AUDIT REPORT

Hamilton County Community Services Agency

May 2006

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
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John G. Morgan
Comptroller

May 30, 2006

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Board of Directors
Hamilton County Community Services Agency
1304 McCallie Avenue
Chattanooga, Tennessee 37404

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Hamilton County Community Services Agency for the period July 1, 2003, through June 30, 2005. Hamilton County Community Services Agency ceased operations on August 1, 2005.

The review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements resulted in a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/cj
05/075

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COMPTROLLER OF THE TREASURY
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July 7, 2005

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Hamilton County Community Services Agency for the period July 1, 2003, through June 30, 2005. Hamilton County Community Services Agency ceased operations on August 1, 2005.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of internal control significant to the audit objectives and that we design the audit to provide reasonable assurance of the Hamilton County Community Services Agency's compliance with laws, regulations, and provisions of contracts or grant agreements significant to the audit objectives. Management of the Hamilton County Community Services Agency is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

Our audit disclosed a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report. The agency's management has responded to the audit finding; we have included the response following the finding.

We have reported other less significant matters involving the agency's internal control and instances of noncompliance to the Hamilton County Community Services Agency's management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/cj

State of Tennessee

Audit Highlights

Comptroller of the Treasury Division of State Audit

Financial and Compliance Audit
Hamilton County Community Services Agency
May 2006

AUDIT SCOPE

We have audited the Hamilton County Community Services Agency for the period July 1, 2003, through June 30, 2005. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of bank reconciliations and cash receipts; and expenditures and compliance with the Family Support Services, Family Crisis Intervention, and Independent Living Programs. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include approving accounting policies of the state as prepared by the state's Department of Finance and Administration, approving certain state contracts, and approving the Community Services Agencies' Plans of Operation (budgets).

AUDIT FINDING

Agency Management Did Not Adequately Monitor Staff's Compliance With the Case Management Policies and Procedures for Children and Families and Did Not Mitigate the Risk of Inadequate Performance of Services for Some Children and Families

The Hamilton County CSA did not comply with case management policies and procedures related to case file documentation and contacts with children and families.

Financial and Compliance Audit
Hamilton County Community Services Agency

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Financial and Compliance Audit
Hamilton County Community Services Agency

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Hamilton County Community Services Agency. The audit was conducted pursuant to Section 37-5-313, *Tennessee Code Annotated*, which authorizes the Comptroller of the Treasury to "make an annual audit of the program established by this part as part of the Comptroller's annual audit pursuant to Section 9-3-211."

BACKGROUND

The Hamilton County Community Services Agency ceased operations on August 1, 2005. Prior to that date the Hamilton County Community Services Agency administrative offices were in Chattanooga, Tennessee. The governing body of the Hamilton County Community Services Agency was the board of directors. As of June 30, 2005, the board was composed of 11 members. (See Appendix.) An executive committee, consisting of four board members, had the authority to act on behalf of the board of directors in the management of the agency's property, affairs, and funds in extraordinary circumstances when the governing board could not convene.

The agency's programs were carried out by staff under the supervision of the Executive Director, who was appointed by the Commissioner of the Department of Children's Services, subject to the approval of the board.

The Community Services Agency Act of 1996 created the community services agencies. The purpose of these agencies was to coordinate funds and programs designated for care of children and other citizens in the state.

AUDIT SCOPE

We have audited the Hamilton County Community Services Agency for the period July 1, 2003, through June 30, 2005. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of bank reconciliations and cash receipts; and expenditures and compliance with the Family Support Services, Family Crisis Intervention, and Independent Living Programs. The audit was

conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include approving accounting policies of the state as prepared by the state's Department of Finance and Administration; approving certain state contracts; and approving the Community Services Agencies' Plans of Operation (budgets).

PRIOR AUDIT FINDING

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 Hamilton County Community Services Agency filed its report with the Department of Audit on December 28, 2004. A follow-up of the prior audit finding was conducted as part of the current audit. The current audit disclosed that the Hamilton County Community Services Agency has corrected the previous audit finding concerning the membership of the CSA board of directors that violated state law.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

BANK RECONCILIATIONS AND CASH RECEIPTS

The primary objectives of our review of cash and cash receipts were to determine whether

- the design of the agency's controls over bank reconciliations was adequate;
- cash receipts were deposited intact;
- the agency deposited cash receipts within one day of receipt; and
- bank statements were accurately reconciled to the accounting records monthly and the reconciliation was reviewed and approved in accordance with CSA policy.

To accomplish our objectives, we interviewed management to gain an understanding of the design of the agency's procedures and controls over bank reconciliations. We obtained the cash receipts for August 2003, through March 2005, and reconciled the cash receipts to the bank statement and determined whether the cash receipts were deposited intact within one day of receipt. We reviewed three bank reconciliations for review and approval in accordance with CSA policy, and we obtained and reviewed the bank statement and bank reconciliations for June 30, 2004, and verified the accuracy of the bank reconciliation.

As a result of our inquiries, observations, and testwork, we found that the design of the agency's controls over bank reconciliations was adequate; receipts reconciled to the bank statements; cash receipts were deposited intact within one day of receipt; and bank reconciliations had been performed accurately and were reviewed and approved in accordance with CSA policy.

EXPENDITURES AND PROGRAM COMPLIANCE

Our primary objectives were to determine whether

- the design of the agency's controls over expenditures was adequate;
- the plan of operation and amendments were properly approved;
- expenditures for goods or services were properly approved, supported, and allowable (including payments for services under the Family Support Services, Family Crisis Intervention, and Independent Living Programs);
- services received by children through the Independent Living program were initiated by referral and the children were eligible for the services received;
- the agency maintained adequate case files and performed required contacts with the children and families in the Family Support Services Program and the Family Crisis Intervention Program;
- equipment purchased during the audit period was added to the property listing;
- a vendor contract was in place when required, the agency included the contract in the plan of operation, and made a public announcement of funds, if necessary;
- expenditures for travel were paid in accordance with the Comprehensive Travel Regulations;
- recently hired employees were qualified for their positions, their initial wages were properly calculated, and appropriate background checks were performed;
- final pay for terminated employees was properly calculated and the employees did not appear on the following payroll register; and
- the agency's procedures for credit cards were adequate and purchases involving credit cards were appropriate.

To accomplish our objectives, we interviewed key agency personnel to gain an understanding of the design of the procedures and controls over expenditures and program compliance requirements, including payments to services providers. We also reviewed written policies and procedures. We obtained the plan of operation and related amendments to determine the appropriateness of approvals. We obtained the agency's check register for the period July 1, 2003, through March 21, 2005, and tested a nonstatistical sample to determine that expenditures were approved, supported, and allowable. In addition, we reviewed the check register for fiscal year ended June 30, 2004, and selected all single purchases over $5,000 and

aggregate annual purchases of $25,000 or more to a single payee to determine whether the payments were made under an approved contract, if applicable the contract was included in the plan of operation, and the agency made a public announcement of funds, if necessary. We obtained a list of all children who received services for the period July 1, 2003, through March 21, 2005, and tested a nonstatistical sample of children's case files to determine whether the expenditures made on behalf of these children were properly approved, supported, and allowable under program guidelines. In addition, we reviewed children's case files to determine whether case managers maintained the required case file documentation and made face-to-face contacts with the children and their families as required by applicable Family Support Services Program and the Family Crisis Intervention Program policies and procedures. Children's case files were also reviewed to determine whether services received through the Independent Living program were initiated by referral and the children were eligible for the services received. The property listing was reviewed to determine whether equipment purchased during the audit period was properly added. We tested travel claims of selected employees to determine whether claims were paid in accordance with travel regulations. We obtained personnel files of all employees hired during July 1, 2003, through March 21, 2005, to determine if employees were qualified for the positions held, that initial wages were properly calculated, and that appropriate background checks were performed prior to employment. For employees leaving CSA employment during July 1, 2003, through March 21, 2005, we determined if the final pay was correct and that the employees were removed from the payroll system. We reviewed procedures for credit card purchases and reviewed credit card statements to determine if credit card transactions appropriate.

As a result of interviews and testwork performed, we determined that

- the design of the agency's controls over expenditures was adequate;
- the plan of operation and related amendments were properly approved;
- expenditures for goods or services were properly approved, supported, and allowable;
- services received by children through the Independent Living program were initiated by referral and the children were eligible for the services received;
- equipment purchased during the audit period had been added to the property listing;
- the agency entered into contracts, included applicable contracts in the plan of operation, and made public announcement of funds, if necessary;
- expenditures for travel were paid in accordance with the Comprehensive Travel Regulations, with some exceptions;
- recently hired employees were qualified for their positions, their initial wages were properly calculated, and appropriate background checks were performed;
- final pay for employees terminating employment was properly calculated and the employees did not appear on the following payroll register; and
- the agency's procedures for credit cards were adequate and purchases involving credit cards were appropriate.

However, the agency did not comply with the Family Support Services and Family Crisis Intervention Programs' policies related to case file documentation and contacts with children and families as noted in the finding below.

Agency management did not adequately monitor staff's compliance with the case management policies and procedures for children and families and did not mitigate the risk of inadequate performance of services for some children and families

Finding

The Hamilton County Community Services Agency (CSA) staff did not comply with the case management policies and procedures related to case file documentation and contact with children and families. Furthermore, CSA management did not adequately monitor staff to ensure that these policies and procedures were followed, resulting in inadequate performance of services for some children and families. The Department of Children's Services (DCS) contracted with the CSA to provide case management services to noncustodial children, and their families, who are at imminent risk of entering state custody or who have been in the state's custody and have returned to their families. The CSA provided case management services under the Family Support Services Program (FSS) and the Family Crisis Intervention Program (FCIP) including case manager visits with children and their families and maintenance of case files.

The Department of Children's Services has developed policy and procedure manuals for both FSS and FCIP establishing the requirements for case management services and case file documentation. The program manuals stipulate the timing, frequency, and nature of required contacts; the forms or documents that must be obtained or prepared; and the requirements for documentation of evidence to support compliance with the policies and procedures. These policies and procedures provide that details regarding the case management services should be recorded in TNKIDS, a computerized tracking system. The child's case file maintained by the CSA should contain all important documents discussed with the family as well as copies of the case recordings detailed in TNKIDS, according to these policies and procedures.

A random sample of 25 case files was reviewed. The case files included 17 FSS case files and 8 FCIP cases files. Of the 17 FSS case files reviewed, 5 were emergency cases and 12 were non-emergency cases. Testwork was performed to determine if the CSA complied with the *Policy and Procedure Manual for Family Support Services* (FSS manual) and *Family Crisis Intervention Program Procedure Manual* (FCIP manual) case documentation requirements and contact requirements for children and their families. Testwork revealed the following:

- Four of five emergency FSS case files tested (80%) were not assigned to a case manager the same day the referral was received. These emergency cases were assigned one to three days late. Per the FSS manual, emergency cases must be assigned by a CSA supervisor to a case manager on the same day the referral is received.

- Six of 12 non-emergency FSS case files tested (50%) were not assigned to a case manager within 24 hours of receiving the referral. These non-emergency cases were

assigned one to three days late. Per the FSS manual, non-emergency cases must be assigned by a CSA supervisor to a case manager within 24 hours (one working day).

- Two of eight FCIP cases tested (25%) were not staffed with a crisis intervention peer unit and team leader within five days of receipt of the application for services. These cases were staffed one day late. Per the FCIP manual, the crisis intervention case manager will proceed to staff the case within five days of receipt of the application.

- For four of five emergency FSS case files tested (80%), the initial contact with the family was not made on the day of the receipt of the referral for services. The initial contact was made 3 to 61 days late. Per the FSS manual, the case manager is required to make initial contact with the family on the same day of the referral for services.

- For 6 of 12 non-emergency FSS case files tested (50%), the initial contact with the family was not made within one working day of when the referral was received. Initial contact was made from one to five days late. Per the FSS manual, the case manager is required to "make initial contact (either face to face or by phone) with the family within 24 hours or 1 working day" of when the referral is received.

- Four of 17 FSS case files tested (24%) did not contain a Service Plan developed within 15 working days of receipt of the case. In the four cases, the Service Plans were developed 2 to 109 days late. Also, in 5 cases of 17 case files tested (30%), the case recordings did not indicate that a copy of the Service Plan had been given to the family. The FSS manual requires that a Service Plan be developed within 15 working days of receipt of the case, and a copy of the plan must be given to the family.

- In one of eight FCIP case files tested (13%), the Crisis Intervention/Resolution Plan was not completed within 10 working days of receipt of the application for services. The Crisis Intervention/Resolution Plan was completed three days late. Per the FCIP manual, the Crisis Intervention/Resolution Plan Form should be completed no later than 10 working days after receipt of the application.

- For one of 17 FSS case files tested (6%), the case file did not include the FSS Family Assessment. Per the FSS manual the assessment must be in each file.

- For two of five emergency FSS case files tested (40%), a follow-up face-to-face contact was not performed within 48 hours of the initial contact with the family. The face-to-face contacts were made 5 and 17 days late. Per the FSS manual, the case manager is required to make a follow-up face-to-face contact with the family within 48 hours of initial contact.

- For one of eight FCIP case files tested (13%), in-person contact with the family was not made within 48 hours of receipt of the application for services. The face-to-face contact was made six days late. Per the FCIP manual, in-person contacts should be made "no later than 48 hours after receipt of the application."

- In 9 of 17 FSS case files tested (53%), the case manager did not make a minimum of one face-to-face contact per week for the first four weeks. Per the FSS manual, the case manager "must conduct a minimum of one face-to-face contact per week with the family for the first 4 weeks."

- In 2 of 17 FSS case files (12%), the case manager did not make a minimum of one monthly face-to-face contact after the first four weeks as described above. Per the FSS manual, the case manager must conduct a minimum of one face-to-face contact per month, after the initial first four weeks of contact.

- For 5 of 15 applicable FSS case files tested (33%), quarterly progress reports were not included in the case file or in the case recordings. Per the FSS manual, written progress reports should be prepared on a quarterly basis and included in the case record.

- Two of seven applicable FCIP case files tested (29%) did not contain documentation showing team leader and peer unit concurrence with keeping a case open longer than 45 days, nor was the Crisis Intervention/Resolution Plan Revisions form completed. Also, five of eight FCIP cases (63%) were not closed within the required 75 days. Cases were open between 8 and 80 days beyond the required 75-day closure date. Per the FCIP manual, when Crisis Intervention services extend beyond 45 days from receipt of an application, peer unit and team leader concurrence on the action should be obtained and the Crisis Intervention/Resolution Plan Revisions form utilized. The manual also states that the case manager "will proceed to close the case as soon as possible and no later than 45 days (or 75 days if extension is obtained) after the initial receipt of the application."

- One of eight FCIP case files tested (13%) did not contain a written summary, signed by the team leader upon closure of the case. Per the FCIP manual, when all services are provided, the case file must be closed in writing with a summary signed by the team leader.

- For one of 17 closed FSS case files (6%), the De-authorization from Targeted Case Management form was not signed by the team leader documenting approval to close the case. Per the FSS manual, the case manager must have the team leader's concurrence for closure. The de-authorization forms were not signed by the team leader.

The Hamilton County CSA's failure to comply with DCS required case management policies and procedures for FSS and FCIP related to case file documentation and contacts with children and families violates its contractual agreement with the Department of Children's Services. Because the children served by the CSA are considered "at imminent risk," the prompt and appropriate delivery of services provided by the CSA is necessary for the protection of the children. Furthermore, without adequate monitoring of required documentation and contacts, the CSA may not be able to substantiate that the children receiving services were eligible for the services, or that the services were actually provided to the children.

Recommendation

As of the close of business on June 30, 2005, the Hamilton County Community Services Agency no longer provided case management services for the Department of Children's Services (DCS). Effective July 1, 2005, case files were transferred to the Department of Children's Services and CSA employees were hired to assume these duties. As a result, the Commissioner of the Department of Children's Services should ensure that adequate controls are designed and implemented to monitor case managers' compliance with applicable policies and procedures to ensure that staff properly maintain case files for all children and make face-to-face contact with the children as required by DCS policies and procedures. Employees transferring to DCS should ensure that appropriate contacts are made with the children and families and that all required documentation is maintained in the case files. DCS management should ensure that risks such as these noted in this finding are adequately identified and assessed and that effective mitigating controls are designed and implemented. These controls should include ongoing monitoring for compliance with all pertinent requirements. The assessment of risks and the design and implementation of the mitigating controls, including adequate monitoring of controls and actions taken when compliance with controls or policies and procedures is not achieved, should be adequately documented.

Management's Comments

Hamilton County Community Services Agency and Department of Children's Services

We concur. To better serve the children and families in Tennessee certain Community Services Agencies (CSA's) and all functions were transferred to the Department of Children's Services. Hamilton County CSA was fully integrated July 1, 2005. Monthly monitoring activities are the responsibility of regional administrators and assigned staff. A sample of case files is randomly selected for review per all applicable policies and guidelines. The sample items include the Family Support Services Program (FSS) and the Family Crisis Interventions Program (FCIP) cases in the regions. Monitoring results are reported to the regional administrators, DCS management, and field staff. Corrective action is taken based on the results of the monthly monitoring activities. Case management staff is required to make corrections to all case files with deficiencies noted in the review. Team coordination and team leaders perform follow-up reviews for all corrected case files and assigned staff.

OBSERVATIONS AND COMMENTS

FRAUD CONSIDERATIONS

Statement on Auditing Standards No. 99 promulgated by the American Institute of Certified Public Accountants requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, and not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

APPENDIX

HAMILTON COUNTY COMMUNITY SERVICES AGENCY
AS OF JUNE 30, 2005

Elleni Bean, Executive Director

BOARD OF DIRECTORS

Executive Committee Members

Jo Ann Yates, Board Chair
Gary Behler, Vice Chair
Jane Barker, Treasurer
Phil Smartt, Secretary

Other Members of the Board of Directors

Willena M. Byrd
Annie Hall
Jackie Jolley
Charles Peavyhouse
Tommy Perkins
Faye Smartt
Earlene Stewart