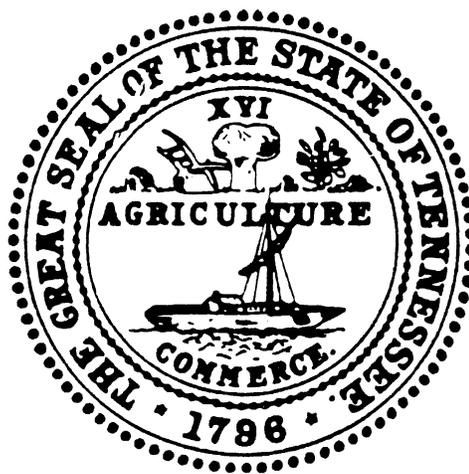


AUDIT REPORT

Upper Cumberland Community Services Agency

January 2007



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

January 31, 2007

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Board of Directors
Upper Cumberland Community Services Agency
417 East Broad Street
Cookeville, Tennessee 38501

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Upper Cumberland Community Services Agency for the period July 1, 2003, through May 31, 2006.

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

Sincerely,

A handwritten signature in black ink that reads "John G. Morgan".

John G. Morgan
Comptroller of the Treasury

JGM/sds
06/091



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June 6, 2006

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 Upper Cumberland Community Services Agency for the period July 1, 2003, through May 31, 2006.

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 Upper Cumberland Community Services Agency's compliance with laws, regulations, and provisions of contracts or grant agreements significant to the audit objectives. Management of the Upper Cumberland 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 certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The agency'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 agency's internal control and instances of noncompliance to the Upper Cumberland Community Services Agency's management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/sds

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Upper Cumberland Community Services Agency
January 2007

AUDIT SCOPE

We have audited the Upper Cumberland Community Services Agency for the period July 1, 2003, through May 31, 2006. 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 receipts and bank reconciliations; and expenditures and compliance with the Family Support Services, Family Crisis Intervention, and Interim Shelter 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; participating in the negotiation and procurement of services for the state; and approving the Community Services Agencies' Plans of Operation (budgets).

AUDIT COMMITTEE

On May 19, 2005, the Tennessee General Assembly 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. Entities, pursuant to the act, are required to appoint the audit committee and develop an audit committee charter in accordance with the legislation. The ongoing responsibilities of an audit committee include, but are not limited to:

1. overseeing the financial reporting and related disclosures especially when financial statements are issued;
2. evaluating management's assessment of risk and the agency's system of internal controls;
3. formally reiterating, on a regular basis, to the board, agency management, and staff their responsibility for preventing, detecting, and reporting fraud, waste, and abuse;

4. serving as a facilitator of any audits or investigations of the agency, including advising auditors and investigators of any information it may receive pertinent to audit or investigative matters;
5. informing the Comptroller of the Treasury of the results of assessment and controls to reduce the risk of fraud; and
6. promptly notifying the Comptroller of the Treasury of any indications of fraud.

In the previous audit report, we recommended that the Upper Cumberland Community Services Agency establish an audit committee. The board chair of the CSA appointed a three-member committee on January 13, 2005. The audit committee charter was approved by the Comptroller of the Treasury on July 10, 2006. Additionally, the audit committee approved a written code of conduct and a new conflict-of-interest statement for the agency and provided copies of each to agency management and staff. The audit committee has not yet approved, nor has management prepared, a documented risk assessment.

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 Upper Cumberland Community Services Agency did not comply with case management policies and procedures related to case file documentation and contact documentation with children and families in the Family Support Services and Family Crisis Intervention programs (page 5).

SPECIAL INVESTIGATION

Weak Internal Control and Poor Communication Contributed to a Translator's Improper Overbilling of \$4,823 for Travel Time and Service Hours Not Worked

Upper Cumberland Community Services Agency experienced several billing issues with a translator, including billing for unallowed travel time, billing for services not provided, the provision of services not authorized in the contract, and one duplicate payment. While problems with the translator's billings were eventually detected by management, those problems could have been prevented or detected earlier if adequate controls had been in place. The matters discussed in this finding were referred to the Enforcement Division of the State's Attorney General's Office and to the District Attorney General for the 13th Judicial District (page 12).

Financial and Compliance Audit Upper Cumberland Community Services Agency

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Financial and Compliance Audit Upper Cumberland Community Services Agency

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Upper Cumberland Community Services Agency. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which requires 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 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 Upper Cumberland Community Services Agency serves the following counties: Cannon, Clay, Cumberland, Dekalb, Fentress, Jackson, Macon, Overton, Pickett, Putnam, Smith, Van Buren, Warren, and White. The agency’s administrative offices are in Cookeville, Tennessee.

The governing body of the Upper Cumberland Community Services Agency is the board of directors. As of June 6, 2006, the board was composed of ten members. (See Appendix.) An executive committee, consisting of three 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 was appointed by the Commissioner of the Department of Children’s Services, subject to the approval of the board.

AUDIT SCOPE

We have audited the Upper Cumberland Community Services Agency for the period July 1, 2003, through May 31, 2006. 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 receipts and bank reconciliations; and expenditures and compliance with the Family Support Services, Family Crisis Intervention, and Interim Shelter 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; participating in the negotiation and procurement of services for the state; and approving the Community Services Agencies' Plans of Operation (budgets).

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

CASH RECEIPTS AND BANK RECONCILIATIONS

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

- the design of the agency's controls over cash receipts and bank reconciliations was adequate;
- cash receipts were deposited timely in accordance with policy;
- receipts were posted correctly to the accounting records;
- revenues recorded for the TennCare Transportation program were reasonable in relation to the number of clients served; and
- bank reconciliations were accurate, performed promptly, 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 receipts and bank reconciliations. We obtained the cash receipts for July 1, 2003, through May 15, 2006, and tested a nonstatistical sample of cash receipts for proper posting to the accounting records, and for timeliness of deposit. We obtained enrollment statistics from the Bureau of TennCare in the Department of Finance and Administration and compared the indicated revenue with the revenue recorded to determine whether the recorded revenue was reasonable. We also obtained and reviewed the Local Government Investment Pool statements, the bank statements, and the related reconciliations for June 2004 and January 2006.

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

- the design of the agency's controls over cash receipts and bank reconciliations appeared adequate;
- cash receipts were deposited timely;
- receipts were posted correctly to the accounting records;
- revenues recorded for the TennCare Transportation program appeared reasonable; and
- the Local Government Investment Pool and bank reconciliations for June 2004 and January 2006 were performed promptly and approved in accordance with agency policy.

EXPENDITURES AND PROGRAM COMPLIANCE

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

- the design of the agency's controls over expenditures and program compliance was adequate;
- the plans of operation and amendments were properly approved;
- expenditures for goods or services were properly approved, supported, and allowable under the guidelines of the Family Support Services, Family Crisis Intervention, and Interim Shelter programs;
- a vendor contract was in place when required and contract guidelines were followed;
- case files adequately documented individual families' eligibility for the Interim Shelter program;
- expenditures for travel were paid in accordance with the Comprehensive 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;
- the agency's sole equipment acquisition was located and had been properly recorded in the property records;
- the agency's policies and procedures for credit cards were adequate and purchases involving credit cards were appropriate;
- 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; program compliance requirements, including payments to service providers; and credit cards. We also reviewed written policies and procedures. We obtained the plans of operation and related amendments and determined the appropriateness of approvals. A nonstatistical sample of expenditure transactions, excluding payroll and travel, was selected 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 tested a nonstatistical sample of credit card purchases for the period of May 1, 2005, through May 15, 2006, to determine whether purchases involving credit cards were appropriate.

We obtained a list of all children who received services from July 1, 2003, through April 30, 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 in the Family Support Services and Family Crisis Intervention programs. We examined a nonstatistical sample of Interim Shelter Program enrollee case files to determine if files adequately documented individual families' eligibility for the Interim Shelter program and if these expenditures were allowable under the applicable Interim Shelter program guidelines. We located newly purchased equipment and determined that it was properly recorded. We obtained personnel files and other supporting documentation of all employees hired from July 1, 2003, through April 30, 2005, 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 during July 1, 2003, through April 30, 2005, 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 controls over expenditures and program compliance was adequate, except as noted in finding 1;
- the plans 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;
- case files adequately documented individual families' eligibility for the Interim Shelter Program;
- 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;
- the agency's policies and procedures for credit cards were adequate and purchases involving credit cards were appropriate;
- 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.

1. 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

(Effective August 31, 2005, the Upper Cumberland Community Services Agency [CSA] no longer provided case management services for the Department of Children's Services [DCS]. As of September 1, 2005, case files were transferred to DCS, and CSA staff was hired to continue to perform these services.)

Finding

The Upper Cumberland 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 22 FSS case files and 3 FCIP case files. Of the 22 FSS case files reviewed, 2 were emergency cases and 20 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) contact requirements for children and their families. Testwork revealed the following:

- One of three FCIP case files tested (33%) did not contain an Application for Services form. Per the FCIP manual, "The receiving crisis intervention case manager shall complete an Application for Services Form while taking the call or contact."
- One of 22 FSS case files tested (5%) was not assigned to a case manager within 24 hours, or one working day. This non-emergency case was assigned two days late. Per the FSS manual, non-emergency cases must be assigned within 24 hours (one working day).
- Two of three FCIP cases tested (67%) were not staffed with the crisis intervention peer unit and team leader within five days of receipt of the application for services. The cases were staffed 4 to 26 days 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 one of three FCIP case files tested (33%), the initial contact with the family was not made within 24 hours after the receipt of the application for services. The initial contact was made four days late. Per the FCIP manual, the case manager is required to make initial contact with the family no later than 24 hours after receipt of the application.
- In one of three FCIP cases tested (33%), 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 three days late. Per the FSS manual, in-person contacts should be made "no later than 48 hours after receipt of the application."

- For 8 of 20 non-emergency FSS case files tested (40%), the initial contact with the family was not made within one working day of when the referral was received. In three of eight cases, the 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. In the remaining five of eight cases, the case files showed that the case manager attempted the initial contact with the families in the required time period and was unsuccessful. However, three attempts to contact the family, as required by the FSS manual, were not documented in the case file. For three of five cases, there was one attempt, and for two of five cases, there were two attempts. Per the FSS manual, when initial contact is not made, the case manager is required to document attempts to locate the family. These attempts should include making three home visits at different times of the day.
- For one of 22 FSS case files tested (5%), a release of information form was not signed by the adult family member during the initial contact. The release form was signed during the subsequent follow-up visit. Per the FSS manual, the case manager is required to have the adults in the family sign the release of information form at the initial contact to allow for coordination and sharing of information with other service providers.
- For 4 of 22 FSS case files tested (18%), the file did not contain the original Service Plan, the Service Plan was not developed within 15 working days of receipt of the case, the Service Plan was not signed by the child at risk, and/or the case recording did not indicate that a copy of the Service Plan had been given to the family. For one of four cases, the original Service Plan was not in the case file; however, the case recordings indicate that the Service Plan was developed and properly signed, but did not document that a copy of the Service Plan had been given to the family. In two of the cases, the Service Plans were developed 7 to 25 days late and one Service Plan was not signed by the child at risk. The FSS manual requires that a Service Plan be developed within 15 days of receipt of the case and that the original be placed in the case file. The Service Plan should be signed by the child at risk, as appropriate, and a copy of the plan must be given to the family.
- One of three FCIP case files tested (33%) did not contain a Crisis Intervention/Resolution Plan. Per the FCIP manual, the child’s file should contain a written Crisis Intervention/Resolution Plan Form signed by all involved parties within 10 working days of 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 one of two emergency FSS case files tested (50%), a follow-up face-to-face contact was not performed within 48 hours of the initial contact with the family. The face-to-face contact was made two days late. The FSS manual states 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 20 non-emergency FSS case files tested (5%), the case manager did not follow up the initial contact with the family with a face-to-face contact within five working days. The follow-up contact was made four days late. Per the FSS manual, the case manager is required to follow up the initial contact with a face-to-face contact within five working days.
- In 16 of 21 FSS case files tested (76%), the case manager did not make a minimum of one face-to-face contact per week for the first four weeks. A minimum of 64 face-to-face contacts were required in the 16 cases; however, there was no documentation to show that 23 contacts (36%) had been made. 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 8 of 21 FSS case files (38%), the case manager did not make a minimum of one monthly face-to-face contact after the first four weeks as described above. A minimum of 43 face-to-face contacts were required in the eight cases; however, there was no documentation to show that 11 visits (26%) had been made. 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 4 of 16 FSS case files tested (25%), quarterly progress reports were not included in the case recordings. Per the FSS manual, written progress reports should be prepared on a quarterly basis and included in the case record.
- Three of three 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. Also, none of the cases were closed within the required time frame. Cases were open 26, 39, and 90 days beyond the required 45-day closure date. None of the files contained documentation of an extension beyond 45 days. Per the FCIP manual, when Crisis Intervention services extend beyond 45 days from receipt of an application, peer unit and team leader concurrence must be obtained and the Crisis Intervention/Resolution Plan Revisions form must be 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 receipt of the application.”
- One of three FCIP case files tested (33%) 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 2 of 14 closed FSS case files (14%), the De-authorization from Targeted Case Management form did not document approval by the team leader for closure. 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 Upper Cumberland CSA’s failure to comply with the 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 August 31, 2005, the Upper Cumberland Community Services Agency no longer provided case management services for the Department of Children's Services (DCS). Effective September 1, 2005, case files were transferred to the Department of Children's Services, and the related CSA employees were hired to continue to perform these duties. As a result, the Commissioner of the Department of Children's Services should now monitor case managers 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

Upper Cumberland Community Services Agency

We concur in part. We agree that there were instances where the timelines were not met or a form was not completed. However, during the period under audit, there was much confusion as to policy requirements since the agency was operating under, what we assumed to be, approved draft policies combining the Family Support Services and Family Crisis Intervention Program. Likewise, the DCS requirement that mandated a "no right of refusal" policy to accept new referrals severely taxed the ability of staff to meet the required timelines. This was brought to the attention of DCS management on numerous occasions with a request for relief. The number of children served by these two programs more than doubled from Fiscal Year 2001 to Fiscal Year 2005 with requests for additional staffing not being provided in adequate numbers to support this tremendous increase in need. During FY 2001, the number of cases served by FSS and FCIP totaled 972. In FY 2005, the number of cases served totaled 2,217. While we certainly agree that it is desirable to meet required timelines in all situations and per policy, we likewise realize that with caseloads of 50+, it is sometimes not realistic to think that case managers can accomplish that within a normal work week.

Since the program staff transferred to DCS on September 1, 2005, we agree with the recommendation that DCS should monitor staff compliance with policy requirements. Likewise,

we recommend that DCS provide sufficient staff to meet the needs of these programs in such a manner that required timelines and policy requirements can be effectively met.

Department of Children's Services

The Family Support Services and Family Crisis Intervention Program policies and procedures underwent significant changes in a very quick manner. There were several versions of the policies and it is not mentioned what year or what draft the audit was performed under. While reading through the findings, several policy discrepancies became evident.

For example: The crisis intervention peer unit and team leader staffing which was required in the initial policy became obsolete in later work—if not evidenced by a change in draft policy then by the fact that the checked box for completing the staffing capability was removed from TN Kids in a later build.

We concur with several of the findings concerning not making contact with the child and family within prescribed time frames but preface that with the fact that those time frames were in draft policy as well and some of the time frames referenced were not required once Structured Decision Making policy was enacted. This became effective in the Upper Cumberland region in September of 2003 and we were informed that the Child Protective Services cases were to follow SDM policy and that it superseded Family Support Services Policy.

We concur with the findings in regard to the service plans. The team leader performs a case process review on 10% of a worker's caseload once a month. The team leader needs to ensure that all plans are completed timely, contain all signatures required, and proper documentation concerning the plan should be entered into TN Kids. In addition, all team leaders review each case file upon closure and they should ensure all tasks are completed at that time as well. A case manager who consistently has task completion problems should be disciplined appropriately.

We do not concur with the indication that a FSS case file was missing the Family Functioning Assessment. The tool was no longer used after the SDM policy came into effect. In fact its validity as an assessment tool was heavily argued at that time.

We do not concur with the indication that a quarterly progress report was not included in the recordings. Those were no longer required after SDM policy was initiated. The Safety and Risk Assessment tool was updated on a 90 days basis and that replaced the need for a quarterly progress report.

We do not concur with the indication that all FCIP cases were to be closed within 45 days and that a meeting had to occur in order for the case to remain open. In reference to an e-mail sent by Susan Steppe and Jennifer Hamilton after a meeting in the East region this was no longer a requirement. Cases were to remain open as long as services were needed but no longer than six months. The de-authorization forms were no longer required as well. A summary typed into TN Kids by the team leader upon case closure was considered sufficient.

The department has started pilot project sites that use the Multi-level Response System. Once all regions implement this system, Family Support Services and Family Crisis Intervention as it existed pre and post CSA transfer will no longer exist.

Steps to improve:

Ensure all Family Support Services and Family Crisis Intervention program policies and procedures are no longer in draft form. Ensure that all case managers are aware of final policy requirements.

Continue to utilize the case process review procedure according to policy to ensure internal quality controls on case note documentation, service plan deadlines, and face-to-face visits occurring according to policy.

Continue practice of all team leaders reviewing case files upon closure to ensure all requirements have been met.

Continue practice of all team leaders reviewing face-to-face documentation on a monthly basis to ensure all case contacts are completed as required.

Auditor's Rebuttal

The audit of the Family Support Services Program (FSS) and the Family Crisis Intervention Program (FCIP) included testwork on a nonstatistical sample of children who received services from July 1, 2003, through April 30, 2005. As stated in the finding, testwork was performed to determine if the CSA complied with the *Policy and Procedure Manual for Family Support Services* and the *Family Crisis Intervention Program Procedure Manual*. As of November 2006, these policies were still on the Department of Children's Services website at <http://www.tennessee.gov/youth/policies/chapter10.htm>. The audit was performed in accordance with official, properly approved policies and not with "draft" policies or assumptions. The approved policies require family assessments (FSS), quarterly progress reports (FSS), and utilization of the Crisis Intervention/Resolution Plan Revisions form to document peer unit and team leader concurrence when Crisis Intervention services extended beyond 45 days from the receipt of the application. All exceptions were discussed with the Family Services Director during fieldwork, and a detailed listing of all exceptions was presented to CSA upper management at the field exit conference.

SPECIAL INVESTIGATION

VENDOR FOR TRANSLATION SERVICES AT UPPER CUMBERLAND COMMUNITY SERVICES AGENCY

On June 30, 2004, the Executive Director of the Upper Cumberland Community Services Agency (UCCSA) sent a letter requesting assistance to the State Attorney General's Office and copied the letter to the Office of the Comptroller of the Treasury, the Department of Children's Services' Office of Inspector General, and the UCCSA board chair. The letter indicated that a translator under contract with UCCSA had billed in excess of \$2,000 for services potentially not provided. The translator was located in Cookeville, Tennessee. Subsequently, the Enforcement Division in the Office of the Attorney General requested our assistance in reviewing the matter.

Objectives of the Review

The objectives of the review were

- to determine whether the translator billed for travel and for services not performed;
- to determine the extent of any overbillings;
- to determine the adequacy of related internal controls at the Upper Cumberland Community Services Agency (UCCSA);
- to determine the adequacy of related internal controls at the Cookeville Office of the Tennessee Department of Children's Services (DCS);
- to report any findings to the appropriate authorities; and
- to recommend appropriate actions to correct any noted deficiencies.

Scope of the Review

During the review, we interviewed relevant personnel from the Upper Cumberland Community Services Agency (UCCSA) and the Cookeville Office of the Tennessee Department of Children's Services (DCS). We reviewed the four-month contract between UCCSA and the translator for the period March through June 2003, and the one-year contract for the period July 2003 through June 2004. We reviewed purchase requests submitted by the DCS Cookeville Office case managers to UCCSA for translation services for the period July 2003 through March 2004. After March 2004, because of questions about the translator's billings, the services of the translator were not used. We reviewed the translator's invoices from July 2003 through March 2004, and we reconciled the invoices with payments by UCCSA to the translator for the same period. We conducted interviews with the translator and clients' family members.

Background

At the time of this review, UCCSA and the Tennessee Department of Children's Services (DCS) coordinated service delivery to enable custodial and non-custodial children to receive the services they needed at the local level that could not be effectively purchased via the state system.

The DCS case managers worked with children who were in the custody of the State of Tennessee. UCCSA case managers worked with children who were non-custodial children at risk of entering or reentering the state's custody. UCCSA officials noted that the role of UCCSA relating to custodial children began when a DCS case manager needed a service purchased by UCCSA. UCCSA entered into contracts with a multitude of vendors, and UCCSA staff determined the appropriate vendor for the services requested by the DCS case managers. In order to engage the services paid for by UCCSA, a DCS case manager would submit a purchase request to the UCCSA Funding Unit for approval.

The following description of the request, approval, billing, and payment processes presents the expected steps and documents. In the case of the translator, the purchase request would contain the estimated hours of service that would be needed. UCCSA staff would notify the translator and the DCS case manager that services had been approved. After delivery of services, the translator would complete and sign a Family Contact Form, which was supposed to be initialed by the individual receiving translation services and then signed by the DCS case manager. The translator then would submit her invoice, with the Family Contact Form attached, to UCCSA's Funding Unit for approval and payment. UCCSA staff would review the translator's billing for accuracy, reconcile the invoice with the previously approved purchase request, and pay the translator the appropriate amount for her services.

Our review initially focused on translation services provided on behalf of three children under state custody that were under the supervision of the DCS Cookeville office. The biological parents of the children spoke Spanish but did not speak English. Two of the children were old enough to speak and were bilingual (English and Spanish), while the third child was a newborn baby.

Initially, UCCSA contracted with the translator to provide translation services for the DCS case managers, the biological parents of the children, and the children. Translation services were necessary during court proceedings, visitations by DCS staff, and counseling sessions for family members ordered by the court.

The first contract between UCCSA and the translator extended from March 2003 through June 2003 for a maximum of \$24,500 at a rate of \$40 per hour to provide "interpretation services for clients of the Agency's Reunification and Family Support Services Program." The translator was later awarded a one-year contract for the period July 2003 through June 2004, for a maximum of \$30,000 at a rate of \$45 per hour. The one-year contract specifically did not allow reimbursement for travel, meals, or lodging. The revised scope of services of the contract

renewal listed a variety of services, including the routine and regular professional supervision of the client's safety.

2. Weak internal controls and poor communication contributed to a translator's improper overbilling of \$4,823.55 for travel time and service hours not worked

Finding

On June 30, 2004, UCCSA's Executive Director sent a letter to the State Attorney General (with a copy to the Division of State Audit) that stated that a translator hired under contract by UCCSA had billed UCCSA and had been paid in excess of \$2,000 for services which were potentially not provided. The letter included a preliminary compilation of the questioned charges related to translation services provided by the translator on behalf of one family.

During our initial meeting with UCCSA staff, they stated that they had experienced several billing issues with the vendor, including billing for hours not preapproved, billing for travel time which was not allowable, and not providing adequate documentation of work performed. In response to our request for documentation, UCCSA staff provided us (1) a revised worksheet that showed \$3,847.50 in questioned costs, and (2) the related supporting documentation.

We examined each instance identified by UCCSA staff as a questionable charge. The charges questioned by UCCSA staff occurred during the period July 2003 through January 2004 and related to translation services provided on behalf of three children of one family. We also examined the translator's February 2004 billing, which UCCSA had paid but had not included in either their initial or their revised schedule of excessive billings provided to us. In addition, we examined the translator's March 2004 billing, which UCCSA had received but had not paid. UCCSA staff had advised the translator on April 29, 2004, that her services would no longer be required as of April 30, 2004. The translator did not submit any invoices for payment after March 2004. The translator's contract, which expired June 30, 2004, was not renewed. We expanded our examination to include all other billings by the translator for the period July 2003 through March 2004.

Prior to UCCSA's first contract with the vendor, UCCSA had hired the translator on an ad hoc basis (without a contract) because the cost of the translator's services did not exceed \$5,000 per year. The translator's first contract with UCCSA for translation services was for the four-month period March through June 2003. The subsequent contract between the translator and UCCSA was for the one-year period July 2003 through June 2004.

We determined that the translator's work related to the three children initially under review was primarily directed and monitored by two DCS case managers. According to interviews with the two DCS case managers, one case manager supervised the translation services for about a month at the beginning of the one-year contract period, while the other case manager supervised the translation services for about eight months, until UCCSA ceased using

the translator after March 2004 because of questions about the translator's billings. Because UCCSA ceased using the translator in March 2004, the translator was barred from working for and billing UCCSA for the remaining term of her contract, which expired June 30, 2004.

The two DCS case managers who supervised the translator when she was under the one-year contract with UCCSA both told us that they had submitted purchase requests for the translator's services that included estimated service hours to UCCSA's Funding Unit. According to the DCS case manager who interacted with the translator for only a month, she did not know at that time that the estimated service hours on the purchase request for the translator included travel time. However, the DCS case manager stated that the inclusion of travel time would not have been something she questioned. According to the second DCS case manager, who interacted with the translator for about eight months, she knew at the time she submitted the translator's purchase requests that the translator's estimated hours included travel time, and she assumed that the translator's inclusion of travel time was appropriate. Both DCS case managers told us that they did not know that the one-year contract between UCCSA and the translator prohibited payment for travel time.

UCCSA staff stated that the translator should have been knowledgeable of the contract's terms and conditions and should have been responsible for compliance with them because she signed the contract.

Our review of the two contracts disclosed that the contract terms were explicit in stating that the contract rate referred to the rate per hour of translation (interpretation) services and that the rate included all other costs. The initial four-month contract between UCCSA and the translator for the period March through June 2003 specifically stated,

The unit rates in paragraph 1 of this section [\$40.00 per hour] shall constitute the entire compensation due the CONTRACTOR for the service and all the CONTRACTOR'S obligations hereunder regardless of the difficulty. The contract price includes, but is not limited to all applicable taxes, fees, overhead, profit and all other direct and indirect costs incurred or to be incurred by the CONTRACTOR.

Our review further disclosed that in April 2003, when UCCSA and the translator entered into discussions about the translator's fee for 2003, the translator proposed an hourly rate of \$40.00 per hour or any part of an hour in Putnam County and \$50.00 per hour or any part of an hour outside Putnam County. The translator wrote in her letter proposing these fees: "Note: The above fees include travel time." Subsequently, UCCSA and the translator agreed to a flat rate of \$45.00 per hour, and that the rate per hour would be prorated for partial hours worked. UCCSA and the translator then entered into a one-year contract for the period July 2003 through June 2004 at the rate of \$45 per hour, up to a total of 666 hours, or a maximum liability of \$30,000.00. Section C.4, "Travel Compensation," stated: "The Contractor shall not be compensated or reimbursed for travel, meals, or lodging." Thus, it is evident from the contract language and the translator's letter that the understanding between UCCSA and the translator was that the per hour

rate was an all-inclusive rate that included all other expenses incurred by the translator, including travel.

UCCSA staff stated that they had informed the translator that travel time was not an allowable charge under the one-year contract effective July 2003, but they could not provide us any written communication from UCCSA to the translator about travel prior to January 28, 2004, seven months after the start of the translator's one-year contract. On January 28, 2004, UCCSA conducted a provider meeting. According to the typed meeting agenda, a specific agenda item was "Travel and other such expenses banked into rates." According to the "Vendor Information Sheet," which recorded agency name, contact person, address, phone and fax numbers, and e-mail addresses of the meeting attendees, the translator attended UCCSA's January 28, 2004, provider meeting.

The translator acknowledged that she billed for travel for her trips to and from Lafayette, Tennessee. The translator stated that it took her exactly one hour to drive from Cookeville to Lafayette, and exactly one hour to return to Cookeville, for a total of two hours of travel. The translator stated that she did not know at the time she signed and returned the contract to UCCSA that the one-year contract for the period July 2003 through June 2004 prohibited reimbursement for travel. The translator stated that she had billed for travel for her previous work for UCCSA. The translator recalled that she had received a phone call from a UCCSA staff member who told her that she wasn't supposed to charge for travel and that she also had attended a meeting where UCCSA staff stated that travel would not be reimbursed. The translator could not recall the dates of the phone call or the meeting. However, the translator asserted that she then contacted a UCCSA team leader about the matter and the UCCSA team leader instructed her to continue to include travel time on her invoices.

The UCCSA team leader identified by the translator stated that she never told the translator that it was acceptable for the translator to bill for travel time. In fact, the UCCSA team leader stated that UCCSA had never allowed any billing for travel time, except under extraordinary circumstances, which did not apply in the case of the translator. The UCCSA team leader further stated that UCCSA told all its vendors that travel expenses should be included in the overall rate and that the vendors were only supposed to bill for face-to-face time.

The DCS case manager who was responsible for submitting purchase requests for the translator's services for eight months told us that she had a discussion with UCCSA staff in late January or early February 2004 during which UCCSA staff questioned the translator's billings because of the apparent excessive number of purchase requests and the rapidity with which the amount allocated for translation services was being depleted. The DCS case manager had not attended the UCCSA provider meeting on January 28, 2004. According to the DCS case manager, UCCSA Funding Unit staff told her that the translator was not supposed to be billing for travel time, and, further, that the translator had been told repeatedly not to bill for travel time.

After her discussion with UCCSA staff, the DCS case manager received the translator's Family Contact Form for February 2004. The DCS case manager stated that she observed that the translator's service hours included travel time because the visits had been for two hours, not

four hours. It should be noted that travel time was not separately recorded on the Family Contact Form. Instead, the information on the Family Contact Form only showed service hours. The DCS case manager stated that she told the translator that reported visits should be two hours, not four hours, and that the translator responded that she knew that she wasn't supposed to be billing for travel, but she was doing so anyway.

According to the DCS case manager, she signed the translator's February 2004 Family Contact Form because she knew the translator had worked on the days recorded on the form and also because she was unaware that the form was used for billing purposes. However, the DCS case manager stated that she then notified UCCSA staff that the translator was apparently billing for travel time. Subsequently, although UCCSA staff paid the full amount of the translator's February 2004 invoice, they initiated a review of the translator's billings, which resulted in their determination that the translator had overbilled UCCSA and in their decision to send the letter to the State Attorney General that was copied to the Division of State Audit.

Because the contract terms for the contract period July 2003 through June 2004 specifically disallowed travel time, and the translator should have been knowledgeable of the contract terms, the translator's billed travel time represents improper overbilling. Despite sign-offs on her purchase requests, which included travel time, by DCS case managers, the DCS case managers were not knowledgeable of the contract terms until one of the DCS case managers had a discussion with UCCSA Funding Unit staff in January or February 2004. However, the translator should have been knowledgeable of the contract provision that prohibited billing for travel time and should not have billed her travel time. In addition, in January 2004, the translator was specifically informed by UCCSA staff not to bill for travel time, but she continued to bill for travel time in February and March 2004.

Our review procedures included examination of purchase requests, invoices, Family Contact Forms, and TNKids entries for all children assisted by the translator under her UCCSA contract. "TNKids" refers to a computerized case management database maintained by DCS that tracks services provided to children under DCS's jurisdiction. In an ideal system, all visits would be documented in TNKids by DCS case managers and all entries would indicate the start and end times of the visits. However, examining all 57 visits in question disclosed that only 35 of the 57 visits (61%) were documented in TNKids, and only 21 of the 35 documented visits (60%) recorded start and end times where we could compute the service hours provided. Thus, we could determine starting and ending times from TNKids entries for only 21 of the 57 total visits (37%).

We also reviewed the calendars maintained by three DCS case managers who were involved in supervising the services for the three children initially under review. Almost two-thirds, 37 of the 57 visits (65%), involved these three children. Our difficulty related to the lack of recorded information increased with the calendar entries compared to the TNKids entries. As illustrations, only two of the three DCS case managers involved with the children had calendar entries related to the family in question. Further, only 22 of the 37 visits (60%) were recorded in calendars, and only 8 of 22 of the calendar entries (36%) included starting and ending times for the visits. Thus, we could determine starting and ending times from calendar entries for only 8 of the 37 visits (22%) involving the three children. To aid our determination of actual hours

worked by the translator, we also interviewed the two DCS case managers primarily responsible for the three children initially under review about their recollections regarding visits and the translator's service hours.

Our review disclosed that the translator had improperly overbilled UCCSA for travel time. As noted above, the translator acknowledged that she had billed for travel time for her trips outside the immediate Cookeville area. In addition, our review disclosed that the translator had billed for service hours on several days for which she had not provided translation services based on information provided to us by the DCS case managers. The translator acknowledged that such overbillings may have occurred, and she provided the explanation that she prepared her invoices based on the scheduled work, and when the schedule changed, she may not have amended her invoice to reflect actual work performed. Further, we identified visits where the translator evidently made the visit but claimed more hours than those reported by DCS case managers in TNKids or on their calendars. In those situations, we used the hours as reported in TNKids and the calendars. We did not have the opportunity to question the translator about these instances because the translator did not respond to our phone calls requesting further information.

Based on our review of purchase requests, invoices, Family Contact Forms, TNKids entries, and calendars, and on our interviews with UCCSA and DCS staffs, we determined that the translator overbilled UCCSA a total of \$3,665.25 for travel time and unsupported service hours for the three children initially under review. The breakdown is \$1,980.00 for overbilled travel hours; \$1,100.25 for overbilled service hours where the visits actually occurred; and \$585.00 for overbilled service hours where the visits did not occur, based on the information provided to us. Our review further disclosed that UCCSA's fiscal office improperly paid the translator twice for one invoice, which totaled \$225.00, because the invoice had not been stamped "paid" or otherwise physically marked so that it would not be mistakenly processed a second time.

We also examined the translator's billings for the other families assisted by the translator under her UCCSA contract. Our review disclosed that the translator overbilled UCCSA \$933.30 for travel time and unsupported service hours for those additional families. The breakdown is \$360.00 for overbilled travel hours and \$573.30 for overbilled service hours where the visits actually occurred.

Combining the two categories discussed above, the total amount in question is \$4,823.55.

The translator's March 2004 invoice for \$855 was left unpaid pending resolution of our review of the translator's billings. In support of her March 2004 invoice, the translator submitted to UCCSA a completed Family Contact Form. The form was signed by a DCS case manager and contained the mother's hand-printed name in the "Signature of Person Contacted" column. The form recorded five trips for translation services. The translator's service dates and costs were within the parameters of an authorized purchase request. Based on information developed during this review, we determined that the amount due to the translator should be reduced from \$855 to \$405 to reflect deductions for improperly billed travel time (two hours per visit). There were one TNKids entry and three calendar entries by a DCS case manager for March 2004. However, the

information recorded in the entries did not result in any adjustments other than for travel time per visit.

We noted other procedural irregularities in client supervision by DCS case managers during our review.

First, DCS case managers, in some instances, improperly signed or initialed the Family Contact Forms in the column for “Signature of Person Contacted.” Thus, the Family Contact Forms did not always contain independent verification by a family member that service had been provided. Although the DCS case managers did not misrepresent the identity of the signer because the DCS case managers initialed or signed their own initials or names, their actions negated the core principle of independent verification of the provision of services by a party other than the DCS case manager. According to a DCS case manager we interviewed, she placed her initials in the “Signature of Person Contacted” column at the direction of the translator to indicate that a visit had occurred. Later, according to the same DCS case manager, the translator told her that a parent was supposed to sign in the “Signature of Person Contacted” column, and the DCS manager then ceased to initial or sign as the person contacted. The purpose of independent verification is to prevent collusion between a vendor and a state employee to misrepresent the services hours provided. Such misrepresentation would result in improper overpayments to a vendor.

Second, the translator told us that she had met with the child and the parent without a DCS case manager present. The DCS case manager identified by the translator confirmed that she had allowed the translator to meet alone with the client and the parent. The DCS case manager estimated that this occurred at least five times but not more than ten times. According to the DCS case manager, she had allowed such visits to occur because her heavy caseload did not permit her to attend all the visits and because she thought that she had the discretion to allow such unsupervised visits. However, UCCSA’s Executive Director stated that such activities on the part of the translator were outside the scope of the contract between UCCSA and the translator, and they should not have been allowed by the DCS case manager.

Internal Control Weaknesses

Our review disclosed significant internal control weaknesses at both UCCSA and at the DCS Cookeville Office that allowed the improper billing and the subsequent payments to occur. These weaknesses, and others disclosed during our review, are presented below.

Upper Cumberland Community Services Agency (UCCSA)

1. UCCSA management did not clearly inform DCS case managers of the contract terms and conditions and of the DCS case managers’ responsibilities relative to contract oversight and monitoring. UCCSA staff did not provide copies of the contract to the DCS case managers. UCCSA staff did not otherwise inform any of the DCS case managers of the contract provisions, particularly the provision relating to travel, until seven months after the effective date of the contract, when UCCSA Funding Unit staff

and a DCS case manager discussed the translator's billings and raised questions about the translator's service hours. The DCS case managers did not receive information from UCCSA related to the contract term and conditions, and the DCS case managers did not attend the provider meeting sponsored by UCCSA in January 2004.

2. UCCSA management should have established effective procedures for its fiscal office to prevent duplicate payments. UCCSA fiscal staff failed to appropriately review and maintain records to prevent duplicate payments to the translator. Invoices were not stamped "paid" or otherwise physically marked. We noted one instance where UCCSA fiscal staff mistakenly processed an invoice twice.
3. UCCSA management did not ensure that invoices were supported with appropriate documentation prior to payment. UCCSA fiscal office staff approved the translator's invoices for payment without effective review. Some of the invoices did not include the required supporting documentation, specifically, the Family Contact Forms, which were not submitted by the translator to UCCSA's fiscal office staff as supporting documentation for her invoices. Despite the missing supporting documentation, UCCSA's fiscal office staff processed the translator's invoices for payment.

Department of Children's Services (DCS), Cookeville Office

1. DCS management at the Cookeville Office did not take appropriate steps to ensure that DCS case managers responsible for requesting services through UCCSA were fully aware of the contract provisions governing such services. The contract provisions pertaining to the translator's services were contained in the contract between UCCSA and the translator. DCS management did not assess the risks of misrepresentation and misappropriation of funds and develop appropriate mitigating controls regarding payments to vendors. A DCS case manager told us that she presumed that it was acceptable to pay the translator for her travel time at the rate of \$45 per hour. Such a presumption was clearly unreasonable. DCS case managers, once they became aware of the translator's efforts to bill for travel time, should have immediately contacted their supervisors and UCCSA staff for clarification about the appropriate billing procedures.
2. DCS management at the Cookeville Office did not take appropriate steps to ensure that DCS case managers understood the Family Contact Form, the importance of independent verification of the provision of services, and the impropriety of signing or initialing on behalf of other parties. Some DCS case managers improperly signed or initialed Family Contact Forms in the column for the "Signature of Person Contacted." These actions had the effect of misrepresenting to an unknowledgeable third party that the provision of services by the translator had been verified by a family member. However, the Family Contact Forms did not contain independent verification by a family member that services had been provided. Although the DCS case managers did not misrepresent the identity of the signer because the DCS cases managers initialed or signed their own initials or names, their actions negated the core principle of independent verification of the provision of services by a party other than the DCS case manager. The purpose of independent

verification is to prevent collusion between a vendor and a state employee to misrepresent the services hours provided. Such misrepresentation would result in improper overpayments to a vendor.

3. DCS management at the Cookeville Office did not take appropriate steps to ensure that DCS case managers did not sign official documents that contained false information. A DCS case manager knowingly signed and approved a Family Contact Form for February 2004 that had been presented to her by the translator, even though the DCS case manager knew that the form included service hours that had not been worked. The DCS case manager had concerns about the number of service hours included on the form. One concern was that the translator showed four hours per visit rather than the actual duration of two hours per visit. Another concern was that when the DCS case manager told the translator the visits lasted only two hours instead of four, the translator responded that she was billing for travel time, and also that she knew she was not supposed to bill for travel time but was doing so anyway. The DCS case manager did promptly inform UCCSA staff of her concerns about the translator's billing, which led to UCCSA's review of the translator's billings. The DCS case manager stated that she signed the Family Contact Form to indicate that the visits had actually occurred. However, state officials should not sign forms approving activities, such as hours worked, when they know that the information contained therein is incorrect.
4. DCS management at the Cookeville Office did not ensure that visits involving DCS case managers were appropriately documented in the TNKids computerized case tracking system. Not all visits were documented by DCS case managers in TNKids and not all the TNKids entries contained the start and end times for the recorded visits.
5. DCS management at the Cookeville Office did not ensure that DCS case managers utilized vendors only for their intended purposes. According to the translator and a DCS case manager, the translator was allowed to meet alone with clients and parents in several instances. UCCSA's Executive Director stated that such activities on the part of the translator were outside the scope of the contract between UCCSA and the translator, and they should not have been allowed by the DCS case manager. If a DCS case manager cannot make a scheduled meeting, the meeting should be rescheduled.

Referral

The matters discussed in this finding were referred to the Enforcement Division of the State's Attorney General's Office and to the District Attorney General for the 13th Judicial District.

Recommendation

Our review resulted in the following recommendations:

Upper Cumberland Community Services Agency

1. UCCSA management should take appropriate steps to recoup the \$4,823.55 (net of the \$405 due for work in March 2004, which was not paid pending the results of this review) that the translator overbilled the agency.
2. UCCSA management should establish appropriate procedures to ensure that UCCSA's fiscal office staff does not pay invoices twice. In particular, UCCSA fiscal staff should stamp invoices as "paid," or otherwise physically mark them, to document that the invoice has been reviewed and paid, and to avoid processing and paying invoices more than once. We found only one instance of a duplicate payment to the translator. However, the lack of effective controls to prevent duplicate payments could result in other unwarranted payments by UCCSA.
3. UCCSA management should establish appropriate procedures to ensure that invoices contain all appropriate supporting documentation. In the matter under review, not all invoices were supported by Family Contact Forms. No invoice should be paid without the required support for the charges. In addition, UCCSA management should ensure that appropriate procedures are established to (a) determine vendor compliance with contract terms and conditions, and (b) examine the reasonableness of charges. Such procedures might include inquiry of case managers regarding vendor performance and activities, comparisons of actual to expected charges over time, and a comparison of the billings submitted by vendors with the information in the clients' case files.
4. UCCSA management should ensure that UCCSA case managers and team leaders review the actual services provided by vendors to ensure that vendors, such as the translator, are not providing services that are beyond the scope of the vendors' contract terms, conditions, and expertise.
5. UCCSA's board should require that UCCSA management perform a risk assessment relative to the selection of vendors, document that assessment, design and formally implement effective mitigating controls, document those controls, and monitor those controls for effectiveness, efficiency, cost, and results. The documentation related to the risk assessment, design and implementation of mitigating controls, and monitoring should be submitted to UCCSA's board for formal review and approval.

Department of Children's Services (DCS), Cookeville Office

1. DCS management should take appropriate steps to ensure that DCS case managers responsible for requesting services are fully aware of the contract provisions governing such services.

2. DCS management should ensure that DCS case managers do not sign or initial the Family Contact Form instead of a parent in the column “Signature of Person Contacted.” The form contained a separate line for “Case Manager Signature/Date.” Specifically, DCS management should make it clear to its staff that it is strictly prohibited for state officials and employees involved in providing services to clients and certifying that such services have been provided to make any false or incorrect entries on any document related to their responsibilities as state officials and employees, including but not limited to signing or initialing Family Contact Forms in the column for “Signature of Person Contacted.”
3. DCS management, further, should take appropriate steps to ensure that DCS case managers do not sign Family Contact Forms, or other official documents, if they have reason to believe that the information recorded therein is incorrect. DCS management should make it clear to its staff that it is improper for state officials and employees to certify or approve any document that they know or suspect contains false or incorrect information.
4. DCS management should ensure that DCS case managers document all visits in the TNKids computerized client tracking system. The entries in TNKids, in addition to recording information about the client and the services provided, also should record the starting and ending times for services provided. DCS management should consider establishing edits in the TNKids system to require the recording of starting and ending times before the entry will be accepted as valid.
5. DCS management should take appropriate steps to ensure that DCS case managers only request and approve services by vendors that meet the contract terms, conditions, and expertise of the vendors under contract. In particular, a vendor should not be utilized to undertake responsibilities and perform activities that should be performed by a DCS case manager.
6. DCS management should perform a risk assessment relative to the selection of vendors, document that assessment, design and formally implement effective mitigating controls, document those controls, and monitor those controls for effectiveness, efficiency, cost, and results.

Management’s Comments

Upper Cumberland Community Services Agency

We concur in part as follows:

1. UCCSA did not clearly inform DCS case managers of the contract terms. UCCSA provided copies of contract templates and a list of provider services, names and rates to DCS management at the regional level every year.

Likewise, UCCSA held training meetings every year prior to the start of the new contract year and invited DCS management and any DCS staff that wanted to attend to learn about new contract terms and requirements. Additionally, DCS management staff participated as part of a “Contracts Committee”—a working group of UCCSA staff that reviewed agency contracts, provider scope of services, etc. We believe that we met our requirement to provide information to DCS management and it was DCS management’s responsibility to share such information with their case managers.

2. UCCSA should have established effective procedures for its fiscal office to prevent duplicate payments. We agree that all invoices should be stamped paid and it is (and always has been) the agency’s normal policy to do so. We are uncertain why, in this particular instance, the invoice was not stamped and we will insure that the future invoices are always stamped “PAID” to prevent the possibility of over-payment to a vendor.

3. UCCSA did not insure that invoices were supported with appropriate documentation prior to payment. In the situation referenced, the Family Contract Form was a somewhat new requirement implemented by the UCCSA as another control put in place to verify that the family had actually received the services prescribed. We were working with all vendors during this time period to implement this new process. We agree that invoices should not have been paid without the necessary form attached if that was a program requirement at the time.

Response to Recommendations:

1. UCCSA should take appropriate steps to recoup the \$4,823.55 that the translator over-billed the agency. The agency will implement whatever steps necessary to re-coup the money overpaid to the translator. Such steps will include working with the District Attorney General’s office and requesting their assistance since this appears to be a case of fraud where the contractor knowingly billed for services not provided or outside the scope of the contract. We will send a certified letter to the translator requesting payment of the amount owed, with a copy to the District Attorney General’s office. Based on the recommendations of the Attorney General, we will proceed accordingly.

2. UCCSA should establish appropriate procedures to ensure that fiscal staff does not pay invoices twice. It is (and always has been) the agency’s normal policy to stamp invoices as “PAID”. We are uncertain why, in this particular instance, the invoice was not stamped and will ensure that future invoices are always stamped “PAID” to prevent the possibility of over-payment to a vendor.

3. UCCSA should establish appropriate procedures to ensure all invoices contain supporting documentation. It is the policy of the agency to make sure that all invoices have supporting documentation prior to payment. The Executive Director (or her designee) reviews and signs all requests for payment and reviews the documentation prior to a check being written.
4. UCCSA should ensure that case managers and team leaders review the actual services provided by vendors to ensure vendors are not providing services that are beyond the scope of the vendors' contract terms. We will require all persons ordering services for families to verify that such services were provided prior to payment.
5. UCCSA's board should require that UCCSA perform a risk assessment relative to selection of vendors, document assessment, design and formally implement effective mitigating controls, document controls and monitor controls. The agency's audit committee has conducted a review of the agency's purchasing, payables, inventory management, accounts receivable and payroll processes to assist the management staff in analyzing risk and establishing protocols to mitigate such risk. Additionally, the CSAs statewide are developing a standardized risk assessment tool that will be used to provide a consistent and formalized process for analyzing risk and addressing risk factors.

Department of Children's Services

All new DCS case managers were trained during pre-service in the region on how to utilize Flexible Funding. In addition all DCS case managers are invited to provider meetings including regional cross-functional meetings. All provider contracts at the UCCSA were made available to management staff at DCS.

Fiscal staff is now part of the DCS regional offices and is tightly integrated with regional case management staff. The DCS regional staff now primarily purchases the flexible funding services through a Delegated Purchase Authority (DPA). During the 2006-2007 fiscal year a flexible funding scope of services manual was developed and will be given to case management staff that explains the requirements to the DPA services that have been requested. If a contract is entered into for the purchase of Flexible Funding Services, all appropriate parties will be given a copy of the service requirements of the contract.

All new case managers are trained during pre-service on how to utilize Flexible Funding. Case managers receive e-mails and training on all updates. In addition, the region has formed an Upper Cumberland Regional Funding Committee that is comprised of a cross representation of case managers and fiscal staff. The committee's activities will include a supervisor's review of most purchase requests in the region. These requests are evaluated for their appropriateness and to ensure that they are reasonable and cost effective as well as in the best interest of the child and family.

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 the 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 entity.

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 entity. Although internal and external auditors may include testing of controls as 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 up 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 control after the auditors have left the field.

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. The assessment and the controls should be reviewed and approved by the head of the entity.

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, 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

On May 19, 2005, the Tennessee General Assembly 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. Entities, pursuant to the act, are required to appoint the audit committee and develop an audit committee charter in accordance with the legislation. The ongoing responsibilities of an audit committee include, but are not limited to:

1. overseeing the financial reporting and related disclosures, especially when financial statements are issued;
2. evaluating management's assessment of risk and the agency's system of internal controls;
3. formally reiterating, on a regular basis, to the board, agency management, and staff their responsibility for preventing, detecting, and reporting fraud, waste, and abuse;
4. serving as a facilitator of any audits or investigations of the agency, including advising auditors and investigators of any information it may receive pertinent to audit or investigative matters;
5. informing the Comptroller of the Treasury of the results of assessment and controls to reduce the risk of fraud; and
6. promptly notifying the Comptroller of the Treasury of any indications of fraud.

In the previous audit report, we recommended that the Upper Cumberland Community Services Agency establish an audit committee. The board chair of the CSA appointed a three-member committee on January 13, 2005. The audit committee charter was approved by the Comptroller of the Treasury on July 10, 2006. Additionally, the audit committee approved a written code of conduct and a new conflict-of-interest statement for the agency and provided

copies of each to agency management and staff. The audit committee has not yet approved, nor has management prepared, a documented risk assessment.

APPENDIX

UPPER CUMBERLAND COMMUNITY SERVICES AGENCY

Sue Pilson, Executive Director

BOARD OF DIRECTORS

As of June 6, 2006

Executive Committee Members

Carolyn Fox, Chair
Delores Turnbull, Vice-Chair
W. Howard Groce, Secretary

Audit Committee

W. Howard Groce, Chair
Glennis Bassi
Linda McCrary

Other Members

Lillian Bailey-Fox
Joyce Grissom
Cris McCall
Anna Napier-Locke
Billie D. Williams