

**Davidson County Metropolitan
Community Services Agency
(Formerly Davidson County Metropolitan
Community Health Agency)**

**For the Year Ended
June 30, 1996**

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Director

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Leslie Bethea
Editor

April 30, 1997

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Board of Directors
Davidson County Metropolitan Community Services Agency
Nashville, Tennessee 37203

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Davidson County Metropolitan Community Services Agency, formerly the Davidson County Metropolitan Community Health Agency, for the year ended June 30, 1996. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of the internal control structure and tests of compliance disclosed a deficiency, which is detailed in the Results of the Audit section of this report. The agency's management has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/cr
96/133

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Davidson County Metropolitan Community Services Agency
For the Year Ended June 30, 1996

AUDIT OBJECTIVES

The objectives of the audit were to consider the agency's internal control structure; to determine the fairness of the presentation of the financial statements; to determine compliance with laws, regulations, contracts, and grants; and to recommend appropriate actions to correct any deficiencies.

COMPLIANCE FINDING

Noncompliance With Program Guidelines and State Laws*

The agency has not ensured that the Assessment and Care Coordination Team (ACCT) has fully complied with ACCT program guidelines and state laws concerning children who are committed to the state's care or who are at imminent risk of entering state custody (page 7).

* This finding is repeated from prior audits.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

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

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

Audit Report
Davidson County Metropolitan Community Services Agency
For the Year Ended June 30, 1996

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTION		1
Post-Audit Authority		1
Objectives of the Audit		1
Scope of the Audit		1
BACKGROUND AND ORGANIZATION		2
Legislative History		2
Organization		2
PRIOR AUDIT FINDINGS		3
Resolved Audit Finding		3
Repeated Audit Finding		3
RESULTS OF THE AUDIT		3
Audit Conclusions		3
Report on the Internal Control Structure Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		5
Finding and Recommendation		7
<ul style="list-style-type: none">• The agency should improve compliance with Assessment and Care Coordination Team guidelines		7

TABLE OF CONTENTS (CONT.)

	<u>Exhibit</u>	<u>Page</u>
Compliance Report Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		10
FINANCIAL STATEMENTS		
Independent Auditor's Report		12
Balance Sheets	A	14
Statements of Revenues, Expenditures, and Changes in Fund Balances	B	15
Notes to the Financial Statements		16
APPENDIX		
Board of Directors		19

Davidson County Metropolitan Community Services Agency For the Year Ended June 30, 1996

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Davidson County Metropolitan 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.”

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the agency’s internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine the fairness of the presentation of the financial statements;
3. to determine compliance with laws, regulations, contracts, and grants; and
4. to recommend appropriate actions to correct any deficiencies.

Although this audit was not intended to serve as an organization-wide audit as described in the Single Audit Act of 1984 and Office of Management and Budget (OMB) Circular A-128, “Audits of State and Local Governments,” it included tests of compliance with applicable federal laws and regulations and consideration of the internal control structure used in administering federal financial assistance programs. This audit is a segment of the organization-wide audit of the State of Tennessee, which is conducted in accordance with the Single Audit Act of 1984 and OMB Circular A-128.

SCOPE OF THE AUDIT

The audit was limited to the period July 1, 1995, through June 30, 1996, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the year ended June 30, 1996, and for comparative purposes, the year

ended June 30, 1995. The Davidson County Metropolitan Community Services Agency has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

BACKGROUND AND ORGANIZATION

LEGISLATIVE HISTORY

Tennessee's 12 community health agencies were created by Chapter 567 of the Public Acts of 1989, known as the Community Health Agency Act of 1989. This legislation established a defined system of health services to make health care available to the indigent citizens of Tennessee. The community health agencies determined areas of need in their geographic areas and ensured that services were available to meet those needs.

In May 1996, legislation known as the Community Services Agency Act of 1996 replaced the community health agencies with 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 Davidson County Metropolitan Community Services Agency's administrative offices are in Nashville, Tennessee.

ORGANIZATION

The governing body of the Davidson County Metropolitan Community Services Agency is the board of directors. As of June 30, 1996, the board was composed of five members, and the advisory committee, 12 members. (See Appendix.)

According to state statutes, the metropolitan community services agency board may direct that the community services agency be organized in a manner to best serve the needs of the county.

The Davidson County Metropolitan Community Services Agency entered into an agreement with the Metropolitan Government of Nashville for day-to-day operations. All records, purchasing, accounting, and financial procedures are subject to the policies and procedures of the Metropolitan Government of Nashville, except in the case of a conflict between the state's and metropolitan government's rules and regulations. In such a case, the policies and procedures of the state prevail. The administrative liaison to the board is the custodian of the funds and reports to the board chair and the board of directors on the status of the programs.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Davidson County Metropolitan Community Services Agency, formerly the Davidson County Metropolitan Community Health Agency, filed its report with the Department of Audit on July 24, 1996. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDING

The current audit disclosed that the agency has corrected the previous audit finding concerning the agency's ACCT client operations and review system.

REPEATED AUDIT FINDING

The prior audit report also contained a finding concerning compliance with ACCT guidelines. This finding has not been resolved and is repeated in this report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Structure

As part of the audit of the agency's financial statements for the year ended June 30, 1996, we considered the internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. The report on the internal control structure is on the following pages. Consideration of the internal control structure disclosed no material weaknesses.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the financial statements of the Davidson County Metropolitan Community Services Agency. In our opinion, the statements included in this report present fairly, in all material respects, the agency's financial po-

sition as of June 30, 1996, and the results of its operations for the year then ended. The independent auditor's report follows the compliance report.

Compliance with Laws and Regulations

The results of our audit tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards. An immaterial instance of noncompliance, along with the recommendation and management's response, is included in the finding and recommendation. The compliance report follows the finding and recommendation.

**Report on the Internal Control Structure
Based on an Audit of the Financial Statements Performed in
Accordance With *Government Auditing Standards***

October 17, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Davidson County Metropolitan Community Services Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 17, 1996.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The agency's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

The Honorable W. R. Snodgrass
October 17, 1996
Page Two

In planning and performing our audit of the agency's financial statements for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

FINDING AND RECOMMENDATION

The agency should improve compliance with Assessment and Care Coordination Team guidelines

Finding

As noted in the prior two audits, the Davidson County Metropolitan Community Services Agency (CSA) has not ensured that the Assessment and Care Coordination Team (ACCT) has fully complied with state guidelines.

The ACCT serves as the single regional portal of entry into the state's Children's Plan system, and the ACCT Director is responsible for centralized case assessment, planning, and management of children in the state's custody or at imminent risk of coming into state's custody. In response to the prior audit finding, the CSA Executive Director stated that the agency had taken steps to improve compliance. In spite of this, problems continue.

Thirty ACCT case records, which are prepared and maintained by case managers, were reviewed at the agency. The review disclosed the following instances of noncompliance with state law and the regulations listed in the Department of Health's *Assessment and Care Coordination Team (ACCT) Program Standards (Revised 1/95)*.

- a. A Plan of Care Progress Report prepared in six-month intervals was not present in seven of 18 ACCT files examined (38.9%) for children in state custody at least six months during the audit period. *ACCT Program Standards*, Section IID.1.5.1, states, "ACCT will conduct the . . . Plan of Care review staffing for each child and family within 90 days of the child's entry into state custody and at 180 days and 360 days and every 90 days thereafter . . . Progress . . . will be evaluated and documented in Plan of Care Progress Reports." Section 37-2-404(a), *Tennessee Code Annotated*, states, "Such reports shall be prepared by the agency having custody of the child within ninety (90) days of the date of foster care placement and no less frequently than every six (6) months thereafter. . . ." In the agency's *Report of Action on Audit Recommendations*, the Executive Director wrote that the case managers had received in-service training on the proper schedule for Plan of Care and Plan of Care Progress Reports.
- b. *ACCT Program Standards*, Section IIA.1.4.1 states, "The date the child is committed to the state's care, a uniform case record will be initiated. The case record shall be maintained throughout the course of the child and family's involvement with the ACCT. The case record shall contain the following . . . school records . . . case notes . . . prior psychological and medical information . . . birth certificate . . . social security card . . ." Eight of 29 files tested (27.6%) did not contain health and/or school records. Two of 29 files

tested (6.9%) contained either no case notes or inadequate notes. Three of 22 files tested (13.6%) for children in state custody did not contain a birth certificate. Three of these 22 files tested (13.6%) also did not contain the child's social security number. In the agency's *Report of Action on Audit Recommendations*, the Executive Director wrote that the agency produces reports each month, and sometimes each week, to identify files that do not contain essential information.

Although the ACCT has improved its compliance with some of the state guidelines since the prior audit, these instances of noncompliance indicate some case records are still not adequately maintained. Complete records (as detailed in *ACCT Program Standards*) are essential if the CSA through its ACCT case managers is to appropriately assess and monitor the progress of children.

Recommendation

The agency should improve its compliance with *Assessment and Care Coordination Team (ACCT) Program Standards*. The Executive Director and the ACCT Director should evaluate the agency's control structure for ensuring compliance with ACCT guidelines and identify specific weaknesses within the system, including inadequate policies and procedures, areas not addressed by policies and procedures, inefficiencies in processing information or providing services, insufficiently trained or ineffective employees, or areas where outside agencies are not providing the required information or cooperation. Management should then address the areas within their control and make appropriate changes for improvement. Attempts to improve the areas outside of management's control should be documented.

The Executive Director and the ACCT Director should then ensure that all ACCT case managers receive adequate training on state requirements, program standards, case file management, and the agency's specific policies and procedures for ensuring compliance with all ACCT guidelines.

Management's Comment

We concur. After review of the draft audit of the Davidson County Community Services Agency for the year ended June 30, 1996, we concur with the finding that we have not ensured that the Assessment and Care Coordination Team (ACCT) has fully complied with state guidelines.

In regard to part "a" of the finding, conditions do exist that sometimes delay a progress report, or interpretation of policies/standards vary. On-going training and case file monitoring is needed to make sure that this standard is being met.

Although technical compliance with this standard may be lacking in some cases, children in this county are being regularly reviewed. Every effort will be made to document these reviews in a manner that complies with State policy.

In regard to part “b” of the finding, internal audits will continue to be conducted and staff will be advised to document when they are having difficulty obtaining required documents. There is a continuing problem in obtaining school records on many children. During summer months school records are not available. During the school year it is often difficult to obtain records on children who move from school to school. Health records are equally difficult because many families do not have regular health care providers. They tend to use emergency walk-in clinics, emergency rooms, and move from clinic to clinic. Birth certificates from other states are sometimes difficult to obtain.

Monthly and sometimes twice monthly computer-generated reports which identify missing data elements in the client record are produced and distributed to staff to assist in their attempt to keep their records current. The absence of a birth certificate, health records, case notes, etc., must be identified through audits of case files. Such audits will be conducted on a regular basis to assure that the case managers are obtaining and including these documents in their case records.

**Compliance Report Based on an Audit of the
Financial Statements Performed in Accordance
With *Government Auditing Standards***

October 17, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Davidson County Metropolitan Community Services Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 17, 1996.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the agency is the responsibility of the agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

The Honorable W. R. Snodgrass
October 17, 1996
Page Two

We did, however, note certain immaterial instances of noncompliance that we have included in the Finding and Recommendation section of this report. We also noted certain other less significant instances of noncompliance that we have reported to the agency's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

Independent Auditor's Report

October 17, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Davidson County Metropolitan Community Services Agency, a component unit of the State of Tennessee, as of June 30, 1996, and June 30, 1995, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Davidson County Metropolitan Community Services Agency as of June 30, 1996, and June 30, 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

The Honorable W. R. Snodgrass
October 17, 1996
Page Two

In accordance with generally accepted government auditing standards, we have also issued reports dated October 17, 1996, on our consideration of Davidson County Metropolitan Community Services Agency's internal control structure and on its compliance with laws and regulations.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

Davidson County Metropolitan Community Services Agency
Notes to the Financial Statements
June 30, 1996, and June 30, 1995

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

In May 1996, the Tennessee General Assembly replaced the community health agency (CHA) with the community services agency (CSA). Although the agency's mission has changed from providing health care services to indigent citizens in the state to coordinating care for children and other citizens in the state, CHA employees, financial assets and obligations, and fund balances now belong to the CSA. The Davidson County Metropolitan CSA works in conjunction with the Tennessee Department of Children's Services and the Metropolitan Government of Nashville to coordinate "funds or programs designated for care of children and other citizens in the state."

Factors considered in determining reporting status were not affected by the above legislation. Title 37, Chapter 5, of *Tennessee Code Annotated* established the CSA as "a political subdivision and instrumentality of the state." The Davidson County Metropolitan Community Services Agency is a component unit of the State of Tennessee and is discretely presented in the *Tennessee Comprehensive Annual Financial Report*. Although the CSA is a separate legal entity, the CSA is financially accountable to the state because the state approves the CSA's Plan of Operation (budget).

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

C. Fund Structure, Basis of Accounting, and Measurement Focus

The financial records of the Davidson County Metropolitan CSA are maintained on the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

The agency's accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of

Davidson County Metropolitan Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995

accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The agency's financial activities are reported in the general fund which is used to account for all resources.

D. Budgetary Process

Legislation requires the CSA board to submit an annual plan of operation for review and approval to the Commissioners of the Tennessee Departments of Children's Services and Finance and Administration and to the Comptroller of the Treasury. As part of this plan, the CSA is to submit a financial plan for operating and capital expenditures. The agency's financial plan is prepared on the modified accrual basis of accounting. The Plan of Operation may be amended during the year with the written approval of the commissioners and the Comptroller.

The agency does not have an annual appropriated budget. The Plan of Operation serves as an annual financial plan for budgetary purposes.

NOTE 2. DEPOSITS

At June 30, 1996, cash consisted of \$126,938.92 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1995, cash consisted of \$578,609.50 in the State of Tennessee Local Government Investment Pool. The custodial credit risk for cash in the Local Government Investment Pool is presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 1996, and June 30, 1995.

Davidson County Metropolitan Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995

NOTE 3. DUE FROM/TO PRIMARY GOVERNMENT

	<u>June 30, 1996</u>	<u>June 30, 1995</u>
Due From:		
Department of Children's Services— program funds	<u>\$315,670.05</u>	<u>\$134,414.11</u>
Due To:		
Department of Health—program funds	<u>\$ 39,317.58</u>	<u>\$ 29,323.81</u>

NOTE 4. DONATED FACILITIES

The Metropolitan Government of Nashville donates office space, utilities, telephone service, copiers, computer use, and computers to the Davidson County Metropolitan Community Services Agency. The value of the donation is not recorded in the financial statements.

NOTE 5. RELATED-PARTY TRANSACTION

During the year ended June 30, 1995, one member of the Davidson County Community Services Agency's Advisory Committee was employed by the Metropolitan Health Department, a subcontractor of the agency.

APPENDIX

DAVIDSON COUNTY METROPOLITAN COMMUNITY SERVICES AGENCY

Bart Perkey, Executive Director

BOARD OF DIRECTORS

Board Officers

Janie E. Parmley, R.N., Chair
Dr. Lloyd A. Walwyn, Vice Chair
Denise A. Alper, Secretary

Other Members of the Board of Directors

Herman J. Kaplan, M.D.
Cynthia Turner-Graham, M.D.

Advisory Committee

Mr. Phil Asford
Dr. Stephanie Bailey
Mr. Kwame Bass
Dr. Mary Bufwack
Dr. Amy Cato
Mr. Chris Farrell
Ms. Fran Mazzaferro
Mr. Michael Miller
Dr. Joseph Ross
Mr. John Stone
Mr. Hershell Warren
Mr. Ashley Wiltshire