

Tennessee Commission on Aging

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

Arthur A. Hayes, Jr., CPA

Director

Charles K. Bridges, CPA

Assistant Director

Ronald E. Anderson, CPA

Audit Manager

Patricia L. Wakefield, CPA

In-Charge Auditor

James Wayman, CPA

Tim Wells, CPA

Staff Auditors

Jane Russ

Editor

October 12, 1998

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

Mr. James S. Whaley, Executive Director
Tennessee Commission on Aging
500 Deaderick Street, Ninth Floor
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Commission on Aging 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, contracts, and grants significant to the audit. Management of the Tennessee Commission on Aging is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report. The commission's administration has responded to the audit finding; we have included the response following the finding. We will follow up the audit to examine the application of the procedures instituted because of the audit finding.

We have reported other less significant matters involving the commission's internal controls and/or instances of noncompliance to the Tennessee Commission on Aging's management in a separate letter.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/lb
98/087

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Commission on Aging
For the Years Ended June 30, 1997, and June 30, 1996

AUDIT SCOPE

We have audited the Tennessee Commission on Aging 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 and equipment, payroll and personnel, general financial and program compliance, compliance with the Financial Integrity Act, 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE FINDING

Internal Accounting Reports Not Reconciled With Area Agency Reports **

The commission did not reconcile internally generated accounting reports used in the preparation of the federal Financial Status Report (FSR) with the reports received from the area agencies. As a result, the amounts on the combined reports were not adequately supported (page 6).

** 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
Tennessee Commission on Aging
For the Years Ended June 30, 1997, and June 30, 1996

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Tennessee Commission on Aging 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 Commission on Aging. 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 legislature created the Tennessee Commission on Aging in 1963. The most recent authorizing legislation is the Tennessee Commission on Aging Act of 1984. The commission consists of 24 members, 22 of whom are appointed by the Governor: nine rural representatives, five urban representatives, five members from the Governor’s staff and cabinet, two members from aging advocacy organizations, and one member with expertise in gerontology or geriatrics from an academic institution in the state. The speakers of the House of Representatives and the Senate each appoint one legislator to serve *ex officio*.

Under state statute, the commission is authorized to do the following:

- Allocate funds for projects and programs for older persons
- Accept and administer funds from the federal government and private sources
- Serve as an advocate within government and in the community for older persons in Tennessee
- Designate planning and service areas and area agencies on aging
- Advise the Governor and heads of state departments and agencies regarding policies, programs, services, allocation of funds, and the needs of older persons in Tennessee
- Make recommendations for legislative action to the Governor and to the legislature

The commission is also authorized to stimulate more effective uses of existing resources and services for older persons and to develop opportunities and services not otherwise available, with the aim of developing a comprehensive and coordinated system for the delivery of health and social services to older persons.

The Public Guardianship for the Elderly Law was established in 1986 to aid disabled persons over the age of 60 who have no person willing and able to serve as conservator or guardian. The law requires the Commission on Aging to administer the statewide program and requires the development districts to hire staff to serve as district public guardians.

Under the leadership of the executive director and the assistant director, the commission has five organizational sections: planning services, community services, fiscal and administrative services, advocacy/elderly rights services, and support services. Additionally, the commission administers an employment program for the elderly which is directed by an employment services coordinator.

An organization chart of the Tennessee Commission on Aging is on the following page.

AUDIT SCOPE

We have audited the Tennessee Commission on Aging 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, property and equipment, payroll and personnel, general financial and program compliance, compliance with the Financial Integrity Act, 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

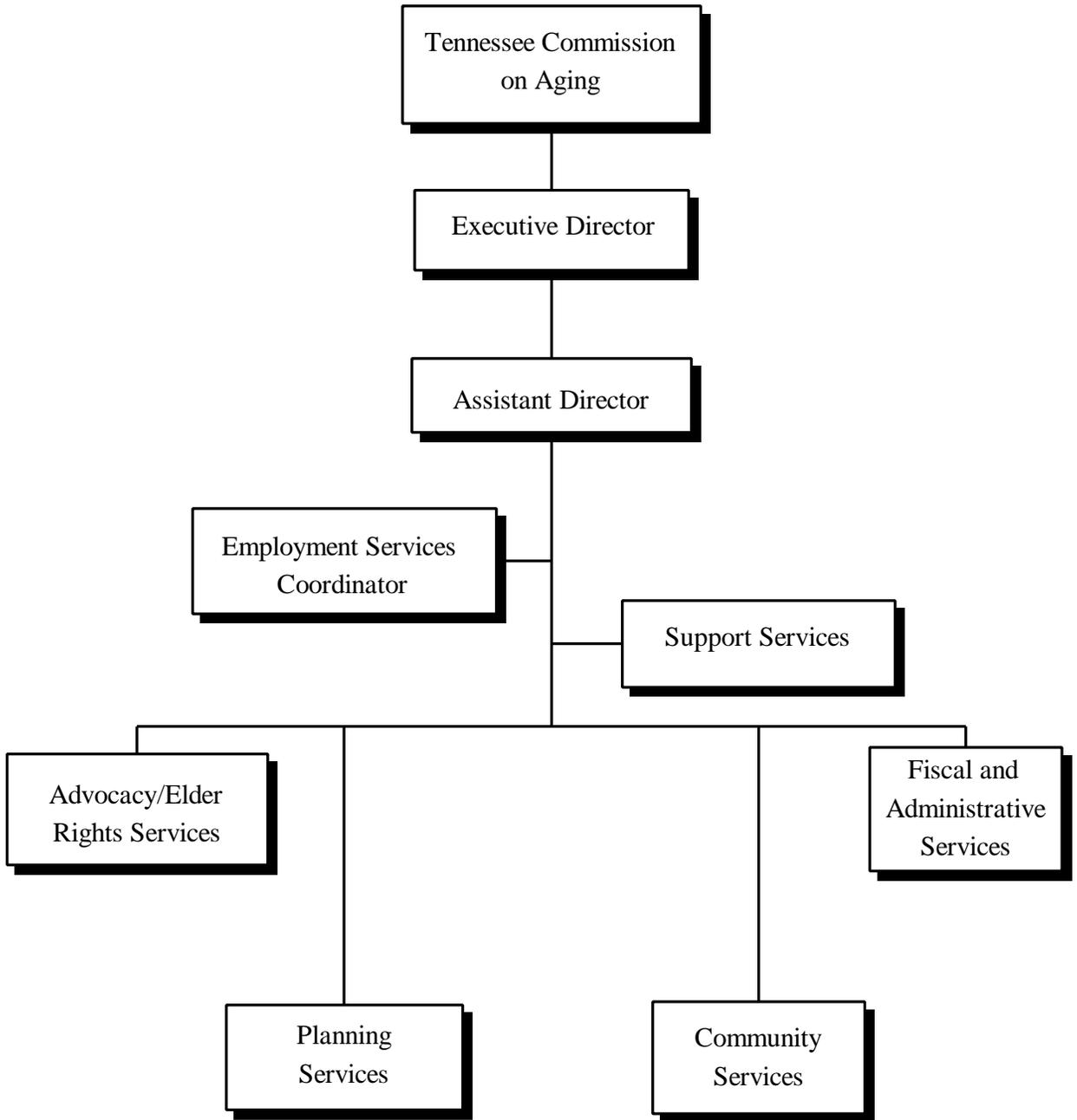
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

Our objectives in reviewing revenue were to determine whether

- cash collected during the audit period had been deposited timely,

TENNESSEE COMMISSION ON AGING
ORGANIZATION CHART



- petty cash or change funds had been authorized by the Department of Finance and Administration, and
- the commission's records were reconciled with Department of Finance and Administration reports.

We interviewed key personnel to gain an understanding of the internal controls over revenue. We performed analytical procedures using computer-assisted audit techniques; we also tested samples and reviewed supporting documentation.

We had no findings related to revenue; however, other minor weaknesses came to our attention and have been reported to management in a separate letter.

EXPENDITURES

Our objectives in reviewing expenditures were to determine whether

- recorded expenditures were for goods and services authorized and received;
- payment was made in a timely manner and for the proper amount;
- the commission's records were reconciled with Department of Finance and Administration reports;
- travel payments were paid in accordance with the Comprehensive Travel Regulations;
- contracts were made in accordance with regulations, and whether contract payments complied with contract terms and purchasing guidelines and were properly approved and recorded against the contract; and
- federal expenditures complied with grant requirements.

We interviewed key personnel to gain an understanding of the internal controls over expenditures. We performed analytical procedures using computer-assisted audit techniques; we also tested samples and reviewed supporting documentation.

We had no findings related to expenditures; however, other minor weaknesses came to our attention and have been reported to management in a separate letter.

PROPERTY AND EQUIPMENT

Our objectives in reviewing property and equipment were to determine whether

- the property listing represented a complete and valid listing of the costs of the commission's assets purchased during the audit period,

- property and equipment were adequately safeguarded,
- capital expenditures represented a complete and valid listing of the property and equipment acquired during the audit period, and
- equipment purchases charged to federal grants complied with grant requirements.

We interviewed key personnel to gain an understanding of the internal controls over property and equipment. We tested samples and reviewed supporting documentation.

We had no findings related to property and equipment; however, other minor weaknesses came to our attention and have been reported to management in a separate letter.

PAYROLL AND PERSONNEL

Our objectives in reviewing payroll and personnel were to determine whether

- payroll disbursements were made only for work authorized and performed and were supported by time records;
- payroll amounts were recorded correctly, and properly distributed by account;
- employees were qualified for their positions;
- performance evaluations were completed timely for all employees; and
- payroll charged to federal grants was adequately supported and properly distributed.

We interviewed key personnel to gain an understanding of the internal controls over payroll and personnel. We performed analytical review using computer-assisted audit techniques.

We had no findings related to payroll and personnel.

GENERAL FINANCIAL AND PROGRAM COMPLIANCE

Our objectives in reviewing general financial and program compliance were to determine whether

- procedures for financial monitoring of the area agencies complied with applicable policies, laws, and regulations;
- financial data generated internally by the commission reconciled with financial data reported by the area agencies;
- programs were adequately monitored in accordance with federal and state guidelines and regulations; and

- programs complied with applicable federal and state guidelines regarding training, eligibility, documentation, and other applicable requirements.

We interviewed key personnel to gain an understanding of the internal controls over general financial compliance. We reviewed applicable laws and grant agreements, performed analytical procedures using computer-assisted audit techniques, and traced amounts on the commission's federal reports to supporting documentation.

We had one finding related to general financial and program compliance. Additionally, other minor weaknesses came to our attention and have been reported to management in a separate letter.

**The commission did not reconcile its internal accounting reports
with reports from the area agencies**

Finding

As noted in the three previous audits, the Tennessee Commission on Aging did not reconcile reports received from the area agencies with its internally generated accounting reports. Management concurred with the findings and stated that they had established a standardized quarterly report form for the agencies to ensure that quarterly reports were consistent across the state. They also established cut-off dates for filing revisions to these agencies' quarterly reports. However, these actions did not correct the commission's reporting problems.

Management implemented a standardized quarterly report form in the year ended June 30, 1995. Information the area agencies submitted in the reports is combined to produce the federal Financial Status Report (FSR). However, the computer program initially developed to combine the area agencies' reports contained several design deficiencies. While many of the initial problems were corrected, numerous deficiencies remain which incorrectly combine information from the area agencies on the commission's FSR. Although management established cut-off dates for filing revisions to the quarterly reports, incorrect preliminary amounts (which were subsequently revised) were frequently included on the FSR. Additionally, the program designed to prepare the final allocation of expenditures to the proper grant period for the FSR also contained formula errors.

Significant revisions were made to the reporting format during the year ended June 30, 1997. These revisions reduced both the frequency and the dollar value of the errors. However, the commission did not timely reconcile the combined amounts from the computerized report with the individual reports submitted by the area agencies. This reconciliation would have detected the errors inherent in the design of the computer program and also detected the resulting overstatement of expenditures before submission of the FSR. Subsequent FSRs were not revised when management became aware of the errors.

Section .20(b)(2) of the Office of Management and Budget’s “Uniform Administrative Requirement for Grants and Cooperative Agreements to State and Local Government (Common Rule)” states, “Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities.” When proper reconciliations between the area agencies’ reports and the commission’s reports are not performed and documented, and revisions to subsequent federal reports are not made and documented in the accounting records, the validity of the data used for reporting purposes cannot be determined. Furthermore, errors in reporting may remain undetected and amounts reported to the grantor may be inadequately supported.

Recommendation

The commission’s fiscal personnel should reconcile reports submitted by the area agencies with the combined reports prepared by the commission to ensure the accuracy of the computer program which generates the combined Financial Statement Report. All changes made to the computer program used to accumulate data for the FSR should be thoroughly tested before the revised program is put into service. Revisions to the Financial Status Reports resulting from errors in prior reporting periods should be made timely by the commission’s fiscal personnel and should be clearly identified in the accounting records.

Management’s Comment

We concur. Based on State Audit’s finding, three parts must be addressed to satisfy this finding. The following actions have been or are being taken:

1. The computer application to consolidate the Financial Status Report has formula errors.

Action Taken

All formula errors have been corrected. In the future, any formula changes will be tested with prior period data to make sure all formulas are calculating the correct information.

2. The most current revisions to area agency expenditure reports were not always used.

Action Taken

The Commission will require hard copies of all revisions to be submitted with each revision being numbered.

3. Reports received from the area agencies are not reconciled with the data submitted to the Administration on Aging.

Action Taken

A report is being designed which will allow a quick review of data submitted to the Administration on Aging and a comparison of the area agency reports with that data.

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 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 have 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 supporting documentation for these procedures and the reports submitted to the Comptroller of the Treasury and to the Department of Finance and Administration.

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 programs within 30 days of each month-end using an authorized redistribution method; and

- the department negotiated an appropriate indirect cost recovery plan and whether indirect costs were included in drawdowns.

We interviewed key personnel to gain an understanding of the department's procedures and controls concerning Policy 20. The Tennessee Commission on Aging is in compliance with the applicable provisions of the Department of Finance and Administration's Policy 20.

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. 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 Tennessee Commission on Aging has corrected previous audit findings concerning inadequate monitoring of Title III priority service spending levels and incorrect and untimely drawdowns for indirect costs.

REPEATED AUDIT FINDING

The prior audit report also contained a finding concerning the commission's failure to reconcile its internal accounting reports with reports from the area agencies. This finding has not been resolved and is repeated in the applicable section 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 ended June 30, 1997, the Tennessee Commission on Aging filed its compliance report and implementation plan on June 30, 1997, and for the year ended June 30, 1996, on June 30, 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.

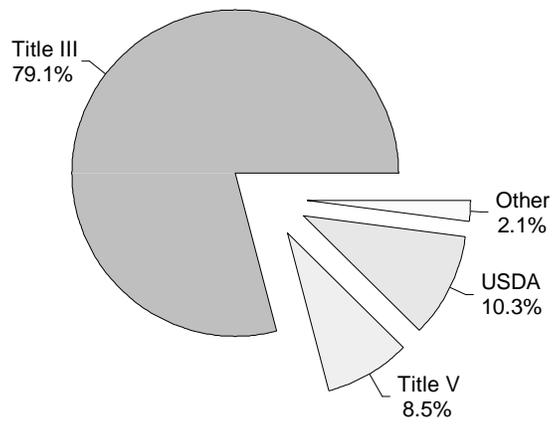
APPENDIX

ALLOTMENT CODE

The Tennessee Commission on Aging's allotment code is 316.02.

Federal Expenditures by Program

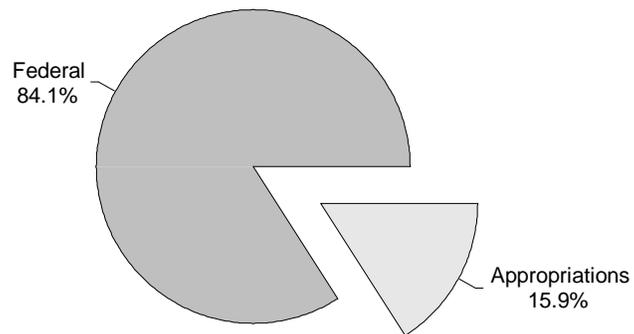
Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Tennessee Commission on Aging

Funding Sources

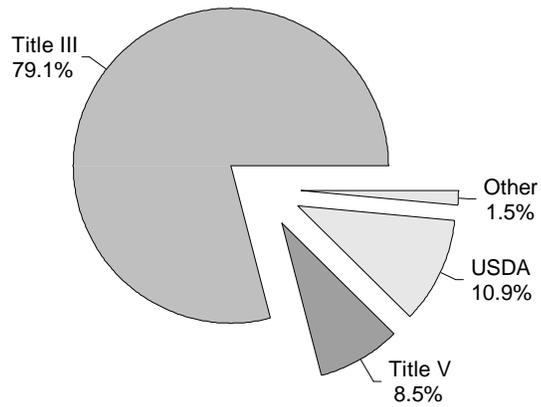
Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Tennessee Commission on Aging

Federal Expenditures by Program

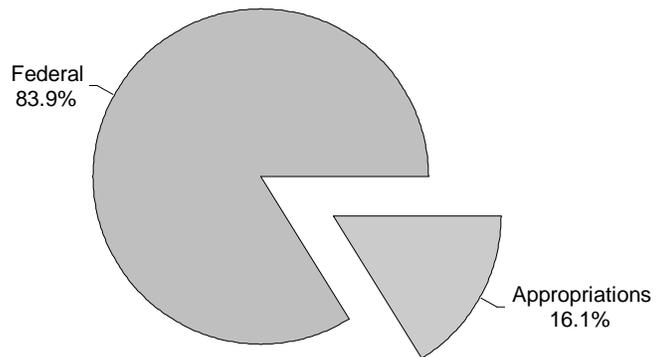
Fiscal Year Ended June 30, 1996 (Unaudited)



Source: Tennessee Commission on Aging

Funding Sources

Fiscal Year Ended June 30, 1996 (Unaudited)



Source: Tennessee Commission on Aging