and that support for the reports was not adequate (finding 2).

2. The commission failed to prepare and submit its Financial Integrity reports in accordance with state law

Finding

The Tennessee Human Rights Commission failed to maintain supporting documentation of its calendar years 1996 and 1995 evaluations of internal accounting and administrative controls and to submit these reports in a timely manner, as required by the Financial Integrity Act of 1983. Additionally, as of March 28, 1998, the report had not been filed for calendar year 1997. Although reports were prepared for calendar years 1996 and 1995, there is no assurance reliable data was obtained and fairly disclosed in the reports since supporting documentation was unavailable.

Tennessee Code Annotated, Section 9-18-104, states, “By December 31 of each year, the head of each executive agency shall, on the basis of an evaluation conducted in accordance with guidelines prescribed under the preceding section, prepare and transmit to the commissioner of finance and administration and the comptroller of the treasury a report...” Furthermore, the Department of Finance and Administration’s *Guidelines for the Evaluation of Internal Accounting and Administrative Controls*, May 1986, states:

Adequate written documentation is to be maintained. In particular, documentation shall be maintained for activities conducted in connection with vulnerability assessments, internal control reviews and follow-up actions in order to provide a permanent record of the methods used, the personnel involved and their roles, the key factors considered, and the conclusions reached.

Recommendation

Management should maintain written documentation of its evaluation of the commission’s internal accounting and administrative controls in compliance with the Financial Integrity Act guidelines. In addition, management should ensure the report is submitted to the proper authorities in a timely manner as required by state law.

Management’s Comment

We concur. The Budget Officer for the agency has been in meetings with staff members from other agencies to get an idea of what a proper Financial Integrity report should include. He has nearly completed his reviews, and we will submit a corrected report.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Tennessee Human Rights Commission filed its report with the Department of Audit on May 27, 1997. 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 commission has corrected previous audit findings concerning compliance with the Department of Finance and Administration's Policy 20 and the U. S. Department of Housing and Urban Development's case management requirements.

OBSERVATIONS AND COMMENTS

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 ended June 30, 1997, the Tennessee Human Rights Commission filed its compliance report and implementation plan on December 15, 1997, and for the year ended June 30, 1996, on October 14, 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 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.

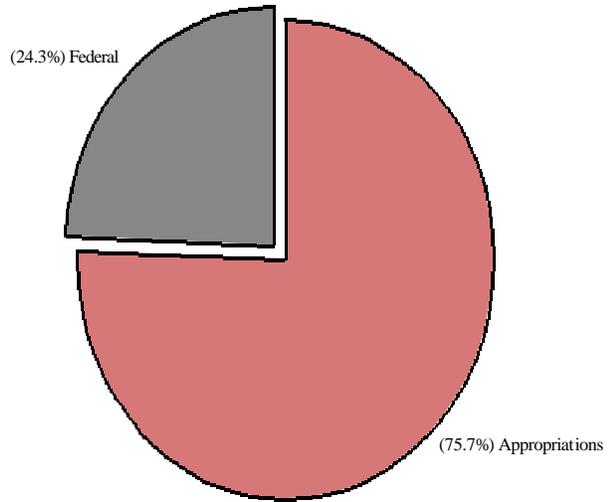
A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

The Tennessee Human Rights Commission allotment code is 316.04.

Tennessee Human Rights Commission Funding Sources

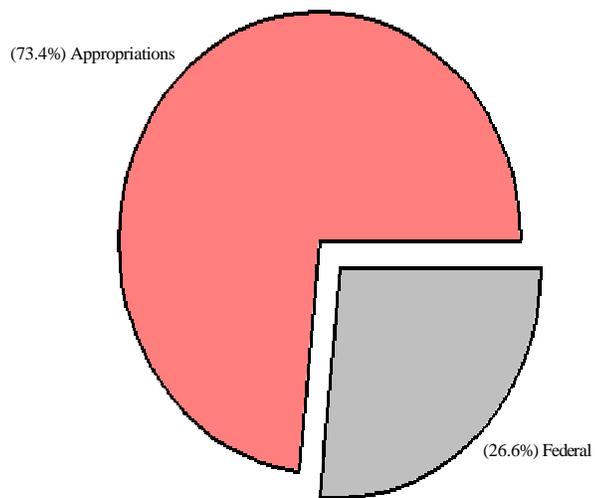
Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Tennessee Human Rights Commission

Tennessee Human Rights Commission Funding Sources

Fiscal Year Ended June 30, 1996 (Unaudited)



Source: Tennessee Human Rights Commission