

**Department of Human Services**

**For the Year Ended  
June 30, 1999**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**

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**John G. Morgan**  
Comptroller

May 10, 2000

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, 1999.

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/cj  
99/099

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, 1999

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## AUDIT SCOPE

We have audited the Department of Human Services for the period July 1, 1998, through June 30, 1999. Our audit scope included those areas material to the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1999, 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 Child Care and Development Block Grant Funds**

The department did not comply with spending requirements for the Child Care and Development Block Grant (page 8).

### **Noncompliance With State Licensing Requirements**

Announced and unannounced inspections of licensed child care providers were not always properly documented or always performed (page 9).

**Inadequate Security Over Computer Systems\*\***

The department 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). 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 11).

**Noncompliance With the Department of Finance and Administration Policy 20**

The department did not comply with the Department of Finance and Administration's Policy Statement 20, "Recording of Federal Grant Expenditures and Revenues" (page 15).

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

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

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

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**Audit Report**  
**Department of Human Services**  
**For the Year Ended June 30, 1999**

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# **Department of Human Services For the Year Ended June 30, 1999**

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## **INTRODUCTION**

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### **POST-AUDIT AUTHORITY**

This is the report on the financial and compliance audit of the Department of 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.

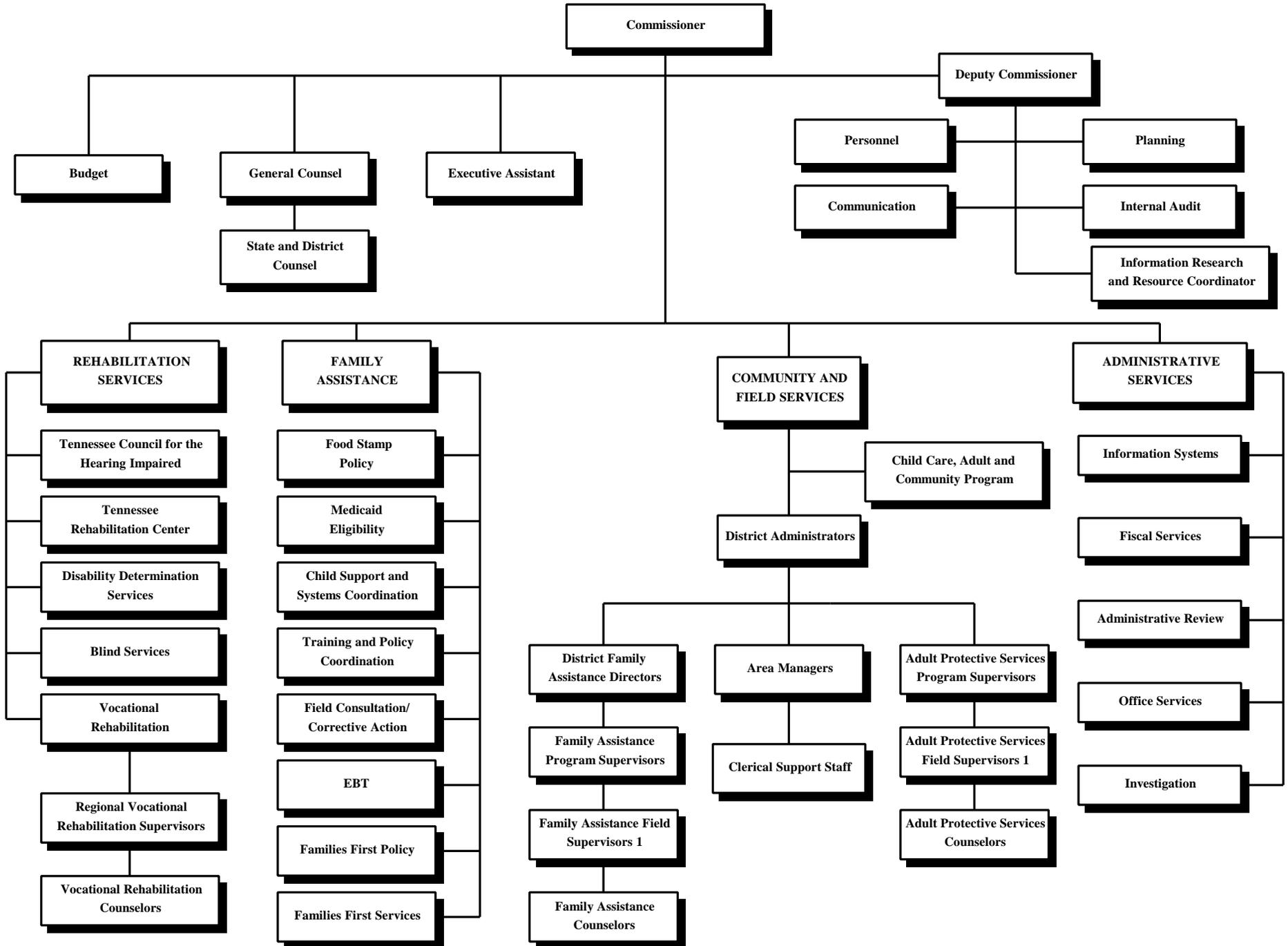
### **BACKGROUND**

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: Rehabilitation Services, Community and Field Services, Administrative Services, and Family Assistance.

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



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## **AUDIT SCOPE**

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We have audited the Department of Human Services for the period July 1, 1998, through June 30, 1999. Our audit scope included those areas material to the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 1999, 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.

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

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

Our audit of the Department of 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 that 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 For Needy Families (TANF), Social Security: Disability Insurance, Child Support Enforcement, Child and Adult Care Food Program, Summer Food Service

Program for Children, Child Care and Development Block Grant, and Child Care mandatory matching funds of the 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, 1999, and have issued our report thereon dated December 10, 1999. The opinion on the financial statements is unqualified. The Tennessee Single Audit Report for the year ended June 30, 1999, 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 Child Care and Development Block Grant funds, as discussed in finding 2; announced and unannounced inspections of licensed child care providers were not always properly documented or always performed, as discussed in finding 3; security over computer systems needs improvement, as discussed in finding 4; and the department did not comply with the Department of Finance and Administration's Policy Statement 20, "Recording of Federal Grant Expenditures and Revenues," as discussed in finding 5. 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 prior five audit reports, the department did not comply with child support enforcement procedures. The Department of Human Services is the designated Child Support 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 disabled for much of the prior and current audit periods.

Management concurred with the prior audit findings and stated that they understood the importance of locating noncustodial parents and were committed to resolving remaining system problems and fully utilizing the automated locate system. According to management, the locate interfaces were reactivated statewide as of July 30, 1998, but the most critical interfaces were disabled in August 1998. Some interfaces were reactivated in March 1999, but most were not reactivated until August 1999 and one interface has still not been activated. Once the locate function is working 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. None of the 26 cases tested contained evidence that all feasible sources were used to locate the absent parent. *Code of Federal Regulations*, Title 45, Section 303.3(b)(1), states that the department must

Use appropriate location sources such as the Federal PLS [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. None of the 26 cases tested contained evidence that the Federal PLS was used within 75 days of determining the 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 11 cases tested (91%) 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. Fourteen of 18 cases tested (78%) contained no documentation that the child support order was reviewed within a 36-month interval. Therefore, it could not be determined whether notification of 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 of the most recent review.”
- e. The court order for one case tested was not adjusted to include medical support reviewed. *Code of Federal Regulations*, Title 45, Section 303.8(b)(2)(iv), states that the agency must “adjust the order when the review determines that there should be a change in the child support award amount, or that health insurance should be required.”
- f. Eight of 13 cases tested (62%) did not have evidence of attempts to enforce all child support obligations, including orders for medical support. *Code of Federal Regulations*, Title 45, part 303.6(c)(2), states that enforcement action is required to be taken “within no more than 30 calendar days of identifying a delinquency or other support-related noncompliance with the order.” Also, *Code of Federal Regulations*, Title 45, part 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. Three of 39 cases tested (8%) were not classified correctly in TCSES.
  - For two cases, the case type was listed as an Aid to Families with Dependent Children (AFDC) case, when the cases were actually non-AFDC cases.
  - One case was classified as an establishment case when it was actually an enforcement case.

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. Nine of 40 cases tested (23%) 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 respond immediately when new information is received, 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.

No location attempts were recorded in TCSES for any of these crucial activities from at least August 1998 to March 1999 since the locate function had been disabled during this period due to continued unexpected software problems. 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 locate function was disabled at TCSES, the vast majority of judicial districts did not have access to 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 Federal PLS.

TCSES was programmed to perform locate 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 locate function in TCSES was disabled. If manual locate attempts were made, these attempts were not recorded in TCSES. *The Tennessee Child Support Enforcement System Policy 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 results."

### **Recommendation**

The Commissioner should ensure that problems associated with TCSES are corrected. 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 quarterly or 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. As noted in the finding, once the TCSES locate function is working properly, many of the issues discussed in this finding should be resolved. As of August 31, 1999, all TCSES locate modules were activated, with the exception of the Tennessee Wildlife Resource

Agency (TWRA) module. There has been a delay in activating the TWRA module because of file problems; nevertheless, the module should be activated in the near future.

In addition to activating the TCSES locate modules, efforts to enforce the necessary support obligations and properly classify cases in TCSES include quarterly meetings with and training of all Judicial Districts. Also, Informational Memorandums are issued to local enforcement staff emphasizing the importance of review and adjustment support awards, enforcing support obligations, proper classification of cases in TCSES, and the importance of medical enforcement.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires each state to assess the performance-based effectiveness of their own IV-D program, and report their findings and results to the federal Office of Child Support Enforcement. The report filed as of March 31, 1999, found that of the eight compliance criteria reviewed, five exceeded the required benchmark, and were therefore in compliance, two criteria were not in compliance, and one criteria received a waiver. The five criteria exceeding the federal benchmark are disbursement of collections, case closure, expedited process, review and adjustment, and interstate services. Only the criteria related to the establishment of paternity and support orders, and enforcement of support obligations, fell short of compliance requirements. DHS obtained a waiver for medical support orders. The failure of these criteria to meet or exceed the benchmark requirements may be traced in each instance to the lack of an automated locate functionality on TCSES during the review time frame.

DHS is confident that with the activation of TCSES, we are now in compliance with child support enforcement procedures. DHS is aware of the importance of child support enforcement, and we will continue our efforts concerning child support enforcement.

## **2. The department did not comply with federal regulations concerning the Child Care and Development Block Grant funds**

### **Finding**

The department did not comply with federal earmarking (spending) requirements for the Child Care and Development Block Grant (CCDBG). The CCDBG program provides funds to low-income families to help provide affordable and quality child care services. The department spent a total of \$19,181,307 for the three-year period beginning September 30, 1995, and ending September 30, 1998.

Testwork revealed that the department did not comply with the federal earmarking requirements. The department only spent a total of \$3,204,368 of the \$19,181,307 (16.7%) to establish or expand and conduct early childhood development programs, and, therefore, fell short of the earmarking requirement by approximately \$392,000.

The *Code of Federal Regulations*, Title 45, Section 98.51(b), states,

Each Grantee receiving funds to operate a program under this part shall use not less than 18.75 percent of the total amount of a fiscal year's Block Grant funds to establish or expand and conduct early childhood development programs.

Without compliance with all applicable federal requirements, the department may risk losing federal funds.

### **Recommendation**

The Commissioner should ensure that the CCDBG Program Director complies with federal regulations concerning earmarking requirements.

### **Management's Comment**

We concur. Sub-grantors failed to spend the full amount of their grants. The Grant Director received financial reports for CCDBG on an annual basis. By the time the Director realized that insufficient funds had been spent, it was too late to distribute the funds to other sub-grantors.

In the future, financial reports for CCDBG will be minimally sent to the Grant Director on a quarterly basis, thus allowing for redistribution of unspent funds.

### **3. Announced and unannounced inspections of licensed child care providers were not always properly documented or always performed**

#### **Finding**

The Tennessee Child Care Management System was not always properly updated to reflect the current status of announced and unannounced inspections of licensed child care providers. Also, the department did not always comply with state licensing requirements concerning these inspections. Testwork performed on the Tennessee Child Care Management System (TCCMS) revealed that during fiscal year 1999, two of 30 licensed child care providers tested (7%) did not have an announced inspection and 11 of 30 licensed child care providers tested (37%) did not have an unannounced inspection. Further review of the licensing offices' supporting documentation showed that the two announced inspections noted above had been performed and four of the 11 unannounced inspections had also been performed. However, this information had not been entered into the TCCMS or had not been entered properly.

The *Child Care and Development Fund Plan*, Section 6.6, requires that "The Department of Human Services makes one announced and a minimum of one unannounced visit annually to all centers and group and family child day care homes." Section 71-3-519(a), *Tennessee Code Annotated*, states that "It is the duty of the department, through its duly authorized agents, to

inspect at regular intervals, without previous notice all child welfare agencies . . . within the state.”

The purpose of the announced and unannounced inspections is to ensure that minimum standards are being met and to ensure the quality of care provided by the child care centers. If inspections are not performed in a timely manner, child care providers could jeopardize the safety and well-being of the children entrusted to the centers’ care. Also, when inspections are not properly documented in the TCCMS, the system data becomes unreliable.

### **Recommendation**

The Commissioner should ensure that one announced and a minimum of one unannounced visit are performed annually at all centers and group and family child day care homes. Also, the TCCMS should be properly updated to reflect announced and unannounced inspections.

### **Management’s Comment**

We concur. As noted in the finding, 30 out of 30 tested (100.0%) announced inspections and 23 out of 30 tested (76.7%) unannounced inspections of licensed care providers were performed by DHS.

The department has recently increased the number of licensing counselors from 81 to 138. The effect dramatic increase in the number of licensing counselors will be a reduced caseload for each licensing counselor, which will ensure timely inspection visits to all child care agencies. The Department is increasing the performance standard to 6 unannounced visits per agency per licensing year.

Additional instructions and training for staff will also be provided to ensure proper and timely data entry into TCCMS. Timely recording in TCCMS will better enable management tracking of staff visits.

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## **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; and
- 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 terminated employees' access to these systems was promptly revoked. We found that the department did not have adequate security over ACCENT, TCSES, and RACF as discussed in finding 4. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

#### **4. Security over computer systems still needs improvement**

##### **Finding**

As noted in the prior audit, the Department of Human Services (DHS) does not have adequate controls over 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 DHS systems; RACF is the state mainframe security package, which is used to provide an initial level of access security before the user can access department-level or agency-level systems. During the review for the fiscal year ended June 30, 1999, the auditors noted that separation of duties was not maintained; terminated employees' access privileges were not revoked; and security authorization forms were missing or not properly completed.

##### **Separation of duties was not maintained.**

- ACCENT users with field supervisor (FS1) security profiles have the ability to perform both intake and authorization functions. Supervisory review and random case readings by management and/or quality assurance groups could provide sufficient compensating controls; however, the level of such review that is currently practiced is limited in scope and volume. Good security practices require that case initiation and case authorization duties should be separated between multiple employees. If segregation of duties is not feasible, the level of supervisory review and/or monitoring should be increased to mitigate the risk. The failure to separate the intake and authorization duties, or to increase the review/monitoring accordingly, increases the

possibility that falsified cases could be established and that benefits could be paid to ineligible individuals.

**Terminated employees' access was not revoked.**

- Sixteen of 426 ACCENT users who had terminated employment (3.8%) still possessed active RACF and ACCENT privileges. Good security practices require that terminated employees' system privileges within both ACCENT and RACF be promptly revoked upon their termination. The failure to revoke terminated employees' ACCENT and RACF privileges increases the possibility that sensitive case information could be inappropriately modified, that falsified cases could be established, and that benefits could be paid to ineligible individuals.

**Authorization forms were missing or incomplete.**

- Department personnel were unable to locate four of 47 RACF security authorization forms selected for testwork (9%).
- Department personnel were unable to locate two of 25 TCSES security authorization forms selected for testwork (8%).
- Department personnel were unable to locate two of 25 ACCENT enrollment forms selected for testwork (8%).
- Three of 23 ACCENT enrollment forms (13%) did not specify the type of access to be given.
- Six of 23 TCSES security authorization forms tested (26%) were not properly authorized by management.
- Three of 23 TCSES user IDs tested (13%) did not have the type of access authorized on the request form.

Good security practices require that an access authorization form should be completed for each employee using departmental or state application systems. This authorization should be prepared by the employee's superior, and should specify the employee's access level(s) and the justification for such access. All of the completed authorization forms should be maintained in a secure location by appropriate security administration personnel. The failure to prepare, collect, and maintain access authorization forms as suggested above increases the possibility that access to sensitive systems and information may be granted to ineligible individuals, and that authorization may be granted to employees in excess of what is warranted for their job responsibilities.

The prior-year audit report contained a finding concerning terminated users still possessing active user IDs. Management concurred with the prior finding and stated,

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.

However, review during the current year revealed that an automated match was not available as of year-end, and that the alternative procedure is ineffective as noted above.

Additionally, the prior year audit report contained a finding concerning missing or incomplete authorization forms. Management concurred with the prior audit finding and stated,

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.

Review during the current year revealed that the new access authorization form has been implemented; however, management should require that an updated access authorization form be completed and filed for all employees.

### **Recommendation**

DHS management should improve security for TCSES, ACCENT, and RACF. Users should be granted the appropriate level of system access based on their job responsibilities. DHS management should take immediate steps to ensure that all ACCENT access privileges are promptly revoked for terminated users. Security authorization forms should be completed by management and maintained. DHS management should monitor the system security for TCSES, ACCENT, and RACF and take appropriate action if problems are noted.

Additionally, DHS management should address the potential for falsified cases within the ACCENT system, as noted above. Management should consider reevaluating the security structure over the ACCENT system to determine if changes need to be made to secure sensitive information and to properly segregate duties. Additionally, supervisory review should be enhanced at the central level to provide an additional measure of control against falsified cases.

### **Management's Comment**

We concur. DHS has a sophisticated security system that allows users into specified systems, then tracks transactions back to the individual user. DHS system security is coordinated by an in-house system security team. DHS management recognizes that there are areas for

improvement in relation to system security. DHS will continue efforts to improve system security and will incorporate audit recommendations into our security system.

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## **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 had no findings related to the internal audit function; however, some minor weaknesses came to our attention and have been reported to management in a separate letter.

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## **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.

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## 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 determined that the department did not record its federal funding in accordance with state policy, nor did it request an exception to this policy, as discussed in finding 6. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

### **5. The department did not record its federal funding in accordance with state policy, nor did it request an exception to this policy**

#### **Finding**

The Department of Human Services did not comply with the Department of Finance and Administration’s Policy Statement 20, “Recording of Federal Grant Expenditures and Revenues.” The Department of Finance and Administration issued Policy 20 in response to the Cash Management Improvement Act of 1990. This policy is designed to establish uniform procedures to “track the exchange of funds between the State and Federal government.” Section 20-01-201 of Policy 20 states, “All State departments . . . which receive all or a portion of their funding from

the Federal government are hereby required to comply with this policy.” Although the departments’s reporting method appears adequate, Section 20-04-101 further states, “All exceptions to this policy shall be submitted in writing by the primary departmental fiscal officer to the Chief of the Division of Accountants, Department of Finance and Administration, for approval.” The Department of Human Services has not received such an approval; therefore, the department has not complied with Policy 20 as follows:

- a. Financial reports submitted to the federal government for the department’s major federal programs were not prepared using the STARS grant module. According to Section 20-02-207, “Status reports to the Federal government must be prepared utilizing the STARS grants module.”
- b. The STARS Grant Activity Report (report 830) was not used as the basis for preparing the Schedule of Federal Financial Assistance. According to Section 20-02-206, “Agencies must utilize the STARS Grant Activity Schedule (Report No. 830) as the basis for preparing the Schedule Of Federal Grant Assistance required by the Single Audit Act of 1984.”
- c. Section 20-02-203, Attachment 20-A, states that “payroll costs must be entered in STARS on a reallocation journal voucher within 30 days of each month-end.” However, this process is done quarterly.

### **Recommendation**

The Director of Fiscal Services of the Department of Human Services should comply with the Department of Finance and Administration’s Policy Statement 20. To claim an exception from Policy 20, the Director of Fiscal Services should submit the exception to the chief of the Division of Accounts, Department of Finance and Administration.

### **Management’s Comment**

We concur. The department agrees that we did not follow sections of Policy 20. However, this had no effect on the financial reports submitted to the federal government, or in the preparation of the Schedules of Federal Financial Assistance.

Policy 20 was implemented in April 1991. Many of the policy sections are outdated and are no longer applicable. DHS Fiscal Service staff are currently working with other departments on a new version of the policy.

The Department of Human Services has several grants and a very complex cost allocation plan. Parts of the STARS grant module do not meet the needs of DHS’ Fiscal Services group. DHS Fiscal Services has determined that the time and effort spent utilizing the STARS 830 report exceeded any derived benefits. Also, our cost allocation plan is based upon a random moment

sample that is completed quarterly. It would not be feasible to reallocate costs on a monthly basis, since the information is only available quarterly.

The Department will request an exception to Policy 20 from the chief of the Division of Accounts, Department of Finance and Administration.

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## **PRIOR AUDIT FINDINGS**

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Human Services filed its report with the Department of Audit on September 30, 1999. 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 inadequate transfer and reconciliation process for child support enforcement funds, circumventing state contracting rules, insufficient records management procedures, noncompliance with federal regulations concerning requirements for the purchase of medical and other services, inadequate controls over payroll and personnel, and an ineffective internal audit function. The prior audit report also contained a finding on the department's noncompliance with federal regulations concerning the distribution of child support payments. While this finding has not been completely resolved, the department has made improvements in correcting this area.

## **REPEATED AUDIT FINDINGS**

The prior audit report also contained findings concerning noncompliance with child support enforcement procedures and inadequate security over computer systems. These findings have not been resolved and are repeated in the applicable sections of this report.

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## OBSERVATIONS AND COMMENTS

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

*Tennessee Code Annotated*, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. For the year ending June 30, 1999, the Department of Human Services filed its compliance report and implementation plan on June 30, 1999.

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.

On October 15, 1998, the Commissioner of Finance and Administration notified all cabinet officers and agency heads that the Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI.

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

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## APPENDIX

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### 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