AUDIT REPORT

Southeast Community Services Agency

June 2006

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Department of Audit

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

June 29, 2006

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Board of Directors
Southeast Community Services Agency
1501 Riverside Drive
Chattanooga, Tennessee 37046

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Southeast Community Services Agency for the period July 1, 2003, through March 31, 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/th
05/087

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COMPTROLLER OF THE TREASURY
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June 16, 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 Southeast Community Services Agency for the period July 1, 2003, through March 31, 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 Southeast Community Services Agency's compliance with laws, regulations, and provisions of contracts or grant agreements significant to the audit objectives. Management of the Southeast 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 Southeast Community Services Agency's management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/th

State of Tennessee

Audit Highlights

Comptroller of the Treasury | Division of State Audit

Financial and Compliance Audit
Southeast Community Services Agency
June 2006

AUDIT SCOPE

We have audited the Southeast Community Services Agency for the period July 1, 2003, through March 31, 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 cash and cash receipts; and expenditures and compliance with the Family Support Services and Family Crisis Intervention 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 Southeast Community Services Agency did not comply with case management policies and procedures related to case file documentation and contact documentation with children and families.

Financial and Compliance Audit
Southeast Community Services Agency

TABLE OF CONTENTS

	Page
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	2
PRIOR AUDIT FINDINGS	2
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	2
Cash and Cash Receipts	2
Expenditures and Program Compliance	3
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	5
OBSERVATIONS AND COMMENTS	8
Management's Responsibility for Risk Assessment	8
Fraud Considerations	9
Audit Committee	9
APPENDIX	12
Board of Directors	12

Financial and Compliance Audit
Southeast Community Services Agency

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Southeast 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 Community Services Agency Act of 1996 created the community services agencies. The purpose of these agencies is to coordinate funds and programs designated for care of children and other citizens in the state.

The Southeast Community Services Agency serves the following counties: Bledsoe, Bradley, Franklin, Grundy, McMinn, Marion, Meigs, Polk, Rhea, and Sequatchie. The agency's administrative offices are in Chattanooga, Tennessee.

The governing body of the Southeast Community Services Agency is the board of directors. As of March 31, 2005, the board was composed of 11 members. (See Appendix.) An executive committee, consisting of five board members, has 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 cannot convene.

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

Effective July 1, 2005, the Department of Children's Services began the process of transferring approximately 28 Community Services Agency employees serving in jobs that are classified as career service to positions in this department. The Southeast Community Services Agency will continue to administer the TennCare Transportation program and will seek programs with other agencies for the purpose of providing coordination of funds or programs for the care of the citizens of the state.

AUDIT SCOPE

We have audited the Southeast Community Services Agency for the period July 1, 2003, through March 31, 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 cash and cash receipts; and expenditures and compliance with the Family Support Services and Family Crisis Intervention 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 FINDINGS

There were no findings in the prior audit.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

CASH 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 cash and cash receipts was adequate;
- cash receipts traced to the deposit slip;
- lock box or wire transfer transactions reconciled to the bank statement;
- the agency's policy for timely deposit of funds was followed;
- receipts were posted to the correct account for the correct amount;
- petty cash reconciled to the accounting records; and
- bank statements were reconciled to the accounting records and reviewed and approved in accordance with agency policy.

To accomplish our objectives, we interviewed management to gain an understanding of the agency's procedures and controls over cash and cash receipts. We obtained the cash receipts for July 1, 2003, through March 31, 2005, and tested a nonstatistical sample of cash receipts for proper posting, depositing, and reconciliation procedures. Petty cash was counted to determine if it reconciled to the accounting records. We also obtained and reviewed the bank statements and the Local Government Investment Pool statements for June 2004 and March 2005 and verified that they were reconciled to the accounting records and reviewed and approved in accordance with agency policy.

As a result of our inquiries, observations, and testwork, we concluded that

- the agency had no material weaknesses regarding controls over cash and bank reconciliations;
- cash receipts traced to deposit slips;
- lock box or wire transfer transactions reconciled to the bank statement;
- funds were deposited in accordance with agency policy;
- receipts were posted to the correct account in the correct amount;
- petty cash reconciled to the accounting records; and
- bank statements were reconciled to the accounting records and reviewed and approved in accordance with agency policy.

EXPENDITURES AND PROGRAM COMPLIANCE

The primary objectives of our review of expenditures and program compliance was to determine whether

- the design of the agency's controls over expenditures and program compliance 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);
- a vendor contract was in place when required and contract guidelines were followed;
- expenditures for travel were paid in accordance with the travel regulations;
- the agency maintained the required case file documentation and performed required contacts with the children and families in the Family Support Services and Family Crisis Intervention Programs;
- equipment acquisitions were located and had been properly recorded in the property records;

- recently hired employees were qualified for their positions, their initial wages were properly calculated, and appropriate background checks were performed; and
- final pay for terminated employees was properly calculated and the employees did not appear on the following period's payroll register.

To accomplish our objectives, we interviewed key agency personnel to gain an understanding of procedures and controls over expenditures and program compliance requirements, including payments to service providers. We also reviewed written policies and procedures. We obtained the plan of operation and related amendments and determined the appropriateness of approvals. The agency's ledger was obtained and a nonstatistical sample of cash account transactions was tested to determine that expenditures were approved, supported, and allowable. In addition, we obtained the vendor payment listing to determine whether a vendor contract was in place when required and contract guidelines were followed. We tested all of the Executive Director's travel claims and a nonstatistical sample of other travel claims to determine whether claims were paid in accordance with travel regulations.

We obtained a list of all children who received services from July 1, 2003, through March 31, 2005, and tested a nonstatistical sample of children's case files to determine whether the case managers maintained the required case file documentation and made required contacts with the children and their families. We located newly purchased equipment and determined that it was properly recorded. We obtained personnel files and other supporting documentation of all recently hired employees to determine if employees were qualified for the positions held, that initial wages were properly calculated, and that appropriate background checks were performed. For employees leaving the agency's employment, we determined if the final pay was correct and whether the employees appeared on the following period's payroll register.

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

- the design of the agency's controls over expenditures and program compliance was adequate, with minor exceptions;
- the plan of operation and related amendments were properly approved;
- expenditures for goods or services were properly approved, supported, and allowable;
- a vendor contract was in place when required and contract guidelines were followed;
- expenditures for travel were paid in accordance with the travel regulations, with minor exceptions;
- equipment purchased during the audit period was located and recorded in the property records;
- recently hired employees were qualified for their positions, their initial wages were properly calculated, and the appropriate background checks were performed; and
- final pay for employees terminating employment was properly calculated and the employees did not appear on the following period's payroll register.

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 Southeast 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 sample of 25 case files was reviewed. The case files included 20 FSS case files and 5 FCIP cases files. Of the 20 FSS case files reviewed, 3 were emergency cases and 17 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:

- Five of five FCIP cases tested (100%) were never staffed with a crisis intervention peer unit and team leader. Per the FCIP manual, the crisis intervention case manager will proceed to staff the case within five days of receipt of the application.
- For 2 of 13 non-emergency FSS case files tested (15%), the initial contact with the family was not made within one working day of when the referral was received. Initial contact was made 2 and 12 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. After this initial contact, the case manager must follow up with a face-to-face contact within 5 working days. In the case above where the initial contact was 12 days late, the case manager considered the initial visit as the follow-up visit also.

- For 2 of 17 FSS case files tested (12%), the file did not contain a Service Plan developed within 15 working days of receipt of the case. The Service Plans were developed 11 and 46 days late. Also, in one of 17 case files tested (6%), 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 three of five FCIP case files tested (60%), 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 four to eight 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.
- In two of three FCIP cases tested (67%), in-person contact with the family was not made within 48 hours of receipt of the application for services. The face-to-face contacts were made one and 11 days late. Per the FSS manual, in-person contacts should be made "no later than 48 hours after receipt of the application."
- For nine of ten applicable FSS case files tested (90%), 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.
- Four of four applicable FCIP case files tested (100%) 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. 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.
- One of five FCIP case files tested (20%) 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.

The Southeast 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 October 1, 2005, the Southeast Community Services Agency no longer provided case management services for the Department of Children's Services. Active case files were transferred to the Department of Children's Services and CSA employees were hired by the department 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.

Management's Comments

Southeast Community Services Agency

We concur, in part. We agree that the incidents noted in the finding regarding case management file documentation and client contacts are factual. However, the Agency was operating under revised DCS case management policies that, although presented in draft form, DCS nonetheless directed us to observe in lieu of the formal policies cited in the finding. These DCS mandated policy revisions modified prior requirements for case file documentation and client contact timeline requirements as a means of addressing administrative facets of the prior policies that had been particularly burdensome and impractical requirements, and that contributed little or nothing to the actual safety and well-being of the children being served. Had DCS formally adopted their draft policies, as promised, almost all of the discrepancies cited in the finding would be moot. The Agency repeatedly presented our concerns to DCS' attention about the discrepancies between the draft revisions and the formal policies to no avail.

Additionally, the amount of funding and staffing allocation provided to the Agency by DCS was a fixed budget amount despite ever increasing caseload demands, yet we were required to accept and serve all children referred for services without consideration for caseload sizes or staffing capacity. The lack of adequate budgetary and staffing resources in relationship to DCS' demands on the Agency bore heavily on the Agency's ability to meet program performance standards in all areas. This issue was also presented to the attention of DCS on multiple occasions without remedy.

The Agency severed its contractual relationship with DCS as of October 1, 2005 and we no longer conduct any DCS funded activities. In all future endeavors the Agency will assure that all contract service relationships maintain continuity between our operating program's formal written policies and the actual practices required by the funding source. We will also make every attempt to avoid circumstances where the Agency's funding source may be allowed to place unrestricted increasing demands on our contractual work load while failing to provide the

needed commensurate additional funding to adequately provide the resources required to meet increased caseload, staffing and administrative requirements.

Department of Children's Services

We concur. To better serve the children and families in Tennessee, some or all of the Community Service Agencies (CSA's) functions, including case management, were transferred to the Department of Children's Services. Southeast CSA was fully integrated October 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

MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT

Auditors and management are required to assess the risk of fraud in the operations of the entity. The risk assessment is based on a critical review of operations considering what frauds could be perpetrated in the absence of adequate controls. The auditors' risk assessment is limited to the period during which the audit is conducted and is limited to transactions that the auditors are able to test during that period. The risk assessment by management is the primary method by which the entity is protected from fraud, waste, and abuse. Since new programs may be established at any time by management or older programs may be discontinued, that assessment is ongoing as part of the daily operations of the agency.

Risks of fraud, waste, and abuse are mitigated by effective internal controls. It is management's responsibility to design, implement, and monitor effective controls in the agency. Although auditors may include testing of controls as a part of their audit procedures, these procedures are not a substitute for the ongoing monitoring required of management. After all, the auditor testing is limited and is usually targeted to test the effectiveness of particular controls. Even if controls appear to be operating effectively during the time of the auditor testing, they may be rendered ineffective the next day by management override or by other circumventions that, if left to the auditor to detect, will not be noted until the next audit engagement and then only if the auditor tests the same transactions and controls. Furthermore, since staff may be seeking to avoid auditor criticisms, they may comply with the controls during the period that the auditors are on site and revert to ignoring or disregarding the controls after the auditors have left the field.

The assessment and the controls should be reviewed and approved by the commissioner or agency head. The risk assessments and the actions of management in designing, implementing, and monitoring the controls should be adequately documented to provide an audit trail both for auditors and for management, in the event that there is a change in management or staff, and to maintain a record of areas that are particularly problematic.

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.

AUDIT COMMITTEE

As a result of the fraud-related business failures of companies such as Enron and WorldCom in recent years, Congress and the accounting profession have taken aggressive measures to try to detect and prevent future failures related to fraud. These measures have included the signing of the *Sarbanes-Oxley Act of 2002* by the President of the United States and the issuance of Statement on Auditing Standards No. 99 by the American Institute of Certified Public Accountants. This fraud auditing standard has not only changed the way auditors perform audits but has also provided guidance to management and boards of directors on creating antifraud programs and controls. This guidance has included the need for an independent audit committee.

In the previous audit report, we recommended that the Southeast Community Services Agency establish an audit committee. The board chair of the CSA appointed a three-member committee in June 2005. However, as of the end of our audit, the audit committee was not fully functional and had no charter. In recognition of the benefits of audit committees for government, the Tennessee General Assembly has enacted legislation known as the "State of Tennessee Audit Committee Act of 2005." This legislation requires the creation of audit committees for those

entities that have governing boards, councils, commissions, or equivalent bodies that can hire and terminate employees and/or are responsible for the preparation of financial statements. Applicable entities are required to develop an audit committee charter and appoint the audit committee in accordance with the legislation. The specific activities of any audit committee will depend on, among other things, the mission, nature, structure, and size of each agency. In establishing the audit committee and creating its charter, each board should examine its agency's particular circumstances. Anti-fraud literature notes that there are two categories of fraud: fraudulent financial reporting and misappropriation of assets. The audit committee should consider the risks of fraud in its agency in general as well as the history of its particular agency with regard to prior audit findings, previously disclosed weaknesses in internal control, and compliance issues. The audit committee should consider both the risk of fraudulent financial reporting and the risk of fraud due to misappropriation or abuse of agency assets. Also, the board and the audit committee should keep in mind that agencies receiving public funding should have a lower threshold of materiality than private-sector entities with regard to fraud risks.

Boards should exercise professional judgment in establishing the duties, responsibilities, and authority of their audit committee. The factors noted below are not intended to be an exhaustive listing of those matters to be considered. The committee should not limit its scope to reacting to a preconceived set of issues and actions but rather should be proactive in its oversight of the agency as it concentrates on the internal control and audit-related activities of the entity. In fact, this individualized approach is one of the main benefits derived from an audit committee.

At a minimum, audit committees should:

1. Develop a written charter that addresses the audit committee's purpose and mission, which should be, at a minimum, to assist the board in its oversight of the agency.
2. Formally reiterate, on a regular basis, to the board, agency management, and staff their responsibilities for preventing, detecting, and reporting fraud, waste, and abuse.
3. Serve as a facilitator of any audits or investigations of the agency, including advising auditors and investigators of any information they may receive or otherwise note regarding risks of fraud or weaknesses in the agency's internal controls; reviewing with the auditors any findings or other matters noted by the auditors during audit engagements; working with the agency management and staff to ensure implementation of audit recommendations; and assisting in the resolution of any problems the auditors may have with cooperation from agency management or staff.
4. Develop a formal process for assessing the risk of fraud at the agency, including documentation of the results of the assessments and assuring that internal controls are in place to adequately mitigate those risks.
5. Develop and communicate to staff of the agency their responsibilities to report allegations of fraud, waste, or abuse at the agency to the committee and the Comptroller of the Treasury's office as well as a process for immediately reporting such information.
6. Immediately inform the Comptroller's office when fraud is detected.

7. Develop and communicate to the board, agency management, and staff a written code of conduct reminding those individuals of the public nature of the agency and the need for all to maintain the highest level of integrity with regard to the financial operations and any related financial reporting responsibilities of the agency; to avoid preparing or issuing fraudulent or misleading financial reports or other information; to protect agency assets from fraud, waste, and abuse; to comply with all relevant laws, rules, policies, and procedures; and to avoid engaging in activities which would otherwise bring dishonor to the agency.

The charter of the audit committee should include, at a minimum, the following provisions:

1. The audit committee should be a standing committee of the board.
2. The audit committee should be composed of at least three members. The chair of the audit committee should preferably have some accounting or financial management background. Each member of the audit committee should have an adequate background and education to allow a reasonable understanding of the information presented in the financial reports of the agency and the comments of auditors with regard to internal control and compliance findings and other issues.
3. The members of the audit committee must be independent from any appearances of other interests that are in conflict with their duties as members of the audit committee.
4. An express recognition that the board, the audit committee, and the management and staff of the agency are responsible for taking all reasonable steps to prevent, detect, and report fraud, waste, and abuse.
5. The audit committee should meet regularly throughout the year. The audit committee can meet by telephone, if that is permissible for other committees. However, the audit committee is strongly urged to meet at least once a year in person. Members of the audit committee may be members of other standing committees of the board, but the audit committee meetings should be separate from the meetings of other committees of the board.
6. The audit committee should record minutes of its meetings.

The Division of State Audit will be available to discuss with the board any questions it might have about the creation of its particular audit committee. There are also other audit committees at other state agencies that the board may wish to contact for advice and further information.

APPENDIX

Southeast Community Services Agency
as of March 31, 2005

Paul Lynch, Executive Director

BOARD OF DIRECTORS

Executive Committee Members

Gerald J. Layne, Chair
Jay Hacker, Vice-Chair
Susan Trotter, Treasurer
Eva L. Edwards, Secretary
Sandi Holder

Other Members of the Board of Directors

Matilda G. Dunn
Ken Emel
Ruth Gafford
Walter C. Hunt
Sue Robnett
Eva L. Edwards

Audit Committee

Jay Hacker
Walter Hunt
Susan Trotter