

Department of Human Services

**For the Year Ended
June 30, 1998**

Arthur A. Hayes, Jr., CPA
Director

Charles K. Bridges, CPA
Assistant Director

Debra D. Bloomingburg, CPA
Audit Manager

Daniel V. Willis, CPA, CISA
In-Charge Auditor

Deborah Bonner, CISA
Conchata Brown
Bridget Carver
Brian Derrick
Staff Auditors

Melinda Edinbough
Jennifer Paschall
Bradley Truitt
Michael Wilbanks
Staff Auditors

Jane Russ
Editor

April 26, 1999

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Natasha K. Metcalf, Commissioner
Department of Human Services
400 Deaderick Street
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Human Services for the year ended June 30, 1998.

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's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Department of Human Services is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

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

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/sk
98/085

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Department of Human Services
For the Year Ended June 30, 1998

AUDIT SCOPE

We have audited the Department of Human Services for the period July 1, 1997, through June 30, 1998. Our audit scope included those areas material to the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1998, and 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 management information systems, internal audit, analytical procedures, and utilization of the Department of Finance and Administration's STARS grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDINGS

Noncompliance With Child Support Enforcement Procedures**

Not all resources were used to locate absent parents. Furthermore, certain cases examined had no evidence that a review was made within a 36-month interval, that attempts were made to enforce child support obligations, and that orders for medical support were enforced. Several cases were not assigned the proper case type classification in the computer system (page 4).

Noncompliance With Federal Regulations Concerning the Distribution of Child Support Payments**

The department did not always remit intercepted IRS tax refunds in a timely manner. The refunds were remitted late or not processed at all (page 10).

Inadequate Transfer and Reconciliation Process for Child Support Enforcement Funds

The department failed to collect all child support funds due from court clerks and did not reconcile the undistributed child support balance recorded in the Tennessee Child Support Enforcement System (TCSES) with child support collections and distributions (page 11).

State Contracting Rules Circumvented

During fiscal year 1998, the department contracted with the University of Tennessee to provide certain services. At the request of the department, the university subsequently subcontracted with a private firm to provide some of these services through a sole-source contract (page 14).

Insufficient Records Management Procedures

The department did not ensure all records were properly filed and stored. Supporting documentation could not be located for several items requested during the audit (page 15).

Noncompliance With Federal Regulations Concerning Requirements for the Purchase of Medical and Other Services

The Social Security Disability Insurance Program does not currently have a mechanism to ensure that the rates paid for medical services do not exceed the highest rate paid by federal or other agencies in the state for the same or similar services (page 17).

Inadequate Controls Over Payroll and Personnel

The hours worked and/or leave hours taken according to the Employee Attendance and Leave Authorization forms did not always agree with the hours for which the employees were compensated. In addition, overtime was not always properly approved (page 18).

Inadequate Security Over Computer Systems*

The department does not have adequate application controls over user access to TCSES, the Automated Client Certification and Eligibility Network (ACCENT), and the Resource Access Control Facility (RACF). Separation of duties was not maintained; terminated employees' access privileges were not revoked; security authorization forms were missing or not properly completed; the security table contained inaccurate information regarding users; and user IDs were not properly accounted for (page 20).

Ineffective Internal Audit Function**

The department's internal audit section does not effectively audit the department's operations. The internal audit section performs audits and reviews on only one of the department's major federal programs (page 23).

* This finding is repeated from the prior audit.

** This finding is repeated from prior audits.

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

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

Audit Report
Department of Human Services
For the Year Ended June 30, 1998

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Department of Human Services For the Year Ended June 30, 1998

INTRODUCTION

POST-AUDIT AUTHORITY

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

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

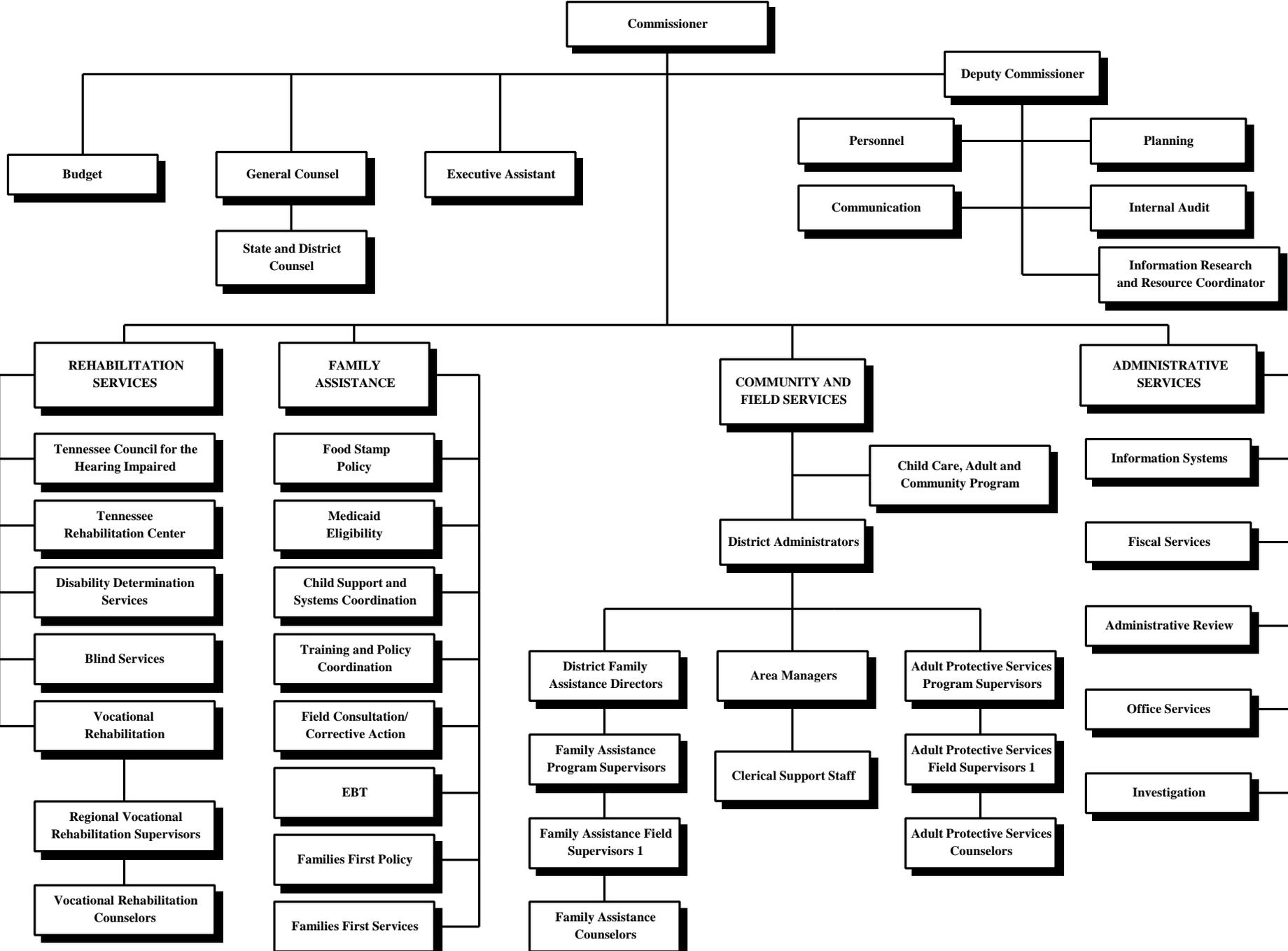
BACKGROUND

The mission of the Department of Human Services is to provide a quality system of human services to meet the changing needs of individuals and families in Tennessee. The department works to protect the vulnerable and enable its clients to achieve self-sufficiency and to improve their quality of life. The department carries out its responsibilities through four divisions: Family Assistance, Rehabilitation Services, Community and Field Services, and Administrative Services.

One of the department’s main responsibilities is to operate Tennessee’s major public assistance programs: Families First and Food Stamps. The department also strives to protect vulnerable adults and provides for a wide range of other services designed to help low-income children, adults, and their families through an extensive contract services network. The agency also helps Tennesseans with disabilities gain employment, live as independently as possible in the least restrictive environment, and receive timely and accurate decisions on their applications for disability or supplemental security income (SSI) benefits.

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

Tennessee Department of Human Services



AUDIT SCOPE

We have audited the Department of Human Services for the period July 1, 1997, through June 30, 1998. Our audit scope included those areas material to the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1998, 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 management information systems, internal audit, analytical procedures, and utilization of the Department of Finance and Administration's STARS grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with generally accepted government auditing standards.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

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

Our audit of the Department of Human Services 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 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 Human Services is also an integral part of the Tennessee Single Audit which is conducted in accordance with the Single Audit Act, as amended by the Single Audit Act Amendments of 1996. The Single Audit Act, as amended, 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
- the state has internal control to provide reasonable assurance that it is managing its major federal award programs in compliance with applicable laws and regulations.

We determined the following areas within the Department of Human Services were material to the CAFR and to the Single Audit Report: Food Stamps, Social Services Block Grant, Temporary Assistance to Needy Families (TANF), Social Security Disability Insurance, Child Support Enforcement Program, Child and Adult Care Food Program, Summer Food

Service Program for Children, Child Care and Development Block Grant, and Child Care and Development Fund.

To address the objectives of the audit of the CAFR and the Single Audit Report, as they pertain to these nine major federal award programs, we interviewed key department employees, reviewed applicable policies and procedures, and tested representative samples of transactions. In addition, we performed computer-assisted analytical procedures to determine if the department complied with Child Support Enforcement Program federal regulations related to locating absent parents and to determine if the Automated Client Certification and Eligibility Network (ACCENT) system automatically moved households off the Food Stamps program at the end of their certification periods unless they were recertified.

We have audited the general-purpose financial statements of the State of Tennessee for the year ended June 30, 1998, and have issued our report thereon dated January 25, 1999. The opinion on the financial statements is qualified. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. The Tennessee Single Audit Report for the year ended June 30, 1998, will include our reports on the schedule of expenditures of federal awards and on internal control and compliance with laws and regulations.

We determined that the department did not comply with child support enforcement procedures, as discussed in finding 1; the department did not comply with federal regulations concerning the distribution of child support payments, as discussed in finding 2; the transfer and reconciliation process for the department's child support enforcement funds was inadequate, as discussed in finding 3; the department circumvented state contracting rules, as discussed in finding 4; the department does not have sufficient records management procedures to locate supporting documentation, as discussed in finding 5; the Social Security Disability Insurance program did not fully comply with federal regulations concerning requirements for the purchase of medical and other services, as discussed in finding 6; and controls over payroll and personnel were inadequate, as discussed in finding 7. In addition to the findings, other minor weaknesses came to our attention and have been reported to management in a separate letter.

1. The department did not comply with child support enforcement procedures

Finding

As noted in the four prior audit reports, the department did not comply with child support enforcement procedures. The Department of Human Services is the designated Child Support Enforcement Title IV-D office; however, enforcement activities are generally contracted out to district attorneys general or to private contractors. Although these agencies have day-to-day responsibility for child support enforcement, the Department of Human Services has ultimate responsibility for compliance with federal regulations.

The most significant deficiencies noted in the prior audit concerned the department's failure to take all necessary steps to locate noncustodial parents. The Tennessee Child Support Enforcement System (TCSES) was designed to automate much of the necessary location activity; however, the TCSES locate function was completely disabled during the prior audit period and for much of the current audit period. Management concurred with the prior audit findings and stated, "The importance of locate interfaces is recognized and will continue to be a major emphasis in the program. The state reactivated the locate interfaces as of November 24, 1997. Locate was activated by [judicial] districts with the expectation that all districts will be activated by May 27, 1998." According to management, the locate interfaces were reactivated statewide as of July 30, 1998, but the most critical locate interfaces were again disabled in August and September 1998 when problems occurred. Management, however, was not aware the locate interfaces had again been disabled until January 1999 because of a series of miscommunications between department and Andersen Consulting personnel. Once the locate function is operating properly, many of the issues discussed in this finding should be resolved.

In a review of active child support cases using the Tennessee Child Support Enforcement System (TCSES), the following weaknesses were noted:

- a. Nine of 24 cases tested (37.5%) did not have evidence that all feasible sources were used to attempt to locate the absent parent. *Code of Federal Regulations*, Title 45, Section 303.3(b)(1), states:

The state must use appropriate location sources such as the Federal [Parent Locator Service] interstate location networks; local officials and employees administering public assistance, general assistance, medical assistance, food stamps and social services (whether such individuals are employed by the State or a political subdivision); relatives and friends of the absent parent; current or past employers; the local telephone company; the U.S. Postal Service; financial references; unions; fraternal organizations; and police, parole, and probation records if appropriate; and State agencies and departments, as authorized by State law, including those departments which maintain records of public assistance, wages and employment, unemployment insurance, income taxation, driver's licenses, vehicle registration, and criminal records.

- b. Ten of 11 cases tested (90.9%) did not have evidence that the Federal Parent Locator Service (PLS) was used within 75 days of determining that locate functions were necessary. *Code of Federal Regulations*, Title 45, Section 303.3(b)(3), states, "Within no more than 75 calendar days of determining that location is necessary, access all appropriate location sources, including transmitting appropriate cases to the Federal PLS, and ensure that location information is sufficient to take the next appropriate action in a case."

- c. Ten of 23 cases tested (43.5%) did not have evidence that attempts to locate absent parents were repeated quarterly or immediately upon receipt of new information. *Code of Federal Regulations*, Title 45, Section 303.3(b)(5), states that the IV-D agency must
- repeat location attempts in cases in which previous attempts to locate absent parents or sources of income and/or assets have failed, but adequate identifying and other information exists to meet requirements for submittal for location, either quarterly or immediately upon receipt of new information which may aid in location, whichever occurs sooner.
- d. One of five cases tested (20%) contained no documentation that the child support order was reviewed within a 36-month interval. Therefore, it could not be determined whether notification of a review should have been sent to each parent at least 30 days before the review or whether each parent should have been notified of the results of the review. *Code of Federal Regulations*, Title 45, Section 303.8(c)(4), states that the state must “review child support orders at 36-month intervals after establishment of the order or the most recent review.”
- e. Four of 22 cases tested (18.2%) did not have evidence of attempts to enforce all child support obligations. *Code of Federal Regulations*, Title 45, part 303.6(b)(2), states that enforcement action is required to be taken “within 30 calendar days of identifying a delinquency or other support-related noncompliance with the order....”
- f. One of six cases tested (16.7%) contained no documentation that an order for medical support was enforced by the IV-D agency. *Code of Federal Regulations*, Title 45, Section 303.31(b)(7), states, “If health insurance is available to the absent parent at reasonable cost and has not been obtained at the time the order is entered, [the IV-D agency shall] take steps to enforce the health insurance coverage required by the support order. . . .”
- g. Six of 38 cases tested (15.8%) were not classified correctly in TCSES.
- For three cases, the case type in TCSES did not reflect pertinent information from the Automated Client Certification and Eligibility Network system. The conversion errors appear to have occurred when the cases were established in TCSES.
 - For two cases, the noncustodial parent (NCP) was classified as not located when the NCP was actually located and making regular payments. The case record in TCSES appears to have not been updated properly.
 - One case was assigned ten different case numbers.

Correctly classifying the case type in the system is essential for proper distribution of child support. When numerous case type errors exist, case workers can lose confidence in the reliability of the system.

- h. Three of 39 cases tested (7.7%) were not valid open cases. These cases were classified as active open when they should have been classified as closed. When the active case population includes cases that are not valid or should no longer be open, a child support worker's attention can be diverted needlessly from truly active cases.

The failure to promptly attempt to locate absent parents, to repeat location attempts as necessary, to enforce child support and medical support orders, to classify cases correctly, to close cases timely, and to review orders timely may deprive caretakers and dependent children of needed financial support or deprive the state's Child Support Enforcement Program of reimbursement of program expenses.

In light of the high error rates related to location functions, computer-assisted auditing techniques were used to analyze location attempts for the entire population of individuals with a status of "active, not located." Emphasis was placed on location activities considered to be key for compliance with federal regulations—the use of the Electronic Parent Locator Network, the Federal PLS, and the periodic cross-matches with state employment security agency databases.

No location attempts were recorded in TCSES for any of these crucial activities from at least January 31, 1996, until November 20, 1997, since the location function had been disabled sometime during this period. Therefore, no key sources were used to locate absent parents, and quarterly location attempts, which at a minimum must include matching to state employment security records, were not made. When the location function was disabled in TCSES, the vast majority of judicial districts did not have access to the Federal PLS and could not perform the required search. Only the urban judicial districts, such as, Davidson, Knox, Hamilton, and Shelby Counties, had direct access to the Federal PLS.

TCSES was programmed to perform location functions using automatic interfaces between various computer systems of different agencies. These functions should be automatically recorded on the system's locate diary but were not since the location function in TCSES was disabled. If manual location attempts were made, these attempts were not recorded in TCSES. *The Tennessee Child Support Enforcement System Policies and Procedures Manual*, chapter 3, states, "The required documentation for the case will be maintained within the system by the use of various interfaces or by manually entering information by the worker. Such documentation will consist of . . . a record of local and state location efforts including the dates and the results."

Recommendation

The Director of Child Support should ensure that all available sources are used to locate absent parents, and if attempts are unsuccessful, location attempts should be repeated at least quarterly or immediately upon receipt of new information. The director should ensure that attempts are made to enforce the necessary support obligations. Further, the director should ensure that all cases on TCSES are classified correctly and that support orders are reviewed in a timely manner. The commissioner should ensure that the efforts of the Director of Child Support are frequently monitored to ensure compliance with child support enforcement procedures. The Director of Child Support and the Director of Internal Audit should work together to perform analytical procedures on the TCSES databases to monitor activity and determine areas of noncompliance. The failure to comply with child support enforcement procedures should result in appropriate administrative action.

Management's Comment

We concur. During the past several audit periods, the Department of Human Services has been involved with the process of automating the location of absent parents. The department undertook the automation process with the knowledge that it would be a long-term project and that unforeseen problems would arise. The automation process was slowed by the complex nature of locating parents, the involvement of other agencies, system conversions, and the enormous amount of transactions. The department understands the importance of locating noncustodial parents. We are committed to resolving remaining system problems and fully utilizing the automated locate system.

The following actions related to this finding have been initiated:

- I. The locate functions of TCSES which were disabled in August and September 1998 are being modified as needed. Phasing in of the reactivating of locate functions started in March 1999. Anticipated completion date is August 1999.
- II. Status meetings of the project management team occur bi-weekly. The team includes the Director of Child Support, Program Managers of Child Support, Director of Child Support Fiscal, Information Systems TCSES Project Manager, and Andersen Consulting Project Management. The purpose of the status meetings is to discuss priorities, problem areas (on-line and batch) and problem resolution. All priority items will be tracked with a written status report. In addition, TCSES steering committee meetings are scheduled on a monthly schedule and more frequently as needed. The steering committee includes the Assistant Commissioners of Family Assistance and Administrative Services; Directors of Child Support, Information Systems, Fiscal Services, and Project Management from DHS; and Andersen Consulting. The purpose of this is to establish top priorities and track development and implementation activities and establish corrective action procedures when appropriate.

- III. The Director of Child Support will consult with the Director of Internal Audit to develop an appropriate plan of action relating to TCSES activity and compliance. Status of TCSES modifications and problems encountered which will create a delay in implementation or require a modification to existing production processing will be provided to the Director of Child Support in writing. Approval must be received from appropriate state staff (Director of Child Support or Fiscal Services or Child Support Program Managers or IS Project Manager) prior to on-line or batch modifications or the disabling of any production functionality.

The department's response to each noted weakness follows:

- 1a. The department will re-emphasize through quarterly training meetings with local enforcement offices the importance of using all locally available location resources and properly documenting TCSES with the effort and the result for each case action. Informational memoranda will be issued as deemed necessary to reinforce a correct understanding of the need to use local resources and enter proper documentation in TCSES. A plan is in place to reactivate the TCSES locate interfaces in a phased schedule beginning in March 1999 and concluding in August 1999.
- 1b. The capability to transmit appropriate child support cases to Federal PLS is part of the systematic approach referred to in Response 1a. This feature required formatting changes to the file layout to enable the interface to work properly and is scheduled to be active by July 1999.
- 1c. With the activation of the location interfaces as described in Response 1a., locate will be attempted quarterly or when new information is made available.
- 1d. The department will re-emphasize review and modification policy during quarterly training sessions and through Informational memoranda as appropriate, stressing the necessity to properly update TCSES with effort and result.
- 1e. We will emphasize compliance with child support enforcement by quarterly training, policy issuances as appropriate, through the child support annual conference and by any other appropriate means.
- 1f. We will re-emphasize the need to take appropriate steps to enforce medical support by quarterly training, policy issuances as appropriate, through the child support annual conference and by any other appropriate means. Federal and state work groups are currently working to identify obstacles faced by states to effectively enforce medical support. We will provide appropriate information to assist the work groups and will look with interest at any solutions or recommendations offered by the work groups that might enhance our medical support enforcement capabilities.

- 1g. An automated case type change update was completed on all cases in TCSES during the months of July to November 1998. The purpose of this update was to modify TCSES with the appropriate case type based on information from the ACCENT system. Cases that could not automatically be updated were identified for the local offices so that a manual correction could be applied if appropriate.
 - 1h. Reports of the local offices' caseload and reports of cases with orders or with paternity established were provided to each of the judicial districts during the summer of 1998. Many of the districts have used these reports to assist in closing cases that are appropriate for closure. With each unique activity, such as IRS intercept, as well as the normal case activity, the local districts are taking actions to clean their caseload and close cases that are appropriate for closure. We will continue to work with the districts to make this a priority. Management reviews of the local office operation were completed in many of the judicial districts during calendar year 1998. A major focus of this review was to assess the status of the caseload clean-up. Recommendations for corrective action were provided to the administrator and the area coordinator as determined appropriate by the review.
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2. The department did not comply with federal regulations concerning the distribution of child support payments

Finding

As noted in the four prior audit reports, the department did not comply with federal regulations concerning the timeliness of distribution of child support payments. The department concurred with the prior audit findings and stated that the new child support system (TCSES), when implemented, would resolve these problems. However, the department had not fully completed the transition to TCSES tax-intercept processing during the audit period.

The *Code of Federal Regulations*, Title 45, Section 302.32(f)(2)(iv), requires that intercepted federal income tax refunds be distributed, as appropriate, "within 30 calendar days of the date of initial receipt by the IV-D agency." Ten of 19 intercepted IRS tax refunds reviewed (52.6%) were distributed late or not processed at all. These payments were remitted from two to 405 days late as of November 22, 1998. Many of the tax intercepts were processed using the old Child Support Management System (CSMS) or were processed manually during the transition to TCSES tax-intercept processing.

In addition, the local child support enforcement offices were contacted to determine whether the local office had records that the tax intercepts had taken place and whether the noncustodial parents' arrearage balances had been properly adjusted to reflect the intercepted funds. Eight of 19 district offices (42.1%) replied that they had no record the intercepts had occurred, and 12 (63.2%) replied that the arrears had not been adjusted to reflect the intercepted

funds. The *Code of Federal Regulations*, Title 45, Section 303.102 (g)(3)(iv), states, “The State must credit amounts offset on individual payment records.”

Failure to distribute child support payments in a timely manner deprives custodial parents and their children of needed child support. Failure to account for funds received and to promptly update case records creates unreliable financial records. When tax intercepts are not properly and promptly recorded, the child support enforcement office may continue to pursue collection of debts that have already been satisfied, causing noncustodial parents considerable frustration and needlessly wasting scarce child support enforcement resources.

Recommendation

The Director of Child Support should comply with federal regulations for the child support enforcement program and ensure funds are distributed timely to custodial parents. In addition, the Director of Child Support should ensure case records are updated to reflect the changes in arrearage balances. The commissioner should frequently monitor the distribution of child support payments to ensure accurate and timely distributions are made. The failure to make accurate and timely distributions should result in appropriate administrative action.

Management’s Comment

We concur that distributions of IRS offsets were not always made within required time frames. During the audit period, the department was still in the transition process to the new system (TCSES) for IRS processing. We were also continuing to resolve the IRS processing backlog from previous periods. All IRS processing is now being performed in TCSES. We do expect that IRS offset collections will be processed within required time frames. The local offices do receive, and have in past years received, reports of all IRS offset collections.

3. The transfer and reconciliation process for the department’s child support enforcement funds was inadequate

Finding

The department failed to collect all child support funds due from court clerks and did not reconcile the undistributed child support balance recorded in the Tennessee Child Support Enforcement System (TCSES) with child support collections and distributions. Therefore, the department did not identify and investigate late court clerk funds transfers or child support distributions and further failed to perform a key step in determining the accuracy of reports filed with the federal government.

Transfer

The department failed to transfer more than \$3,200,000 from the Davidson County Juvenile Court Clerk's bank account from July 1997 through October 1998. Although the department regularly initiated Automated Clearing House (ACH) debit transactions during this period, the ACH transactions were rejected because a hold had apparently been placed on the Juvenile Court Clerk's bank account. Bank officials explained that the account was frozen because of a previous period of inactivity. Department personnel had regularly received Department of the Treasury journal vouchers detailing the rejected bank debits but failed to remedy the problem. The department subsequently collected the funds in October and November 1998 after responsible department personnel finally made management aware of the situation. The Davidson County Juvenile Court Clerk's office earned \$16,976.15 of interest through November 1998 on these child support enforcement funds. Initially, the clerk's bank account was a non-interest-bearing account but was changed to an interest-bearing account in August 1998. Although these interest earnings appear due to the state, the department has taken no steps to collect the interest from the court clerk's office. Furthermore, the Juvenile Court Clerk took little substantive action to resolve the funds transfer problem.

To determine if these transfer problems were isolated to the Davidson County Juvenile Court, a sample of rejected ACH transactions from other courts for the period July 1997 through June 1998 was tested. The department had not collected amounts owed for 15 of 22 rejected ACH transactions tested (68%). Initially, the department had not collected \$63,151.97 (21% of the total \$296,629.76 tested). However, after the auditors brought the matter to management's attention, \$24,705.83 was recovered. As of December 21, 1998, the other \$38,446.14 had not been collected because department personnel were still in the process of reconciling amounts owed from these courts. The collection process was not without error—in an attempt to collect funds from the Putnam County Circuit Court, the department erroneously debited the Smith County Chancery Court's bank account. The erroneous debit was corrected on December 9, 1998, after the auditors brought the error to management's attention. In addition, apart from the sample discussed above, \$9,526.57 of uncollected funds dating back to December 1997 from one county's courts was discovered. As of December 1998, these funds had not been recovered.

Reconciliation

Although the department does perform some reconciliations related to child support collections, the department does not reconcile its undistributed support balance (funds that have been collected from absent parents but have not been sent to custodial parents) with collections and distributions. Thus, problems with failed ACH transfers and untimely distribution of collected support may go undetected. Moreover, without reconciliation, the department does not have a method to ensure the validity of the federal reports generated by TCSES—the reliability of which has come into question recently. Federal auditors from the Office of Child Support Enforcement (OCSE) are currently performing a review in certain states, including Tennessee, to determine the validity of the undistributed amounts reported by child support enforcement computer systems. The Child Support Fiscal Director has indicated that he does not believe the undistributed amounts as reported on the OCSE-34, Child Support Enforcement Program Quarterly Report of Collections, are accurate. One reason for this belief is the undistributed amount nearly doubled

from the quarter ended March 31, 1998, to the quarter ended June 30, 1998. The fiscal director stated that significant changes to TCSES affecting distribution were implemented in February 1998 and that the effects of these changes may not be properly reflected on the OCSE-34 report. The department has instructed Andersen Consulting, currently under contract for TCSES maintenance, to review the programs and procedures used to generate the TCSES OCSE-34 report.

Recommendation

The Director of Fiscal Services should establish and implement reconciliation and review procedures to ensure funds are successfully transferred from court clerk accounts to the state and to promptly resolve any problems, such as missed transfers, noted. In addition, the Director of Fiscal Services should require that the undistributed child support balance be reconciled with child support collections and distributions periodically. Any problems discovered should be promptly resolved. The Director of Child Support and the Director of Fiscal Services should ensure the necessary changes are made to TCSES to facilitate accurate federal reporting. The department should recover all interest earnings due to the state as a result of the failure to transfer funds from the clerk's office. The department should bill the Davidson County Juvenile Court Clerk's office for lost interest dating back to July 1997.

The commissioner should frequently monitor the process for transferring and reconciling child support funds to ensure that the correct amount of funds is successfully transferred and that amounts on federal reports are accurate. The failure to successfully transfer funds or accurately report amounts on the federal reports should result in appropriate administrative action.

Management's Comment

We concur. The electronic debit process used to retrieve funds for child support collections from court clerks across the state has been a difficult process. It is contingent on court clerks' appropriately reading data from TCSES screens and depositing the correct amount into clearing accounts which the electronic debit process accesses. Failure to do so causes the electronic debits to return due to insufficient funds, and during the earlier states of TCSES, the department encountered difficulty with this process. Procedures have been established for reconciliation and review of the debit process and follow-up on failed debits to ensure that funds are successfully transferred from court clerk accounts to State accounts. We are sending a letter to the Davidson County Juvenile Court Clerk asking for repayment of the interest.

The department has requested the appropriate TCSES reports and assigned staff to reconcile undistributed child support funds to the appropriate state accounts and federal reports. A plan has been developed and work is currently underway to modify TCSES reports to ensure that accurate federal reporting is achieved. The transfer and reconciliation processes will be monitored by departmental management to ensure that the correct amount of funds are

transferred, that appropriate reconciliations are performed, and that accurate federal reports are submitted.

4. The department circumvented state contracting rules

Finding

During fiscal year 1998, the Department of Human Services contracted with the University of Tennessee to provide certain services to the department. Then, at the request of the department, the university subsequently subcontracted with a private firm to provide some of these services through a sole-source contract. Chapter 0620-3-3-04, Paragraph (a)3, *Rules of Department of Finance and Administration*, states that sole-source negotiation “may be used in lieu of competitive negotiation only where competitive negotiation would not be feasible or practicable, as in...the service required is available from only one person or firm.” Although the sole-source justification on file at the university did document the specialized, relevant abilities of the firm, it did not state or adequately document that only this firm could provide these particular services.

The department effectively circumvented state contracting requirements by requesting the university to enter into the sole-source contract. The department apparently thought it would be quicker to arrange for services in this manner than to follow the proper purchasing procedures. When a state department or agency requests a sole-source procurement, the letter of justification must be approved by the Department of Finance and Administration. The university’s *Fiscal Policy* does not require a comparable level of approval.

The failure to consider additional vendors when awarding contracts could result in the department’s paying excess amounts for services and missing relevant alternatives.

Recommendation

The department’s reasons for sole-source procurement of services should always be clearly identified and well documented. Procurements of this type should be acquired through the state’s centralized system to ensure all state contracting requirements are met.

Management’s Comment

We concur. In this particular case, the department required specialized assistance in completing application for federal funding under a very tight timeframe. As recommended, in the future we will either follow standard purchasing procedures or document sole-source procurement justification if warranted by the circumstances and request the appropriate approval.

5. The department does not have sufficient records management procedures to locate supporting documentation

Finding

The Department of Human Services has not ensured that all records are properly filed and stored. Section 10-7-301(6), *Tennessee Code Annotated*, defines public records as “all documents, papers, letters...made or received...in connection with the transaction of official business by any governmental agency.” Section 10-7-508(a) states that “the comptroller of the treasury or the comptroller’s designated representative for purposes of audit, shall be accorded access to and may examine and receive any public records.”

The following problems concerning records management were noted:

- a. Significant adjustments to correctly record collections on the Tennessee Child Support Enforcement System (TCSES) were not fully documented. These adjustments were made because collections processed through the model clerk system (a system that some court clerks use to record child support transactions and that interfaces with TCSES) did not always properly process in TCSES. Department personnel were able to explain the method used to identify the necessary adjustments but could not provide documentation of the amounts involved or how the amounts were determined. These adjustments were estimated to be in the millions of dollars.
- b. Originally, the July through November 1997 FNS-44 30-day reports and supporting documentation, the July through September 1997 FNS-44 90-day reports and supporting documentation, and the June through August 1997 Summer Food Service Program FNS-418 30-day and 90-day reports could not be located. Department personnel made an effort to locate supporting documentation during the audit and were able to regenerate the reports and some of the underlying documentation. However, the department could not provide worksheets to support the Child and Adult Care Food Program FNS-44 30-day reports for September 1997, October 1997, and November 1997. In addition, only partial support was provided for the July 1997 and August 1997 reports; the Home Sponsors worksheet was not provided. The department also did not provide worksheets to support the Child and Adult Care Food Program FNS-44 90-day report for September 1997. The department indicated that the records had been lost during an office renovation completed when the employee responsible for these reports was on extended sick leave.
- c. Department personnel could not locate six of 61 Employee Attendance and Leave Authorization forms requested (9.8%).

The department’s performance of duties and compliance with laws related to these areas cannot be fully determined without documentation.

Recommendation

Division directors should ensure appropriate supporting documentation is maintained to provide evidence of the divisions' activities. All records should be stored in a manner that permits easy access and retrieval. Top management should frequently monitor the process for document retention. The failure to adequately retain documentation should result in appropriate administrative action.

Management's Comment

We concur with part a. During the TCSES implementation process, field staff determined that some collections processed through the model clerk system and disbursed by the model clerk systems had not been transmitted to TCSES to appropriately update TCSES case balances of child support arrears. Departmental staff worked with contract staff to modify the model clerk system functionality to transfer such amounts accurately in subsequent transactions. A process was also developed to transfer past collection amounts which had not previously been transmitted to TCSES. Those collections were transmitted but detailed reports were not required to document individual case transmission data. This information is stored on TCSES on clerk posting screens.

In the future, detailed reports will be required to document such endeavors. Such reports and records will be stored in a manner that promotes access and retrieval. Department management will monitor this process to ensure that proper documentation is maintained in an accessible manner.

We concur in part with part b. The Home Sponsor worksheets were provided to the auditors for the July and August 1997 FNS-44 reports.

We were unable to provide the supporting documentation for some reports because the worksheets had been purged from the INFOPAC computer system as a normal business process.

We concur with part c. Payroll procedures were changed late in fiscal year 1998. Employee Attendance and Leave Authorization forms are no longer maintained by the Personnel Department. Supervisory personnel sign the attendance forms and, after the hours are keyed into the payroll system by the section's timekeeper, approve the employee's hours on-line. Upon on-line approval, the attendance forms are returned to the timekeeper. It is the responsibility of each section's timekeeper to maintain proper payroll documentation. The Department of Human Services' Personnel Department will periodically send reminders to all timekeepers emphasizing the importance of maintaining payroll records.

6. The Social Security Disability Insurance program did not fully comply with federal regulations concerning requirements for the purchase of medical and other services

Finding

The Department of Human Services' Social Security Disability Insurance (SSDI) program is not in full compliance with federal regulations concerning the Social Security Administration's (SSA's) requirements for the purchase of medical and other services. Title 20, *Code of Federal Regulations*, Sections 404.1624 and 416.1024, sets forth SSA's requirements as follows: "The State will determine the rates of payment to be used for purchasing medical or other services necessary to make determinations of disability. The rates may not exceed the highest rate paid by Federal or other agencies in the State for the same or similar type of service. The State will maintain documentation to support the rates of payment it uses."

SSDI does not currently have a mechanism to ensure that the rates paid for medical services do not exceed the highest rate paid by federal or other agencies in the state for the same or similar services. SSDI uses a modified version of the Tennessee Bureau of Medicaid's February/March 1994 Medicaid Maximum Price Listing. However, since the implementation of TennCare, the bureau no longer provides a current medical fee listing. Without such a listing, the department has no assurance that the rates paid for medical services are in compliance with federal regulations.

SSA recently audited SSDI administrative costs for fiscal years 1993 through 1995. The audit report, released in March 1998, included questioned costs of \$425,024 for medical costs claimed on reimbursements in excess of the highest federal or state rates. The lack of a valid statewide maximum fee schedule was cited as one reason for the questioned cost. The Department of Human Services did not agree with the manner in which the SSA auditors combined medical procedure codes into a single rate for certain services and is appealing the questioned cost.

Recommendation

The commissioner should initiate meetings with personnel from the other state departments that provide medical services to determine medical rates that would comply with Title 20, *Code of Federal Regulations*, Sections 404.1624 and 416.1024. Adequate documentation should be maintained to support the rates that will be used.

Management's Comment

We concur. Upon completion of the Social Security Administration's (SSA) Audit, the Vocational Rehabilitation Services Section, the Disability Determination Services Section, and the SSA representatives developed a schedule of payments satisfactory to all parties. SSA has verbally agreed to accept the 1994 Medicaid Maximum Price Listing plus 8%. Written

confirmation of this agreement is expected to be received by the department in the near future. The agreed upon rates will be used by the parent agency, the Division of Rehabilitation Services. A few services have different requirements for the Disability Determination Services Section and when these services are needed, the Division of Rehabilitation Services and the Disability Determination Services Section come to agreement on the fee. Clear and documented evidence is maintained by the Division of Rehabilitation Services and the Disability Determination Services on all fees established.

7. Controls over payroll and personnel were inadequate

Finding

The Department of Human Services does not have adequate controls over payroll and personnel. The hours worked and/or leave hours taken recorded on the Employee Attendance and Leave Authorization forms did not agree with the hours for which the employees were compensated for nine of 55 payroll transactions tested (16.4%). In addition, overtime was not properly approved for one of 23 applicable payroll transactions tested (4.3%). Furthermore, as noted in finding 5, several Employee Attendance and Leave Authorization forms could not be located. The Department of Personnel's *Attendance and Leave Policies and Procedures*, page 86, states, "A hard copy attendance and leave record per pay period per employee must be submitted to the proper audit authority at the end of each pay period. This record must be signed by both the employee and his supervisor, verifying the correctness of the hours scheduled and worked and leave taken."

Although the dollar amounts of the individual discrepancies noted were not material, the underlying weakness in controls could allow material payroll errors to occur.

Recommendation

Management should hold the supervisors accountable for ensuring that employees are compensated for only the hours actually worked as recorded on the Employee Attendance and Leave Authorization forms.

Management's Comment

We concur. The department's payroll procedures were changed during late fiscal year 1998. After employee timesheets are approved in writing by appropriate supervisory personnel, they are now forwarded to an administrative person in each section for entry into the CICS Data Capture payroll system. After the information is keyed, a management-level employee verifies

that the keyed in hours agree to the written timesheets. On-line approval by management personnel is required. Unapproved on-line entries are not paid.

The change in payroll procedures ensures that supervisors are accountable for accurately compensating employees for only the hours worked. Administrative and management personnel go through training before being allowed to enter or approve payroll transactions.

MANAGEMENT INFORMATION SYSTEMS

The objectives of our review of the ACCENT system and TCSES were

- to determine if relevant policies and procedures were placed in operation;
- to determine and document if computer resources were planned, managed, and used effectively;
- to determine and document if an adequate business recovery plan had been implemented;
- to determine if user access to the ACCENT system, TCSES, and RACF was adequately controlled;
- to determine if adequate controls were in place over ACCENT and TCSES program changes.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over the ACCENT system and TCSES. We obtained and reviewed the department's three-year information systems plan and other departmental policies. We obtained datasets of the ACCENT, TCSES, and RACF security tables and performed computer-assisted analytical procedures concerning the levels of access provided to certain users. We also cross-matched the ACCENT and TCSES security tables with the State Employee Information System to determine if the levels of access granted to users were consistent with their job titles and to determine if terminated employees' access to these systems was promptly revoked. We found that the department did not have adequate security over ACCENT and TCSES, as discussed in finding 8. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

8. Security over computer systems was inadequate

Finding

The Department of Human Services does not have adequate application controls over user access to the Tennessee Child Support Enforcement System (TCSES), the Automated Client Certification and Eligibility Network (ACCENT), and the Resource Access Control Facility (RACF). TCSES and ACCENT are the department's systems; RACF is the top layer of security which allows initial access to the computer before access to TCSES and ACCENT is available. The following weaknesses were noted: separation of duties was not maintained; terminated employees' access privileges were not revoked; security authorization forms were missing or not properly completed; the security table contained inaccurate information regarding users; and user IDs were not properly accounted for. The prior audit report contained a finding concerning weaknesses in ACCENT system security. Management concurred with the prior finding and stated, "Internal audit has been asked to review and make recommendations in this area to enhance controls. Upon their review we will determine what changes may be necessary and appropriate." However, the internal audit section did not perform the requested security review.

Separation of duties was not maintained.

- One hundred one TCSES users were in the ALL security group which allows access to update, add, and delete all data fields in the system. Users in this security group were from a wide range of job classifications including secretaries, case workers, attorneys, and programmers. Without proper segregation of duties, the department's resources are subject to unauthorized use or modification, damage, or loss. With this access, users could establish and maintain cases, as well as update disbursements, collections, refunds, and table files.

Terminated employees' access was not revoked.

- One hundred twenty-eight of 391 ACCENT user IDs tested (44%) belonged to terminated employees who were still listed as active within the ACCENT system and were granted authority to modify case records. Good security practices require that terminated employees' system privileges be promptly revoked. The failure to revoke terminated employees' ACCENT privileges increases the possibility that sensitive case information could be inappropriately modified, that falsified cases could be established, and that welfare benefits could be paid to ineligible individuals.

Authorization forms were missing or incomplete.

- Department personnel were unable to locate four of 20 TCSES security request forms selected for testwork (20%).
- Seven of 16 TCSES security authorization forms tested (43.8%) were not properly authorized by management.

- Five of 16 TCSES user IDs tested (31.3%) did not have the type of access authorized on the request form.
- Department personnel were unable to locate five of 20 ACCENT security authorization forms selected for testwork (25%).
- Department personnel were unable to locate five of 20 RACF security authorization forms selected for testwork (25%).
- Three of 15 RACF security authorization forms tested (20%) were not signed by the users' supervisors.
- Six of 15 RACF authorization forms tested (40%) did not specify the type of access to be given.

The security table contained inaccurate information regarding users.

- Three TCSES users have invalid social security numbers in the security profile table.
- Seventy-five TCSES accounts had duplicate social security numbers.
- Twenty ACCENT users' social security numbers were invalid.
- Ten duplicate ACCENT accounts had the same social security number assigned to two different users.

Although other identifying information was included in the ACCENT and TCSES security tables, the social security number is a key data element.

User IDs were not properly accounted for.

- Ten ACCENT user IDs were invalid.

Recommendation

The Director of Information Systems should improve security for TCSES, ACCENT, and RACF. Users should be granted the appropriate level of system access based on their job duties. The Director of Information Systems should take immediate steps to ensure all ACCENT access privileges are promptly revoked for terminated employees. Security authorization forms should be completed by management and maintained. System users should be properly identified and their user IDs should be properly accounted for. Top management should monitor the system security for TCSES, ACCENT, and RACF and take appropriate administrative action if problems are noted.

Management's Comment

We concur that systems users should be properly identified and accounted for.

Separation of Duties

User listings have been created by Information Systems staff and provided to Child Support management for verification of appropriate access levels for individuals with ALL clearance. Additionally, an Information Systems staff member has been designated to monitor all security requests for contract staff.

Terminated Employee Access

The Department of Human Services' Information Systems and the Office for Information Resources (OIR) in the Department of Finance and Administration are investigating the possibility of an automated matching solution for revoking access for terminated employees. In the meantime, a new procedure has been put into place whereby the Information Systems' Security Unit notifies the ACCENT Security Administrator of RACF IDs that are revoked as a result of personnel matches for terminated/retired employees.

Missing or Incomplete Authorization Forms

The Information Systems Section is in the process of constructing a new security model which includes the review and potential redesign of all security access authorization procedures. A signature will be required, plus the type of access being requested will be a mandatory field on the form.

Security Table

The Information Systems Section is working with Andersen Consulting to rectify this situation.

User IDs Not Properly Accounted For

The department and OIR are working together to develop a mechanism to allow for deletion of partial or invalid ID numbers.

INTERNAL AUDIT

The objectives of our review of internal audit controls and procedures were to determine whether

- internal auditors had the education, experience, and supervision necessary to complete their assignments;
- the internal audit unit was independent of the department's program functions;

- internal auditors prepared sufficient working papers to document their work; and
- the internal audit function was sufficient to meet the department's needs.

We interviewed key department personnel to gain an understanding of the department's procedures and controls for conducting audits. We also reviewed auditor qualifications. We determined that the internal audit function was ineffective, as discussed in finding 9. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

9. The internal audit function is ineffective

Finding

As noted in the prior audit, the internal audit section does not effectively audit the department's operations. Management concurred with the prior finding and stated, "The section is looking at additional program areas, concentrating on known areas of findings as identified by Comptroller audits." However, during the audit period, the internal audit section performed audits and reviews on only one of the department's ten major federal financial assistance programs. Although the Child and Adult Care Food Program received audit coverage, the Temporary Assistance to Needy Families, Food Stamps, Vocational Rehabilitation, Social Security Disability Insurance, Child Support Enforcement, Low Income Home Energy Assistance Program, Child Care Development Block Grant, Child Care Development Fund, and Social Services Block Grant programs received no internal audit coverage. Given the size of the Department of Human Services, the underlying nature of the department's programs, and the magnitude of the department's state and federal funding, the major federal programs should receive internal audit coverage.

The department's internal audit section was established to continually test the department's internal control structure. The Department of Human Services' *Administrative Manual*, page 587, states:

The internal audit function is a continuous independent management control and appraisal activity established within the Department to review administrative, fiscal, and program operations to determine for management (1) that assets are safeguarded and properly accounted for, (2) that adequate managerial and accounting controls exist and function properly, (3) that recommendations are made for appropriate improvements in controls and operations, and (4) that management's plans, policies, and procedures are carried out and executed effectively and efficiently.

Management of the department is responsible for establishing and maintaining internal controls. The internal audit function is a key management resource for ensuring these controls are

developed and maintained. However, because internal audit performed tests on only the Child and Adult Care Food Program, the department has not received the benefit of this key management resource.

Subsequent to the audit period, the department hired a new Director of Internal Audit and the internal audit section has begun to perform work in areas other than the Child and Adult Care Food Program.

Recommendation

The Director of Internal Audit should continue taking immediate steps to meet the department's needs by increasing the section's coverage of the department's many complex programs.

Management's Comment

We concur. A twelve-month audit plan was sent to department management and State Audit in January 1999. The audit plan schedules audit work in eight of the ten major federal finance assistance programs, as well as Fiscal Services and FEMA audits. To assist in monitoring Internal Audit performance, as of January 1999 monthly status reports are sent to department management and State Audit.

Internal Audit is committed to continuing recent efforts to increase audit coverage and improving the overall internal control structure.

ANALYTICAL PROCEDURES

The objectives of our analytical procedures were to identify unusual or unexpected transactions and/or relationships and to determine the propriety of these transactions or relationships. We obtained datasets from the State of Tennessee Accounting and Reporting System (STARS), the State Employee Information System (SEIS), the Automated Client Certification and Eligibility Network (ACCENT) system, the Tennessee Child Support Enforcement System (TCSES), the Tennessee Child Care Management System (TCCMS), and the Department of Health, Bureau of Vital Statistics. We utilized computer-assisted auditing techniques to perform a series of cross-matches between these datasets and to identify certain unusual transactions. We examined supporting documentation for these unusual transactions and interviewed department personnel as appropriate.

We identified certain matches between ACCENT and the Bureau of Vital Statistics' death records, and we provided management our results. The department's Investigations Section is currently reviewing these matches case by case to determine the validity of each match and the possibility of fraud. Many factors must be thoroughly evaluated before such a determination can

be made; we will continue to work with management to resolve these matches. We had no findings related to analytical procedures; however, some minor weaknesses came to our attention and have been reported to management in a separate letter.

DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20, “RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES”

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 testwork focused on whether

- appropriate grant information was entered into the STARS Grant Control Table upon notification of the grant award, and whether related revenue and expenditure transactions were coded with the proper grant codes;
- appropriate payroll costs were reallocated to federal award 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 had negotiated an appropriate indirect cost recovery plan, and whether indirect costs were included in drawdowns; and
- the department utilized the appropriate STARS reports as bases for preparing the schedule of expenditures of federal awards 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. We also reviewed supporting documentation and tested samples of grant awards, revenue and expenditure transactions, drawdowns, and reports submitted to the federal government. We also reviewed payroll cost reallocations and the Schedule of Expenditures of Federal Awards. We had no findings related to the Department of Finance and Administration’s Policy 20; however, some minor weaknesses came to our attention and have been reported to management in a separate letter.

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 Human Services filed its report with the Department of Audit on December 1, 1998. 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 Human Services has corrected the previous audit findings concerning the inadequacy of Social Security Disability financial reporting and the improper payments to certain state employees for services procured through direct purchase authority contracts.

REPEATED AUDIT FINDINGS

The prior audit report also contained findings concerning noncompliance with child support enforcement procedures, noncompliance with federal regulations concerning the distribution of child support payments, ineffective audits of the department's operations by the internal audit section, and inadequate ACCENT system security. These findings have not been resolved and are repeated in the applicable sections of this report.

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 ending June 30, 1998, the Department of Human Services filed its compliance report and implementation plan on June 30, 1998.

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 has not designated a new monitoring agency for the Executive Branch.

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

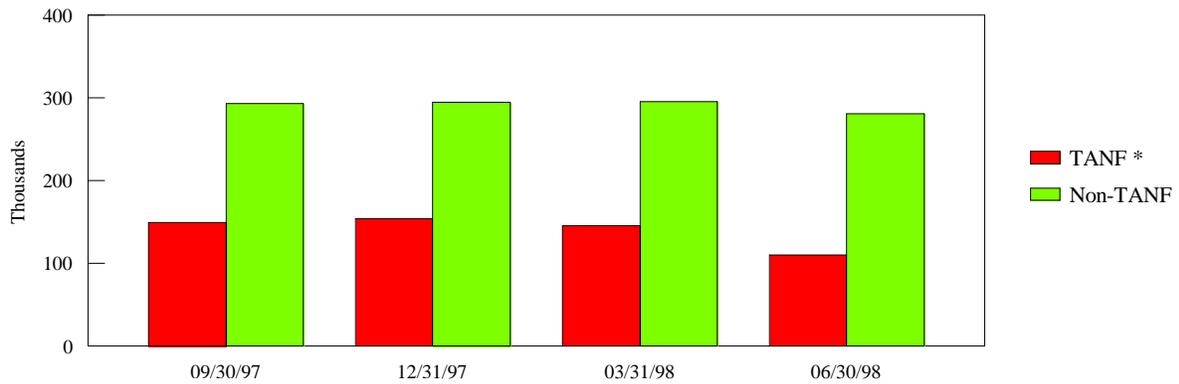
DIVISIONS AND ALLOTMENT CODES

Department of Human Services' divisions and allotment codes:

345.01	Division of Administration
345.13	Child Support
345.16	Field Operations
345.17	Special County Rentals
345.23	Aid to Dependent Children
345.25	Food Stamps
345.30	Family Assistance
345.35	Disaster Relief Grants
345.49	Community Services
345.70	Vocational Rehabilitation
345.71	Disability Determination

Child Support Caseloads: July 1997 - June 1998

(Unaudited)

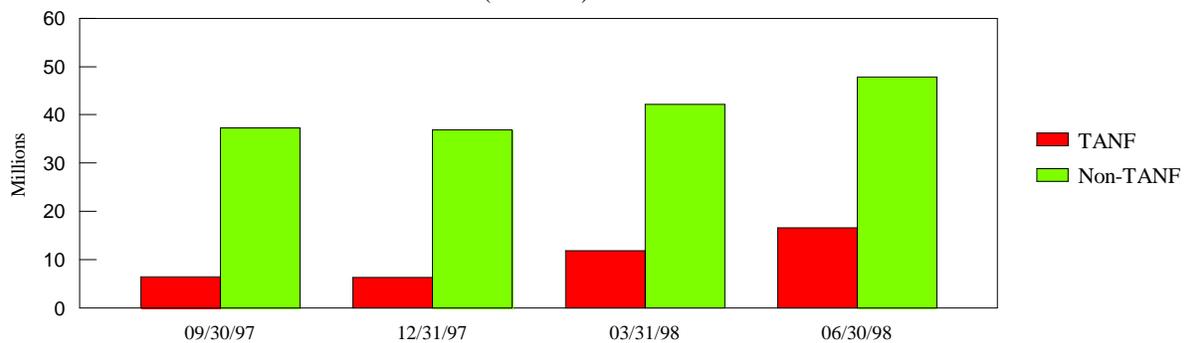


Source: Department of Human Services

* Temporary Assistance to Needy Families

Child Support Collections: July 1997 - June 1998

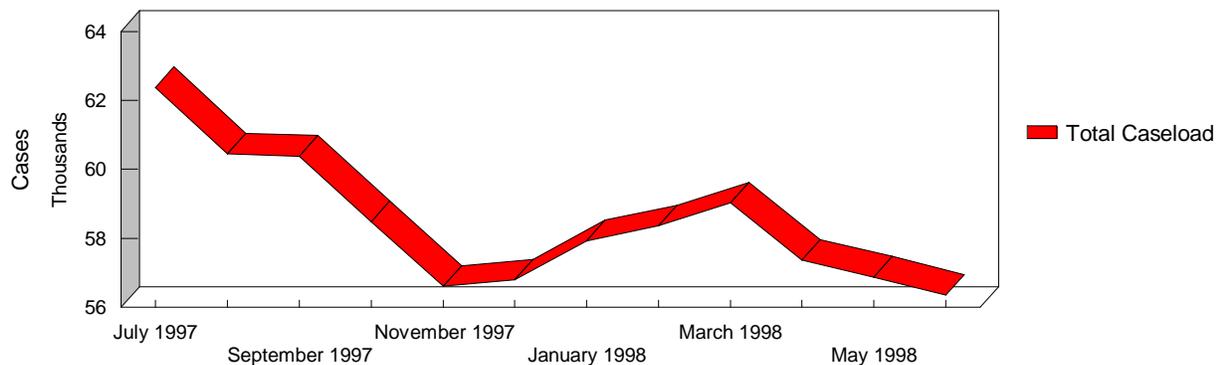
(Unaudited)



Source: Department of Human Services

Welfare Caseload: July 1997 - June 1998

(Unaudited)



Source: Department of Human Services