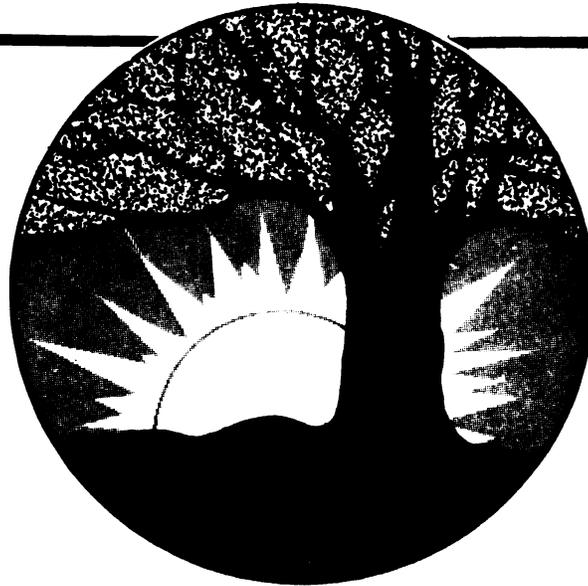


# PERFORMANCE AUDIT

Memphis and Shelby County Community Services Agency

July 2005



John G. Morgan  
Comptroller of the Treasury



State of Tennessee  
Comptroller of the Treasury  
Department of Audit  
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John G. Morgan  
Comptroller

July 29, 2005

The Honorable John S. Wilder  
Speaker of the Senate  
The Honorable Jimmy Naifeh  
Speaker of the House of Representatives  
The Honorable Thelma M. Harper, Chair  
Senate Committee on Government Operations  
The Honorable Mike Kernell, Chair  
House Committee on Government Operations  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Memphis and Shelby County Community Services Agency. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the agency should be continued, restructured, or terminated.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/dww  
04/100

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit  
**Memphis and Shelby County Community Services Agency**  
July 2005

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## AUDIT OBJECTIVES

The objectives of the audit were to determine the authority and responsibility mandated to the Memphis and Shelby County Community Services Agency (Shelby County CSA), whether staff and board members submit an annual conflict-of-interest form, whether case managers have been subject to criminal background checks, measures used to ensure the quality of services provided and consistency of services across case managers, whether the CSA has implemented policies and procedures to ensure appropriate expenditures in the Flexible Funding for Families program, and if the agency is complying with Title VI requirements as a recipient of federal funding.

## FINDINGS

### **The Shelby County CSA Had Not Monitored Vendors to Ensure Criminal Background Checks Were Completed**

By not verifying criminal histories, the agency could inadvertently place children at risk of being harmed by persons convicted of child abuse offenses. All contracts now contain a clause requiring background checks of all vendor employees who have contact with children, and the agency has started a process to monitor compliance with this requirement (page 10).

### **The Agency Should Continue Improvements in Monitoring Title VI Compliance**

The agency has not yet implemented a formal policy regarding monitoring compliance with Title VI of the Civil Rights Act of 1964.

While the agency has developed a draft plan (awaiting the approval of the Department of Children's Services), failure to implement a plan limits the agency's ability to ensure non-discrimination in the delivery of services (page 12).

### **Board Members and Staff Have Not Always Filed Conflict-of-Interest Statements Annually**

Annual written disclosures of financial interests, prior employment, employment of immediate family members, and other matters that may influence decisions or could give the appearance of influencing decisions help ensure the board and staff are acting on the state's behalf and that board members are recusing themselves from decision-making as needed (page 14).

## **OBSERVATIONS AND COMMENTS**

The audit also discusses the following issues: (1) the agency's quality improvement efforts, (2) the Flexible Funding for Families program, and (3) audit committee legislation (page 7).

# Performance Audit Memphis and Shelby County Community Services Agency

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# **Performance Audit Memphis and Shelby Community Services Agency**

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## **INTRODUCTION**

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### **PURPOSE AND AUTHORITY FOR THE AUDIT**

This performance audit of the Memphis and Shelby County Community Services Agency (CSA) was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-226, the Memphis and Shelby County CSA is scheduled to terminate June 30, 2005. On May 25, 2005, the General Assembly passed House Bill 2191, which extended this and other entities in the 2005 Sunset Cycle that had not yet been heard, for one year or until a public hearing can be held. The Comptroller of the Treasury is authorized under Section 49-29-111 to conduct a limited program review audit of the agency and to report to the Joint Government Operations Committee of the General Assembly. The audit is intended to aid the committee in determining whether the Memphis and Shelby County Community Services Agency (Shelby County CSA) should be continued, restructured, or terminated.

### **OBJECTIVES OF THE AUDIT**

The objectives of the audit were

- to determine whether case managers have been subject to a criminal background check,
- to determine whether staff and board members submit an annual conflict-of-interest form,
- to determine and review measures used to ensure quality of services provided and consistency of services across case managers,
- to determine whether the CSA has implemented policies and procedures to ensure appropriate expenditures in the Flexible Funding for Families program, and
- to determine if the agency is complying with Title VI requirements as a recipient of federal funding.

## **SCOPE AND METHODOLOGY OF THE AUDIT**

The activities of the Memphis and Shelby County Community Services Agency were reviewed, focusing on procedures in effect during 2004. The audit was conducted in accordance with the standards applicable to performance audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States, and included

1. review of applicable legislation and policies and procedures;
2. examination of the entity's records, reports, policies and procedures, and board meeting minutes; and
3. interviews with department staff and staff of other state agencies that interact with the agency.

## **HISTORY AND STATUTORY RESPONSIBILITIES**

In May 1996, the Community Services Act of 1996 replaced the 12 community health agencies, which were assisting the Tennessee Department of Health with delivery of health care to the state's indigent citizens. The purpose of these new community services agencies was to coordinate funds and programs designated for care of children and other citizens in the state. The mission of the CSAs was subsequently broadened to include a range of services needed by families and children. These programs were designed to prevent children and youth from entering state custody. In keeping with this shift in programmatic emphasis, the CSAs were placed under the administrative purview of the Department of Children's Services instead of the Department of Health. Since 1996, the CSAs have reported to DCS instead of the Department of Health.

An additional change resulted from a study conducted in 1999 by the Child Welfare League of America (CWLA) under contract with DCS. The CWLA's assessment of the foster care system in Tennessee recommended that the roles and responsibilities of DCS and the CSAs be separated. The Department of Children's Services was to be primarily responsible for working with children in state custody, while the CSAs were to provide diversion, intervention, and prevention services for children at risk of entering state custody. The CSA structure, as a political subdivision of the state, is designed to serve children and families in crisis and secure in-home and community services quickly, thereby delaying or preventing a child's placement in state custody. In 2001, the department transferred non-custodial (i.e., diversion, intervention, and prevention) services to CSAs throughout the state.

The Memphis and Shelby County Community Services Agency (Shelby County CSA) is a private, non-profit organization that is also a political subdivision and instrumentality of the State of Tennessee. The CSA serves Memphis and Shelby County exclusively. A 12-member board of directors is appointed by the Governor. The agency's programs are carried out by approximately one hundred staff under the direction of an executive director, who is appointed by the Commissioner of the Department of Children's Services; the appointment is subject to

approval by the board. Employees and board members of the Shelby County CSA are considered state employees and are eligible for certain state benefits, such as state liability coverage, legal representation, and participation in state retirement and health plans.

## **ORGANIZATION**

The agency's major programs are Clinical Services to Children and Families, Administrative and Support Services, and TennCare Transportation. (See the organization chart on the following page.)

### Clinical Services to Children and Families

Non-custodial services are provided by case managers to families with children at risk of state custody due to issues of dependency or neglect, delinquency, mental health, or unruly behavior. The agency has moved in the direction of providing more prevention services designed to keep families together and intervening when the problems become more than the family can handle itself without intervention. Non-custodial services include the Family Crisis Intervention Program, Order of Reference Studies, Non-custodial assessments, and follow-up for the Child Protective Services program with DCS.

### Social Services Block Grant /Non-residential Grant Gatekeeping Services

The Department of Children's Services contracts with the CSAs to administer programs funded by the federal Social Services Block Grant. These programs provide a wide range of services for children in state custody and those children who are at risk of entering state custody. DCS and the Shelby County CSA refer children and families to the appropriate agency for these services. All referrals are made through the Shelby County CSA Non-Residential Grant gatekeeper, who in turn determines eligibility and authorizes services.

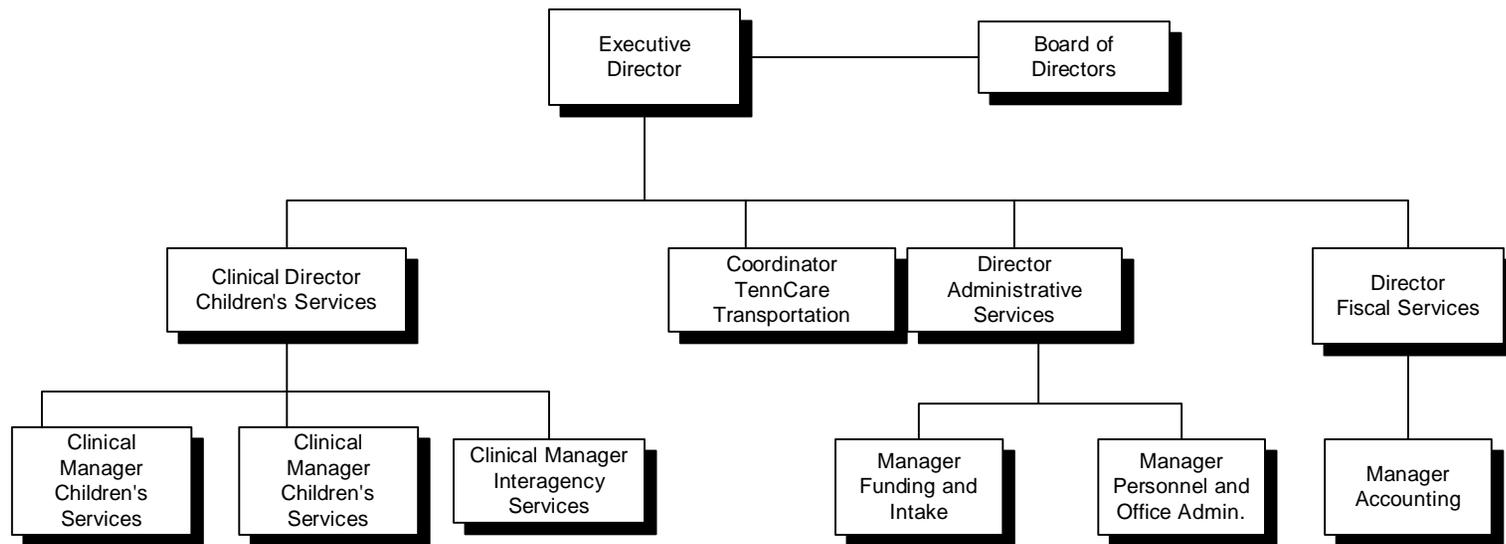
### 1<sup>st</sup> Step PPEP (Parent/Pupil Education Program)

This program is designed to work with students and parents on issues of truancy. This program is a collaboration of the Shelby County CSA, the Shelby County Juvenile Court, and several other community resources for children. The CSA receives referrals from Juvenile Court and then notifies and provides scheduling for parents to take classes, offering transportation if needed. The program works with the parents and child(ren) for up to six weeks.

### Data Management

Data management is conducted through the TennKids computer software program, which is used to collect information on both children and families to which the Shelby County CSA and DCS provide services. There are also System Administrators located in the regional offices who act as liaisons between the regional offices, the CSA, and the DCS central office. They provide technical assistance on database usage and identify training issues for employees. They also disseminate information from the central office to the field, and from the field to the central office.

**Memphis and Shelby County Community Services Agency  
Organization Chart  
March 2005**



### Flexible Funding for Families

The Flexible Funding for Families program is designed to provide funding for diversion and intervention services to youth and families at imminent risk of entering state custody. The funds for this program pay for services that are not covered by insurance or that cannot be obtained from other free community resources. The Shelby County CSA administers this function for its own staff as well as the regional DCS staff.

### TennCare Transportation Program

The CSA provides administrative services for the program providing non-emergency transportation services for TennCare recipients. Through contracts with managed care organizations and behavioral health organizations (MCOs and BHOs), the agency administers the program to transport TennCare enrollees to and from locations where they receive health-related services. The Shelby County CSA organizes a network of providers, performs eligibility determination, arranges transportation services, and approves payments to transportation vendors. (The MCO or BHO makes the actual payment to the vendor.) In return for these services, the TennCare MCOs and BHOs, as the contractors, pay the CSA a monthly administrative fee for each of their TennCare enrollees in the Memphis/Shelby County region.

### Other Programs

In addition, the Shelby County CSA provides time-limited family reunification services to achieve reunification quickly for children in state custody for less than 15 months; reunification services to all children with the goal of reunification; emergency residential services for youth who just entered care and those experiencing a placement disruption; adoption services to help families prepare for adoption or enhance the possibilities that children will be adopted; needs assessment services for custodial children that will generally promote permanency, stability, and the well-being of those children; independent living services to empower custodial youth and those exiting care to live independently; and family support services to non-custodial children and their families to allow those children to live safely with their own families.

## **REVENUES AND EXPENDITURES**

### Revenues by Source For the Fiscal Year Ending June 30, 2004

Source	Amount	% of Total
State Grants & Contracts	\$ 7,147,172.37	92.0%
Local Grants & Contracts	82,597.00	1.1%
TennCare MCOs and BHOs	533,055.97	6.9%
Interest	2,991.73	0.0%
<b>Total Revenue</b>	<b>\$ 7,765,817.07</b>	<b>100.0%</b>

Source: Agency's Unaudited Financial Statements.

**Expenditures by Account**  
**For the Fiscal Year Ending June 30, 2004**

Account	Amount	% of Total
Administration	\$ 377,868.16	4.9%
Child and Family Case Management	4,363,388.80	56.3%
Child and Family Services	1,972,512.41	25.5%
TennCare Transportation	474,442.78	6.1%
Community Prevention Initiative	430,421.37	5.6%
Community Services	130,801.78	1.7%
Total Expenditures	\$ 7,749,435.30	100.0%

Source: Agency's Unaudited Financial Statements.

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## OBSERVATIONS AND COMMENTS

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### MEMPHIS AND SHELBY COUNTY COMMUNITY SERVICES AGENCY'S QUALITY IMPROVEMENT EFFORTS

A Quality Initiative (QI) reviewer conducts QI reviews for the three West Tennessee Community Services Agencies. The reviewer is an employee of Northwest CSA, but the position is funded by the Department of Children's Services. The first review was completed in May 2003 as part of a pilot project for external quality oversight. The Shelby County CSA was the only CSA involved in the project at the time. According to CSA staff, the Quality Initiative project was based on a policy and procedures format that was above the current DCS standards. From December 9, 2003, through December 11, 2003, the review looked at the various programs offered by the Shelby County CSA: the Family Support Services program (FSS), Family Crisis Intervention program (FCIP), and Orders of Reference (OR). Specific areas such as file contents, documentation, the family service plan, contacts with the family, professional contacts, insurance, programmatic issues, certification, and extensions were judged for levels of compliance. The level of compliance was critiqued according to whether certain specific items for each area of review were met according to policy guidelines.

The most recent QI review was performed from August 31, 2004, through September 3, 2004. Twenty-one case files were identified in the sample (7 FSS, 7 FCIP, and 7 OR). The data reviewed included all records from KID\$Trax dated December 2003 through May 2004. The review found that the majority of compliance in each program took place in areas such as proper file handling and documentation, documentation of TennCare appeals, and attentiveness of case managers until the completion of purchased services. However, there were several areas of non-compliance concerning achieving and recording adequate progress toward completion of stated goals, completion of family service plans within 30 days of receipt of authorization or closure of intensive family preservation services, and weekly face-to-face contact with the family during the first month of the opening of a case. The reviewer did not require a corrective action plan, but the agency is using the results as a staff training tool with a goal toward improved client services.

In addition to implementing changes to its programs initiated by the findings from the Quality Initiative Review, the Shelby County CSA has developed an in-house means by which to evaluate the vendors with whom it has contracted. According to the CSA's Contract Compliance Specialist, an on-site pilot audit was completed for five vendors for the 2003-2004 fiscal year. Case managers also met with clients and had the clients rate the vendors on the quality of the service rendered for the same fiscal year. CSA management developed an on-site review tool detailing the quality of the type of service, HIPAA (Health Insurance Portability and Accountability Act) compliance, cohesiveness of notes, file content, documentation of client contacts, and case closure requirements. A compliance rating scale ranged from "excellent" to "unacceptable." Exit letters were sent to all vendors who participated in the audit with applicable findings and observations, and if necessary, a request for the vendor to submit a

written plan of action for compliance, to the Director of Administrative Services and the Executive Director of the Shelby County CSA. All five vendors had findings listed in their exit letters that required a corrective action plan to be given to the CSA. One vendor had repeated infractions serious enough to warrant a temporary suspension. Violations included unreturned phone calls from referring staff, failure to meet time frames and deadlines for contacting families, lack of chart documentation, discharge information not being forwarded after completion of services, and services not provided in compliance with the scope of services described in the contract.

In addition to holding individual vendors accountable, the CSA should use the results of the in-house reviews to improve service delivery and share best practices with the vendors. For example, one vendor may have more success in helping families and preventing children from coming into state custody than another vendor.

### **THE SHELBY COUNTY CSA HAS ADHERED TO THE RULES AND REGULATIONS GOVERNING THE FLEXIBLE FUNDING FOR FAMILIES PROGRAM**

We examined 20 case files from of the Flexible Funding for Families program for fiscal year 2003-04, in order to determine if (1) adequate documentation was present in the files for the expenses incurred and (2) the services purchased were within the rules and regulations governing the Flex Funds program. (There were 3,050 flexible funding referrals in this time period.) Based on this review, the CSA spent money on services such as transportation, grief counseling, psychological services, and rental assistance. In each of the 20 files, there was ample documentation for all expenditures (e.g., invoices, bills, receipts, manifests, etc.). All of the services purchased were allowable expenses under the rules and regulations governing the Flexible Funding for Families program.

### **AUDIT COMMITTEE LEGISLATION**

In June 2005, the General Assembly passed the “State of Tennessee Audit Committee Act of 2005” requiring all state governing boards, councils, commissions, or equivalent bodies that have the authority to hire and terminate employees, or that prepare financial statements, to create an audit committee. A purpose of the act is to improve antifraud programs and controls and the oversight of antifraud efforts. The act requires audit committees to develop a written charter addressing the committee’s purpose, powers, duties, and mission. The audit committees’ responsibilities include, but are not limited to:

- developing a written charter addressing the audit committee’s purpose, powers, duties, and mission;
- overseeing financial reporting;
- evaluating management’s assessment of the internal control system;

- reiterating to the board to which the audit committee is attached the board's responsibility for preventing, detecting, and reporting fraud, waste, and abuse;
- facilitating audits or investigations;
- informing the Comptroller of the Treasury of the results of the assessment of controls to reduce the risk of fraud; and
- notifying the Comptroller of any indications of fraud.

According to the executive director, the Shelby County CSA created an audit committee in December 2004. With the new law, it is important for the agency's board and management to review the audit committee act to ensure that the board is in compliance with all of the act's requirements.

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## FINDINGS AND RECOMMENDATIONS

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### **1. The Shelby County CSA had not monitored vendors to ensure criminal background checks were completed**

#### **Finding**

The agency has not monitored its vendors to ensure that background checks have been conducted to prevent criminals, in general, and child sex offenders and abusers, in particular, from having contact with the children being served.

The probability of a criminal or a child sex offender or abuser being employed in a position with access to children is a public concern. The Brian A. class action lawsuit, filed in May 2000 and settled in July 2001, states in section V(F)(4) that all persons applying for positions with the Department of Children's Services (DCS) or with a contract agency that involve contact with children are required to submit to a criminal records check and a child abuse registry screening process before beginning training or employment. Sections 71-3-507 and 37-5-511, *Tennessee Code Annotated*, require criminal background checks for DCS employees and people working with children in other capacities.

Prior to July 2003, the agency did not have a formal policy regarding background checks, was inconsistent in addressing this issue with its vendors, and did not monitor to determine if any checks were being conducted. Auditors reviewed all 28 contracts between the agency and vendors for fiscal year 2003-04. Services provided in the contracts included intensive family preservation services; needs assessments; psychosocial counseling for victims of child physical or sexual abuse and their families; counseling for mental illness and drug and alcohol abuse; parenting skills; and emergency residential shelter for adolescents. While some of the services provided did not require contact between vendor employees and children, a review of the contracts indicates that 24 of the 28 did require contact. Only 8 of these 24 contracts reviewed contained language requiring background checks for vendors and their employees. These 8 contracts required that all persons applying for positions with a contractor that involve any contact with children submit to a criminal records check and a child abuse registry screen process before beginning training or employment. Contract employees convicted of a felony case of child abuse/neglect are prohibited from having any contact with children.

While the remaining 20 contracts did not require background checks, they did prohibit contractors from employing anyone who had been disbarred by a government agency or involved in criminal activity. Although these 20 contracts placed restrictions on the hiring of employees, they did not address individuals convicted of child abuse, nor did they require criminal background checks.

All contracts for FY 2004-05 now contain the following clause requiring background checks of all vendor employees who have contact with children:

All persons applying for positions with a contract agency who have any contact with children shall be required to submit to a criminal records check and a child abuse registry screening process before beginning training or employment. No contract employee who has any contact with children shall have been convicted of a prior felony for an offense designated as a crime against the person or have been the subject in any substantiated or indicated case of child abuse or neglect. An individual who has been convicted of any felony may not be employed by a contract agency in a position involving contact with children unless: 1) the conviction occurred at least 5 years prior to the employee's hiring; 2) the employee has not been convicted of any other criminal offense since the conviction; 3) the Tennessee Department of Children's Services (DCS) regional administrator or agency program director personally reviews the circumstances of the applicant and determines that this employee could work productively and constructively with children.

To achieve compliance, the agency requires vendors to submit applicant names to the agency, where a log of all vendor employees is maintained. For updating purposes, vendors are asked to continuously submit the names of employees when they begin work and again when they are terminated. The agency's "Continuous Quality Improvement Plan" states that the agency will review criminal background checks as part of its quality assurance process. The agency conducted an on-site audit of all vendors in May 2005 but has not completed its reports on the audit results. A component of the audit is a review of vendor employee files to determine if they have submitted to background checks. While most vendors, according to agency management, have only 12-13 employees, the audits look at only a sample of approximately three files. In February 2005, the agency's coordinator of compliance and quality stated that the agency had taken not decided whether to deny future case referrals to vendors not in compliance with this requirement. Considering the importance of employee background checks to the well-being of the children, checking to see that every employee has passed the check and taking action when vendors have not complied with the requirement is essential.

### **Recommendation**

The agency management should ensure that its policies requiring criminal background checks and plans for verifying compliance are effective. No vendor staff should have contact with children until they have passed a background check. Any vendors failing to comply should be denied the opportunity to receive subsequent referrals from the agency. The agency should consider reviewing files of all vendor employees while conducting on-site audits. This would help ensure that all employees are in compliance, and further protect the safety and welfare of children receiving services.

### **Management's Comment**

We concur in part. Effective September 2004 the agency set up a process to ensure that background checks were completed on all providers and copies of all criminal background checks were maintained by the agency in the provider's file. Effective May 1, 2005, MSCCSA

prohibited providers from providing services to DCS or CSA clients if they did not have copies of employees' criminal background checks on file. MSCCSA staff now verifies completion of service provider background checks before issuing contracts. MSCCSA accounting staff verifies that service provider employees, that submit signed case notes and summary reports with billing for services, are on this staff list.

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## **2. The agency should continue improvements in monitoring Title VI compliance**

### **Finding**

The agency has not yet implemented a formal policy regarding monitoring Title VI requirements. While it has developed a draft plan addressing this issue, failure to implement a plan limits its ability to ensure non-discrimination in the delivery of services. There was no indication in this audit that any evidence of discrimination has occurred, and the agency has taken positive actions to ensure that it does not.

Title VI of the Civil Rights Act of 1964 prohibits discrimination based on race, color, or national origin in programs receiving federal financial assistance. The agency has no formal policy regarding monitoring Title VI requirements. In 2004, the agency began to develop a Title VI Implementation Plan. A draft of this plan was released in August 2004, but agency management does not know when the plan will be finalized and implemented. As of May 2005, the Department of Children's Services has not approved the plan. The policy, when implemented, will apply "to all programs, services, grants, activities, benefits and contracts including those through which the agency provides or extends federal financial assistance, and supplements federal requirements imposed on the agency and recipients by federal programs and agencies." The preliminary plan establishes a newly appointed Title VI coordinator and a Title VI compliance officer. Both of these positions have been filled since August 2004.

While the draft plan does not yet contain a monitoring component, it does address discriminatory practices that are prohibited. For example, the agency is prohibited from denying any child or family services for which they are otherwise qualified, and the agency is prohibited from treating the family or child any differently from another child or family in determining if they qualify for said services. The draft plan also includes a requirement that all service contracts contain language that the vendor agrees not to engage in discriminatory practices in the provision of services. Service providers are also required to document their efforts to notify clients of their rights under Title VI. For example, the providers must give clients a document detailing what is prohibited under Title VI, including information regarding how to file a complaint. The plan does not include how these efforts are to be monitored.

According to agency management, since August 2004, there have been only two occasions when a client has indicated a possible instance of discrimination. In each case, the client notified a staff member who in turn forwarded the information to management. In both instances, management followed the agency's unwritten policy to send a letter to the client, asking the client to file a formal complaint. The agency provides a complainant with a 30-day period to respond. In both instances, according to management, the client did not file the formal

complaint. In one case, the client was pursuing child custody and upon receiving custody, decided not to pursue the complaint further. In the other case, 45 days passed and no formal complaint was filed by the client. The agency considers both instances closed. According to agency management, this complaint filing policy will be formalized in the new implementation plan.

While there is no formal monitoring policy or complaint process as of February 2005, management has identified efforts the agency has taken to ensure that case managers and vendors are communicating Title VI policies and mandates to clients. First, in June 2004, the agency notified providers that they are required to communicate to clients their rights under Title VI. According to agency management, compliance with this directive has been monitored in the form of a pilot audit of vendors that was begun in July 2004. In conducting the audit, the agency examined a random sample of client files. As of February 2005, however, the agency was unable to provide documentation of the monitoring.

Internally, since August 2004, agency management has been conducting monthly monitoring of all case managers to ensure they are providing clients with Title VI information, including how to file a complaint. For case managers on probation, 25 percent of the files are reviewed, and 10 percent are reviewed for all others. As of February 2005, again, agency management has not provided auditors with documentation of the file reviews.

### **Recommendation**

The agency should continue efforts to improve monitoring of Title VI requirements, including finalization of its implementation plan.

### **Management's Comment**

We concur in part. MSCCSA has a draft Title VI Implementation Plan that is awaiting approval by DCS Title VI compliance office. Although the policy has not received official approval from our contracting agency, we are following the processes contained therein.

The audit report states that our policy does not contain a monitoring component; however, MSCCSA monitors both client and vendor files to ensure compliance. Supervisors review a percentage of each case manager's files monthly. MSCCSA supervisors and program managers instruct case managers who are noncompliant in meeting this requirement that they are subject to disciplinary action. New case managers are trained regarding Title VI and the use of the notification form as part of their pre-service training.

Regarding service providers, the initial audit in 2004-2005 showed that 6 of the 17 providers audited complied with documentation that showed Title VI information was given to the family with whom they were working. Each of the eleven providers not in compliance received a finding. The second audit in 2004-2005 showed that only 3 of the 18 providers audited did not comply with this item. They were instructed to comply or they would be in

breach of their contract, which could result in termination of their contract. The remaining 13 providers scored 100% on this item and had developed policies to ensure all clients were notified about Title VI.

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### **3. Board members and staff have not always filed conflict-of-interest statements annually**

#### **Finding**

Board policy does not require members to submit written conflict-of-interest statements annually. A review of board members' conflict-of-interest statements shows that these forms were only on file for 2002 and renewed in 2004. Rule 2.09 of the Shelby County CSA Governance Policies requires that, in accordance with Section 37-5-305(j), *Tennessee Code Annotated*, if any matter before the board involves a project, transaction, or relationship where a board member's personal, business, or family interest gives a reasonable appearance of a direct or conflicting interest, then that member must make that interest known to the board and is prohibited from participating in any discussion, vote, or other action where that interest is disclosed. The policy states that there is no necessary form or procedure required to be in compliance with this ordinance.

Agency policy has required its personnel to submit annual conflict-of-interest disclosures by June 30 of each year only since July 2004. Of the 20 files reviewed, only 7 met this requirement. The other 13 files had forms that were completed in either July or November 2002. The agency needs to ensure that each staff member completes annual conflict-of-interest forms in order to reveal any conflicts, or appearances of conflicts, regarding vendors the agency uses to purchase services for its clients.

Annual written disclosures of financial interests, prior employment, employment of immediate family members, and other matters that may influence decisions or could give the appearance of influencing decisions help ensure the board and staff are acting on the state's behalf and that board members are recusing themselves from decision-making as needed.

#### **Recommendation**

The board should revise its policies to require that board members file conflict-of-interest statements annually. The agency should ensure its staff comply with policy and submit disclosure forms every year.

The agency should ensure that each board and staff member completes conflict-of-interest forms annually as a reminder to be aware of actual, potential, and apparent conflicts of interest.

### **Management's Comment**

We concur in part. The finding states, "Board policy does not require members to submit written conflict-of-interest statements annually. A review of the board members' conflict of interest statements shows that these forms were on file for 2002 and were renewed in 2004." Policies will be updated to require annual conflict of interest statements. The finding states further that, "agency policy has required its personnel to submit annual conflict-of-interest disclosures by June 30 of each year only since 2004." The administrative directives state that the form "must be updated annually (by June 30<sup>th</sup>), for as long as the employee remains in a relationship as described above with any other agency." As of July 2004, the agency has required all board members and staff to update conflict-of-interest statements annually. Though the audit cites MSCCSA for not having the forms as of June 30, 2004, per our policy (effective July 2004), we have until June 30, 2005 to obtain statements for the fiscal year.

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## **RECOMMENDATIONS**

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### **ADMINISTRATIVE**

The following areas should be addressed to improve the efficiency and effectiveness of the Memphis and Shelby County Community Services Agency's operations.

1. Agency management should ensure that its policies requiring criminal background checks and plans for verifying compliance are effective. No vendor staff should have contact with children until they have passed a background check. Any vendors failing to comply should be denied the opportunity to receive subsequent referrals from the agency.
2. The agency should continue efforts to improve monitoring of Title VI requirements, including finalization of its implementation plan.
3. The Shelby County CSA Board of Directors should revise its policies to require that board members file conflict-of-interest statements annually. The agency should ensure its staff comply with policy and submit disclosure forms each year.
4. The agency should ensure that each board and staff member completes conflict-of-interest forms annually as a reminder to be aware of actual, potential, and apparent conflicts of interest.
5. With the enactment of the "State of Tennessee Audit Committee Act of 2005," it is important for the agency's board and management to review the act to ensure that the board is in compliance with all of the act's requirements.

**APPENDIX  
Title VI Information**

**Memphis Shelby County CSA Staff Gender and Ethnicity  
By Job Position  
March 2005**

Title	Gender		Ethnicity	
	Male	Female	White	Black
Executive Director	0	1	1	0
Administrative Services Director	0	1	1	0
Children's Services Director	0	1	0	1
Fiscal Services Director	0	1	1	0
Program Specialist 5	2	2	2	2
Program Specialist 4	0	1	0	1
Program Specialist 3	0	3	1	2
Program Specialist 2	1	5	0	6
Program Specialist 1	0	1	0	1
Administrative Specialist 5	0	1	0	1
Administrative Specialist 3	0	2	0	2
Case Manager 4 – Supervisor	0	11	4	7
Case Manager 3 – Lead CM	2	8	3	7
Case Manager 1 – 2	7	39	6	40
Psychologist	0	1	1	0
RN	0	2	0	2
Educational Specialist	0	1	0	1
Regional Information System Administrator	1	0	1	0
<b>Total</b>	13	81	21	73

**Memphis Shelby County CSA Board of Directors  
Minority Representation  
By Race  
November 2004**

Race	# of Staff	Percentage
African-American	6	46.2
Caucasian	7	53.8

**Disadvantaged Business Participation  
FY 2003-04  
By Race**

<b>Race</b>	<b># of Vendors</b>	<b>Percentage</b>
African-American	16	43%
Caucasian	13	35%
Asian	1	3%
Unidentified	7	19%
Total	37	100%

**Disadvantaged Business Participation  
FY 2003-04  
By Sex**

<b>Sex</b>	<b># of Vendors</b>	<b>Percentage</b>
Male	9	24%
Female	14	38%
Unidentified	14	38%
Total	37	100%