

**Chattanooga-Hamilton County  
Community Services Agency  
(Formerly Chattanooga-Hamilton County  
Community Health Agency)**

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

**Arthur A. Hayes, Jr., CPA**

Director

**Barbara K. White, CPA**

Assistant Director

**Tammy Gourley, CPA**

Audit Manager

**Herb Kraycirik, CPA**

In-Charge Auditor

**Roman Bekker**

**Alisa Mann**

**Suzanne Smotherman**

Staff Auditors

**Dianne Mitchell, CPA**

Technical Manager

**Fawn W. Ellis, CPA**

Technical Reviewer

**Leslie Bethea**

Editor

June 30, 1997

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Board of Directors  
Chattanooga-Hamilton County Community Services Agency  
Chattanooga, Tennessee 37403

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Chattanooga-Hamilton County Community Services Agency, formerly the Chattanooga-Hamilton County 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 certain deficiencies, which are 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/tp  
96/136

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Chattanooga-Hamilton County Community Services Agency**  
For the Year Ended June 30, 1996

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## 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 6).

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

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"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

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**Audit Report**  
**Chattanooga-Hamilton County Community Services Agency**  
**For the Year Ended June 30, 1996**

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**Chattanooga-Hamilton County Community Services Agency  
For the Year Ended June 30, 1996**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

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

**BACKGROUND**

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 Chattanooga-Hamilton County Community Services Agency’s administrative offices are in Chattanooga, Tennessee.

The governing body of the Chattanooga-Hamilton County Community Services Agency is the board of directors. As of June 30, 1996, the board was composed of nine members. (See Appendix.)

The Chattanooga-Hamilton County Community Health Agency entered into an agreement with the Health Services Division of Hamilton County government for the administrative and day-to-day management operations. All records, personnel, purchasing, accounting, and financial procedures are subject to the policies and procedures of Hamilton County government, except in the case of a conflict between state and county rules and regulations. In such a case, the policies and procedures of the state prevail. The executive director is the custodian of the funds and reports to the chairman of the board and the board of directors on the status of the programs.

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## AUDIT SCOPE

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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 Chattanooga-Hamilton County Community Services Agency has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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## OBJECTIVE OF THE AUDIT

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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.**

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## PRIOR AUDIT FINDINGS

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There were no findings in the prior audit report.

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## RESULTS OF THE AUDIT

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### 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 Chattanooga-Hamilton County Community Services Agency. In our opinion, the statements included in this report present fairly, in all material respects, the agency's financial position 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. Immaterial instances of noncompliance, along with the recommendation and management's response, are 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***

November 19, 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 Chattanooga-Hamilton County 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 November 19, 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  
November 19, 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.

However, we noted certain matters involving the internal control structure and its operation 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/tp

## FINDING AND RECOMMENDATION

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

#### **Finding**

The Chattanooga-Hamilton County Community Services Agency 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 the state's custody.

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. Three of eight applicable case files tested (37.5%) did not contain evidence that the court had approved the plan of care. According to *ACCT Program Standards*, Section IIB.1.1.14, "The ACCT will secure the court's signature on the Plan of Care and distribute it to the appropriate parties." Section 37-2-403 (a)(2), *Tennessee Code Annotated*, states, "The court must review the proposed plan, make any necessary modifications and ratify the plan within sixty (60) days of the foster care placement."
- b. Plan of Care Progress Reports were not prepared timely in two of 18 ACCT files examined (11.2%). *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."

These instances of noncompliance indicate some case records are not adequately maintained. Complete records (as detailed in the *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**

- a. We concur that three (3) of eight (8) ACCT case files tested did not contain evidence that the court had approved the Plan of Care.

We will develop an in-house protocol to require our ACCT staff to document for our case records all unsuccessful attempts to retrieve court ratified Plans of Care.

- b. We concur with the technicality that two (2) of the tested cases were not prepared in the required time frames.

Protocol will be established to direct ACCT staff to enter documentation as to any reason the required documentation or forms cannot be entered into the ACCT case record within the required time frame. Also, ACCT, through its quality assurance monitoring of case records, will refine its tickler system that alerts case managers as to due dates for required information. We will also insure that supervisors take appropriate action to ensure that staff use the system in place.

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

November 19, 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 Chattanooga-Hamilton County 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 November 19, 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  
November 19, 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/tp

## **Independent Auditor's Report**

November 19, 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 Chattanooga-Hamilton County 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 balances 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 Chattanooga-Hamilton County 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  
November 19, 1996  
Page Two

In accordance with generally accepted government auditing standards, we have also issued reports dated November 19, 1996, on our consideration of Chattanooga-Hamilton County 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/tp





**Chattanooga-Hamilton County Community Services Agency**  
**Notes to the Financial Statements**  
**June 30, 1996, and June 30, 1995**

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**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 Chattanooga-Hamilton County CSA works in conjunction with the Tennessee Department of Children's Services and the Hamilton County government 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 Chattanooga-Hamilton County 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). Certain amounts presented for the preceding year have been reclassified for comparative purposes.

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

The financial records of the Chattanooga-Hamilton County 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.

**Chattanooga-Hamilton County Community Services Agency**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1996, and June 30, 1995**

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The agency's accounts are organized and operated on the basis of fund types. A fund is an independent fiscal and accounting entity with a self-balancing set of 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, and June 30, 1995, the agency had deposits in the Tennessee Local Government Investment Pool administered by the State Treasurer of \$336,129.22 and \$502,481.67, respectively. The custodial credit risk for cash in the State of Tennessee Local Government Investment Pool is presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 1996, and June 30, 1995.

**Chattanooga-Hamilton County Community Services Agency**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1996, and June 30, 1995**

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**NOTE 3. DUE FROM/TO PRIMARY GOVERNMENT**

June 30, 1996

Due From:	
Department of Health-program funds	<u>\$ 5,001.75</u>
Due To:	
Department of Children's Services-program funds	<u>\$105,192.83</u>

June 30, 1995

Due To:	
Department of Health-program funds	\$ 20,078.60
Department of Finance and Administration-program funds	<u>91,752.92</u>
Total due to primary government	<u>\$111,831.52</u>

## **APPENDIX**

### **CHATTANOOGA-HAMILTON COUNTY COMMUNITY SERVICES AGENCY**

William D. Ulmer, Director

#### **BOARD OF DIRECTORS**

##### Board Officers

Harold L. Coker, Chairman  
Dr. Paul V. Nolan, Vice Chairman

##### Other Board Members

Curtis D. Adams  
Ralph C. Barger  
Sheila E. Harris  
Ben F. Miller  
Rev. Paul A. McDaniel  
George L. Shuford  
James R. Vandergriff

##### Members of the Advisory Board

J. Wallace Bice, Jr.  
Dr. Valerie Boaz  
Rae Bond  
Donna Burkhart  
Sal Geraci  
Sheila E. Harris  
Albert Head  
Alan Johnson  
Daisy Madison  
Bill McGriff  
Neil Prigmore  
Sylvester L. Reeder, III  
Howard Roddy  
Charles E. Roseberry  
Dorothy Sertel  
Craig Taylor