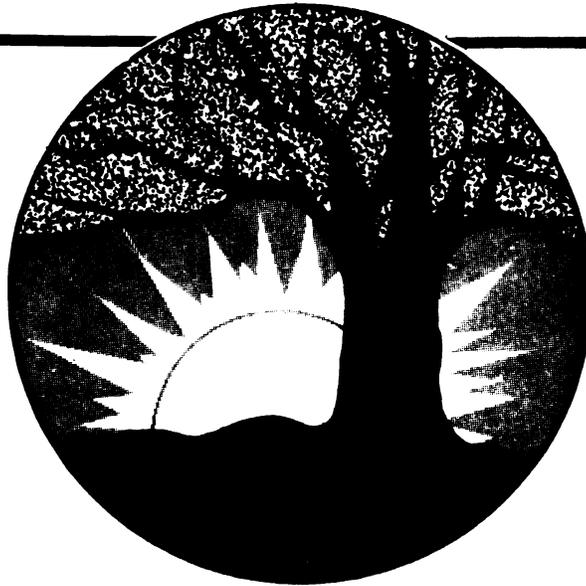


PERFORMANCE AUDIT

Department of Human Services
January 2012



Justin P. Wilson
Comptroller of the Treasury



State of Tennessee
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January 3, 2012

The Honorable Ron Ramsey
Speaker of the Senate
The Honorable Beth Harwell
Speaker of the House of Representatives
The Honorable Mike Bell, Chair
Senate Committee on Government Operations
The Honorable Jim Cobb, 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 Department of Human Services. 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 department should be continued, restructured, or terminated.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/dlj
10-073

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit
Department of Human Services
January 2012

AUDIT OBJECTIVES

The objectives of the audit were (1) to determine Vocational Rehabilitation client success rates and the reasons why that rate has fallen below federal Rehabilitation Services Administration benchmarks; (2) to determine whether Vocational Rehabilitation service authorizations in Individualized Plans for Education are properly approved and appropriate to achieve employment outcomes; (3) to determine whether Vocational Rehabilitation counselors are qualified to perform their duties; (4) to determine if there are certain Business Enterprise facilities that regularly underperform and the actions taken by the department to remedy this situation; (5) to determine if there are sufficient controls to ensure Business Enterprise managers report accurate and complete financial data; (6) to determine the timeliness of Child Support Office contract monitoring and oversight; (7) to determine whether the Child Support Office is maximizing revenues to offset costs; (8) to determine the adequacy of the department's Title VI oversight; (9) to determine the adequacy of the department's disaster recovery and continuity of operations planning; (10) to determine the extent to which the department is reviewing and analyzing the outcomes of the weatherization program; (11) to determine the adequacy of the department's internal audit function; (12) to determine the extent to which appeals are processed within times set by the department's performance measures; (13) to review monitoring of the five Families First contracts and determine how problems are corrected; (14) to determine if the Adult Protective Services' computer system, FOCUS, has appropriate accessibility, edit checks, back-up procedures, and reporting capabilities; (15) to review and assess the department's performance measures; (16) to review oversight of Adult Day Care licensure; (17) to determine how the data provided to the department from J.P. Morgan regarding SNAP (Food Stamps) is used in detecting potential fraud; and (18) to provide information regarding the implementation of the VIP (Vision Integrated Platform) system.

FINDINGS

Implementation of a New Computer System for the Adult Protective Services Division Failed to Improve Caseload Monitoring and Controls Over Computer Data

The October 2006 Performance Audit found the monitoring of the Adult Protective Services Division was not centralized and noted weaknesses in and the need for control procedures in the computer system used for monitoring case information. In 2007 the department contracted for a new system to automate workflow and document all aspects of cases. Our review of this new system in 2011 found problems that significantly hinder the division's ability to centrally monitor cases, manage caseloads, and effectively use the system (page 10).

Weak Financial Controls and Poor Business Practices in the Tennessee Business Enterprise Program Increase the Risk That Financial Information Is Inaccurate and That Fraud May Be Committed by Facility Managers and Their Employees

The Tennessee Business Enterprise program gives blind individuals priority to operate vending businesses on properties owned or leased by federal, state, or local government. Our review found a series of weak internal controls and poor business practices that could lead to unsupported financial information in a facility's monthly report. These practices may also not detect fraud being committed by facility employees or managers. In some cases, program staff did not perform semi-annual reviews of the facilities as required (page 14).

The Vocational Rehabilitation Services Office Does Not Have the Documentation to Support the Client Service Expenditures Authorized in Half of the Reviewed Client Files

Vocational Rehabilitation counselors assist clients in creating Individualized Plans for Employment (IPEs). An IPE outlines the expected employment outcome and nature and scope of services, including the service type and service provider. The IPE must be amended when there are substantive changes to the original IPE. Our review found errors in 50% of the 286 files reviewed. We found three basic types of errors – services provided that were not listed on the IPE; services provided by someone other than the approved provider on the IPE; and authorized costs were either not listed or were exceeded (page 19).

The Vocational Rehabilitation Services Office Has Not Had the Capability to Efficiently and Effectively Monitor the Costs of Services Provided at the Residential Tennessee Rehabilitation Center in Smyrna as It Has for the 17 Non-residential, Community-Based Rehabilitation Centers Across the State

While the Vocational Rehabilitation Services Office captures and tracks service costs and can calculate true daily cost figures for the 17 community-based Tennessee Rehabilitation Centers, the office does not capture and track costs for the TRC in Smyrna. Therefore, it is unable to calculate true service cost figures for the Smyrna facility and, instead, relies on simply dividing the facility's annual budget by the number of student days the facility operates. Without properly tracking the true costs of services at the Smyrna facility, the office has incomplete information and cannot properly manage and monitor the

complete cost of providing services to Vocational Rehabilitation clients throughout the state (page 24).

The Department and Many of Its Contractors Providing Services on Its Behalf Need to Improve Their Continuity of Operations Plans to Ensure They Can Continue to Provide Services Should Department/Contractor Buildings, Equipment, and Staff Be Directly Impacted by Natural or Man-Made Disasters and Other Critical Events

The department's current continuity of operations plan that dates back to 2009; a 2011 revision, not yet approved; and the DHS Disaster Recovery Plan (information systems only) do not address in appropriate detail all areas of departmental operations. While the documentation for the required contractor disaster recovery plans appears to be sufficiently detailed, many have weaknesses similar to those of the departmental COOP. Effective continuity of operations planning facilitates the performance of essential functions during emergencies or other situations that might disrupt the department's operations (page 25).

Some Policy and Procedure Manuals Are Not Up-to-Date and/or Consistent With Contract Requirements or Current Practice and Cause a Situation Where Staff May Take Inappropriate Action or Fail to Take Action and Require Additional Time and Resources to Correct

The most current Adult and Child Care Licensing Manual dates to 2006, and memos disseminated since then revise policy but do not state where and what wording exactly is being changed in the manual. The department's Child Support manual is also neither complete nor up-to-date, and contract oversight requirements in the

manual do not conform to practice or contract requirements (page 27).

While the Department Devotes Significant Resources to Monitoring and Auditing Its Programs' Subrecipients, Contractors, and Clients, It Needs to Improve Monitoring and Auditing of Its Own Internal Program Operations to Ensure the Efficiency and Effectiveness of Its Operations

Based on interviews with the four directors of the OIG sections, reviews of the internal audit plans for fiscal years 2006-2012, and reviews of the work performed by each section, it appears auditing and oversight is focused more on clients, providers, and subrecipients and less on regularly auditing internal DHS operations (i.e., the department's operation and oversight of its programs). While the Internal Audit section assists in performing IRS safeguard reviews and the Quality Control section performs reviews of a sample of Food Stamp cases for proper eligibility determination and payment, little else is routinely done that provides an independent review focusing internally on DHS program management and internal controls. The Institute of Internal Auditors states that as a cornerstone of strong governance, internal auditing assesses the ethical climate and the effectiveness and efficiency of operations, and serves as an organization's safety net for compliance with rules, regulation, and overall best business practices (page 32).

The Department Should Be Reporting All Confirmed Employee and Client Fraud to the Comptroller's Office

State law requires "any official of any agency of the state having knowledge that a theft, forgery, credit card fraud, or any other act of unlawful or unauthorized taking, or abuse of, public money, property, or services, or other shortages of public funds

has occurred shall report the information immediately to the office of the comptroller of the treasury.” The department reports only employee fraud, not client fraud, to the Comptroller’s Office (page 35).

The Department Has No System to Track Contracts Requiring Title VI Monitoring and Is Not Monitoring All Service Contractors for Title VI Compliance

Because the department receives federal funds, all those contracting with or receiving funds from any program within the department must comply with Title VI of the Civil Rights Act of 1965 that prohibits discrimination against participants or clients

on the basis of race, color, or national origin. This includes contractors providing services to citizens on behalf of the department and those subrecipients receiving federal funds through the department. While the department trains and monitors its own staff regarding Title VI and monitors the child and adult care providers receiving federal funds from the USDA with self-surveys, the department is not monitoring the contractors that are providing services to citizens on the state’s behalf for programs such as Families First, Child Support, Weatherization, Child Care provider support services, and Vocational Rehabilitation (page 37).

OBSERVATIONS AND COMMENTS

The audit also discusses the following issues: revenue maximization by the Division of Child Support Services; the use of federal funding for Vocational Rehabilitation; Vocational Rehabilitation’s decreased performance on federal employment indicators; Vocational Rehabilitation counselors and credential standards; the use of TSAC’s eGRandS to determine eligibility for educational benefits; Tennessee Business Enterprise facilities that continue to generate low annual net profits; opportunities to reduce the risk of beneficiary fraud in the Supplemental Nutrition Assistance Program (SNAP or Food Stamps); appeals processing; and the monitoring of the Families First work activity provider contracts (page 39).

Performance Audit Department of Human Services

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose and Authority for the Audit	1
Objectives of the Audit	1
Scope and Methodology of the Audit	2
History and Statutory Responsibilities	3
Organization	5
Revenues and Expenditures	8
FINDINGS AND RECOMMENDATIONS	10
1. Implementation of a new computer system for the Adult Protective Services Division failed to improve caseload monitoring and controls over computer data	10
2. Weak financial controls and poor business practices in the Tennessee Business Enterprise program increase the risk that financial information is inaccurate and that fraud may be committed by facility managers and their employees	14
3. The Vocational Rehabilitation Services Office does not have the documentation to support the client service expenditures authorized in half of the reviewed client files	19
4. The Vocational Rehabilitation Services Office has not had the capability to efficiently and effectively monitor the costs of services provided at the residential Tennessee Rehabilitation Center in Smyrna as it has for the 17 non-residential, community-based rehabilitation centers across the state	24
5. The department and many of its contractors providing services on its behalf need to improve their continuity of operations plans to ensure they can continue to provide services should department/contractor buildings, equipment, and staff be directly impacted by natural or man-made disasters and other critical events	25
6. Some policy and procedure manuals are not up-to-date and/or consistent with contract requirements or current practice and cause a situation where staff may take inappropriate action or fail to take action and require additional time and resources to correct	27

TABLE OF CONTENTS (CONT.)

	<u>Page</u>
7. While the department devotes significant resources to monitoring and auditing its programs' subrecipients, contractors, and clients, it needs to improve monitoring and auditing of its own internal program operations to ensure the efficiency and effectiveness of its operations	32
8. The department should be reporting all confirmed employee and client fraud to the Comptroller's Office	35
9. The department has no system to track contracts requiring Title VI monitoring and is not monitoring all service contractors for Title VI compliance	37
OBSERVATIONS AND COMMENTS	39
Revenue Maximization by the Division of Child Support Services - Fees and Cost Recovery	39
Revenue Maximization by the Division of Child Support Services – Incentive Payments to States	42
Use of Federal Funding for Vocational Rehabilitation	52
The Poor Economy and Vocational Rehabilitation's Order of Selection Have Contributed to a Decreased Performance on Federal Employment Indicators	54
Approximately Half of Vocational Rehabilitation Counselors Do Not Meet a Federally Required Credential Standard, in Part Because of State-required Hiring Practices That Do Not Reflect This Standard	57
As Found in the 2006 Performance Audit, Vocational Rehabilitation Counselors Did Not Always Use TSAC's eGRandS System as Required to Determine Eligibility for Educational Benefits	59
While Tennessee Business Enterprise Program Staff Take Steps to Help Facility Managers Increase Their Profitability, Some Facilities Continue to Generate Low Annual Net Profits	59
The Department Could Expand its Analysis of Available SNAP/Food Stamps Data to More Proactively Identify Recipients Who Are Potentially Trafficking Their Food Stamp Benefits	61
Review of Appeals Processing Found That the Percent of Overdue Appeals Is Relatively Low, but There Are Opportunities for Improvement to the Appeals Resolution Tracking System (ARTS)	62
Monitoring of the Families First Work Activity Provider Contracts	67

TABLE OF CONTENTS (CONT.)

	<u>Page</u>
RESULTS OF OTHER AUDIT WORK	68
Weatherization	68
Adult Day Care Facilities	69
Status Update on Implementation of Vision Integration Platform (VIP)	70
Vocational Rehabilitation Counselor Training	71
RECOMMENDATIONS	72
Administrative	72
APPENDICES	77
Appendix 1 – Title VI and Other Information	77
Appendix 2 – Performance Measures Information	83

Performance Audit Department of Human Services

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Department of Human Services was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-233, the Department of Human Services is scheduled to terminate June 30, 2012. The Comptroller of the Treasury is authorized under Section 4-29-111 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 Department of Human Services should be continued, restructured, or terminated.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to determine Vocational Rehabilitation client success rates and the reasons why that rate has fallen below federal Rehabilitation Services Administration benchmarks;
2. to determine whether Vocational Rehabilitation service authorizations in Individualized Plans for Education are properly approved and appropriate to achieve employment outcomes;
3. to determine whether Vocational Rehabilitation counselors are qualified to perform their duties;
4. to determine if there are certain Business Enterprise facilities that regularly underperform and the actions taken by the department to remedy this situation;
5. to determine if there are sufficient controls to ensure Business Enterprise managers report accurate and complete financial data;
6. to determine the adequacy and timeliness of Child Support Office contract monitoring and oversight;
7. to determine whether the Child Support Office is maximizing revenues to offset costs;

8. to determine the adequacy of the department's Title VI oversight;
9. to determine the adequacy of the department's disaster recovery and continuity of operations planning;
10. to determine the extent to which the department is reviewing and analyzing the outcomes of the weatherization program;
11. to determine the adequacy of the department's internal audit function;
12. to determine the extent to which appeals are processed within times set by the department's performance measures;
13. to review monitoring of the five Families First contracts and determine how problems are corrected;
14. to determine if Adult Protective Services' computer system, FOCUS, has appropriate accessibility, edit checks, back-up procedures, and reporting capabilities;
15. to review and assess the department's performance measures;
16. to review oversight of Adult Day Care licensure;
17. to determine how the data provided to the department from J.P. Morgan regarding SNAP (Food Stamps) are used in detecting potential fraud; and
18. to provide information regarding the implementation of the VIP (Vision Integrated Platform) system, including but not limited to amounts already spent and future costs as well as timelines for implementation.

SCOPE AND METHODOLOGY OF THE AUDIT

The activities of Department of Human Services were reviewed for the period 2006 through August 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Methods used included

1. review of applicable state and federal legislation and policies and procedures;
2. review of studies conducted on the department by state, federal, and private entities;
3. examination of the department's records, reports, and information summaries;

4. review of contracts with entities providing services to the public on the department's behalf;
5. telephone inquiries of individuals/businesses advertising adult day care; and
6. interviews with department staff and staff of other state and federal agencies that interact with the department.

HISTORY AND STATUTORY RESPONSIBILITIES

When Tennessee became a state in 1796, the administration of "poor relief" became a county duty and was placed in a court system that extended into the most remote sections of each county. In 1827, new legislation allowed counties to establish almshouses to provide for the poor and any other persons who could not care for themselves because of disability or incompetence.

In 1925, the Welfare Division in the state Department of Institutions was created. The Tennessee State Relief Administration was organized in 1933 and later became the Tennessee Welfare Commission. It further evolved into the Department of Institutions and Public Welfare and then the Department of Public Welfare. In May 1975, the agency's name changed to the Department of Human Services.

Since 1937, statute has evolved such that the department's duties are to

- Administer or supervise all functions of the federal Social Security Act established or to be established in Tennessee that may be assigned to it by law, regulation or executive order;
- Cooperate with the federal government or its agencies or instrumentalities, in establishing, extending, strengthening, or reforming services to assist persons and families in need of such services from the state of Tennessee;
- License or approve, and supervise, adult day care centers and child care agencies, and to promulgate any regulations it deems necessary to carry out the provisions of the licensing laws;
- Establish criteria for the approval of persons or entities who receive any state or federal funds for the provision of healthcare for adults or children whether those persons or entities are licensed or approved, or whether they are unlicensed, and if determined by the department to be necessary, provide for such criteria in regulations promulgated pursuant to the Uniform Administrative Procedures Act;
- Utilize any state, federal, local or private funding to provide for any child care or adult day care services or training that it deems necessary to promote the welfare of children and adults or that is required or permitted by state or federal law or

regulations, and to provide such services or training directly or by contract with any public or private entities;

- Promote and employ the use of such measures as are designed to restore persons receiving assistance or services from the department to a condition of self-support in the community and pursue the preventive aspects of its work, including providing, to the extent possible, foster care for adults who are unable to maintain an independent living arrangement, and such other services to those liable to become destitute or handicapped as well as prevent their becoming or remaining public charges;
- Study the causes of economic dependency or rehabilitative service requirements for persons in need of economic support or rehabilitative services in Tennessee and promote efficient methods for assisting persons in need of such support or services;
- Cooperate with the commissioner of social security, and with any other agency or instrumentality of the federal government in any reasonable manner that may be necessary to qualify for federal aid for assistance to persons who are entitled to assistance under the provisions of the Social Security Act;
- Act in cooperation with the federal government in welfare matters of mutual concern in conformity with the provisions of this part and in the administration of any federal funds granted to this state or any state appropriations to aid in the furtherance of any such functions of the state government, including relief and assistance of needy citizens;
- Administer such additional welfare functions as are hereby or may be vested in it by law pursuant to this part;
- License blind persons to operate vending stands in state and county buildings provided that, in the opinion of the director of vocational rehabilitation and the custodian of such building or buildings, a suitable place may be found for the location of such stand or stands to be operated in accordance with the provisions of the Act of Congress of June 20, 1936, or amendments to that act; and
- Enforce the provisions of Title IV-D of the Social Security Act relative to child and spousal support and establish the paternity and to contract with public or private entities to provide any services necessary to carry out such provisions.

ORGANIZATION

The agency's major program areas are Rehabilitation Services; Child Support Services; Appeals and Hearings; and Adult and Family Services. (See organizational chart on page 6.)

Rehabilitation Services. This division is comprised primarily of the Tennessee Technology Access Program, Vocational Rehabilitation, the Tennessee Council for the Deaf and Hard of Hearing, and the Tennessee Rehabilitation Center and Facilities Network.

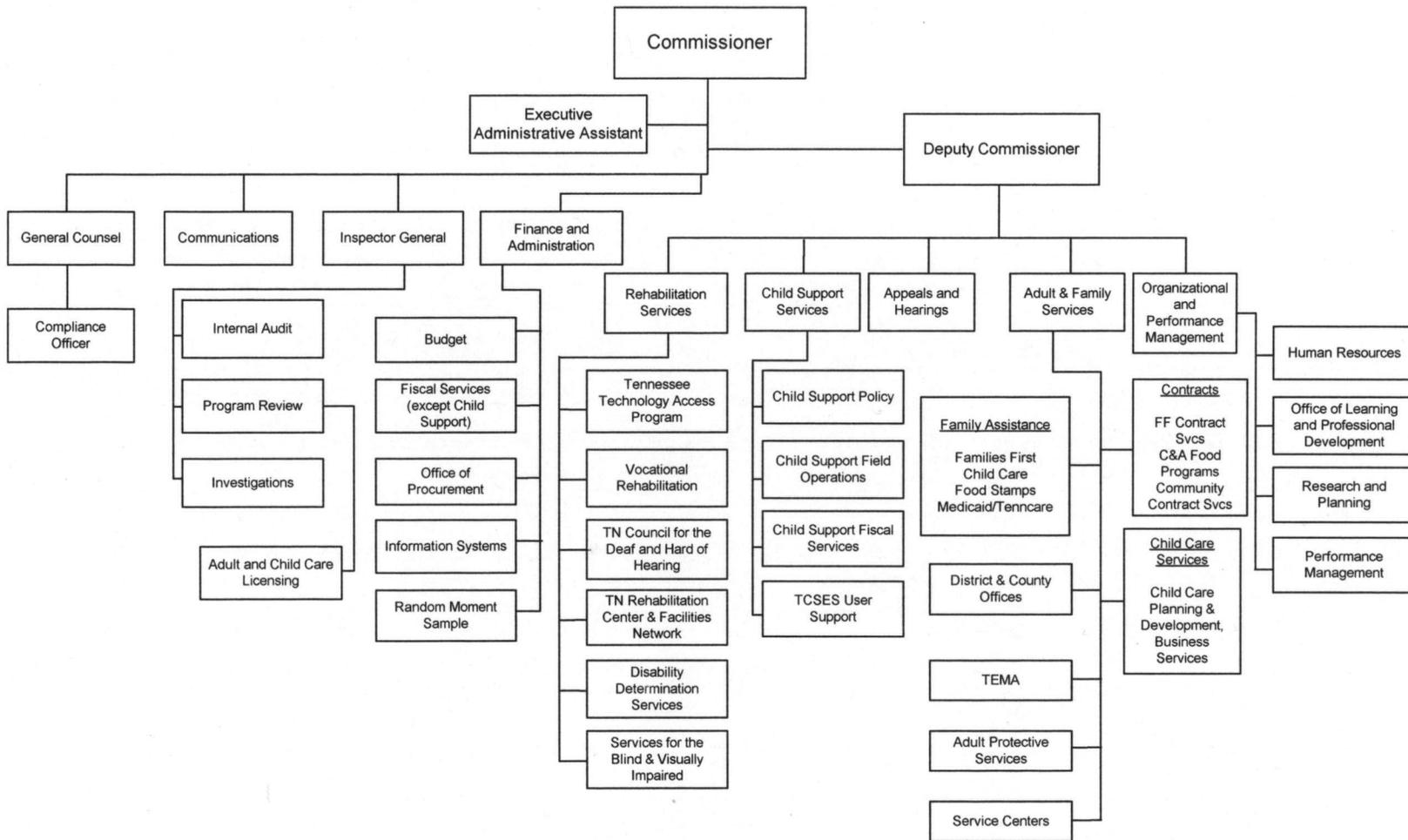
The *Tennessee Technology Access Program* (TTAP) is a statewide program designed to increase access to, and acquisition of, assistive technology devices and services. Through its four core programs – Finding Assistance, Device Demonstration, Device Loan, and Device Reutilization – TTAP and a network of five assistive technology centers help people with disabilities and their families find and get the tools that they need to live independent, productive lives where and how they choose.

Vocational Rehabilitation (VR) is a federal and state-funded program providing services to help individuals with disabilities enter or return to employment. It is designed to assist individuals of working age with physical and/or mental disabilities compete successfully with others in earning a livelihood. A person who is eligible for VR services is assigned to an order of selection priority category 1 through 4 based on the significance of their disability. Since 2001, because of the lack of funds to support all eligible clients, the VR program has operated under an order of selection that gives first priority to category 1 applicants with the most significant disabilities and limitations. Currently, only category 1 client services are being funded. VR services range from resumé writing and interviewing skills training to career training provided through post-secondary institutions. VR may also provide services directly related to the treatment of the underlying disability such as psychological counseling or medical treatment.

The *Tennessee Council for the Deaf and Hard of Hearing* was established in 2005 to provide specialized vocational rehabilitation services to eligible clients who are deaf or hard of hearing. Thirteen vocational rehabilitation counselors, who are specially trained to work and communicate with persons who are deaf or hard of hearing, provide services that enable their clients to enter, retain, or return to competitive employment. Services are individualized and depend upon each person's needs.

Tennessee Rehabilitation Center and Facilities Network. The Tennessee Rehabilitation Center (TRC) at Smyrna is a state-operated comprehensive rehabilitation facility and is one of eight such facilities in the nation. Services are provided on campus, and the majority of clients live on campus in residential units while receiving services. The length of programs of service offered at the TRC varies depending upon the individual client's interest, abilities, and needs. Services provided assist individuals in achieving their highest level of functioning so they can live and work as independently as possible. All program participants must be eligible clients of the Division of Rehabilitation Services. The Community Tennessee Rehabilitation Centers (CTRCs) are a part of the Tennessee Facility Network of Vocational Rehabilitation Services. There are 17

Department of Human Services October 2011 Organization Chart



strategically located throughout the state. These centers provide day programs of rehabilitation services within or near the clients' home communities.

Disability Determination Services (DDS) operates by agreement between the state and federal Social Security Administration to process Social Security and Supplemental Security Income disability claims. DDS maintains working relationships with Social Security's area director's office, 30 district and branch offices, 5 Offices of Hearings and Appeals (OHA), medical and psychological associations, legislative offices, the legal community, and other state and local organizations that serve the disabled.

Services for the Blind and Visually Impaired offers several programs to assist individuals who are blind or visually impaired. These services include Vocational Rehabilitation; Independent Living Services; Deaf-Blind Services; Newline for the Blind and Visually Impaired; Register for the Blind; and Tennessee Business Enterprises.

Child Support Services. Child Support Services offers numerous services to parents or legal guardians trying to obtain financial and medical support for their child or children. Child Support Services can help locate a missing parent, establish paternity, obtain or modify court orders, and enforce those orders.

Appeals and Hearings. This division receives appeals and conducts fair hearings for applicants and clients who believe they did not receive the services and/or benefits from the Department of Human Services to which they are entitled. The division handles appeals for all programs administered by the Department of Human Services, including Food Stamps, Families First, Child Support, and Vocational Rehabilitation cases, and eligibility for TennCare/Medicaid.

Adult and Family Services. This division is comprised of Families First, Adult and Child Care Services, Food Stamps, and Medicare/TennCare Eligibility programs.

Families First, Tennessee's welfare reform program, began in September 1996, under a federal waiver and replaced the Aid to Families with Dependent Children (AFDC) program. The federal waiver expired June 30, 2007, and the program currently operates in compliance with the federal Temporary Assistance for Needy Families (TANF) program. Families First emphasizes work, training, and personal responsibility, and provides temporary cash benefits to families who have children and are experiencing financial difficulties. These benefits are time-limited to 60 months in a participant's lifetime.

The *Child Care* section offers Child Care Resource and Referral Centers; Child Care Assistance; and Adult and Child Care Licensing. Child Care Resource and Referral Centers provide personalized and detailed information to parents searching for child care. For providers, it offers technical assistance, consultation, and materials and resources on developmentally appropriate practices and health related issues and practices. Child Care Assistance, for Families First recipients and low-income families, is available for purchasing child care while the parents are enrolled in Families First job-related training programs, involved in job search activities, or seeking employment. Adult and child care agency licensing and complaint reporting are included under the Licensing function.

The *Child and Adult Care Food Program* is a federally funded program that provides reimbursement to agencies for eligible meals that are served to participants who meet age and income requirements. Administrative payments are also provided for those agencies that sponsor the participation of day care homes. All payments are based on annual rates established by the U.S. Department of Agriculture.

Adult Protective Services protects adults, 18 years of age or older, who are abused, neglected, or financially exploited and unable to protect themselves because of mental or physical disabilities or advanced age.

The *Food Stamp* program, or Supplemental Nutritional Assistance Program (SNAP) as it is now known, provides nutritional assistance benefits to children and families, the elderly, the disabled, unemployed, and working families. Benefits are issued and accessed electronically using a Benefit Security Card or EBT Card.

Community Service Contract Programs are local organizations that provide a wide range of support services to low-income individuals and families (includes home energy assistance, weatherization, homemaker, adult day care, nutrition programs, employment activities, and income management services.)

Medicaid/TennCare. The Tennessee Department of Finance and Administration administers the state's TennCare program and contracts with the Department of Human Services to determine eligibility for more than 40 different Medicaid-eligible groups and the TennCare Standard program.

REVENUES AND EXPENDITURES

Statement of Revenues and Expenditures Revenues by Source For the Fiscal Year Ending June 30, 2010

<i>Source</i>	<i>Amount</i>	<i>% of Total</i>
State	\$ 136,071,000	4.4%
Federal	2,796,528,900	90.9%
Other	143,957,400	4.7%
Total Revenue	\$3,076,557,300	100.0%

Source: *The Budget: Fiscal Year 2011-2012.*

Statement of Revenues and Expenditures
Expenditures by Account for the Fiscal Year Ending June 30, 2010

<i>Account</i>	<i>Amount</i>	<i>% of Total</i>
Administrative	\$ 70,486,700	2.3%
Field Operations	16,355,000	0.5%
County Rentals	18,082,800	0.6%
Appeals and Hearings	19,328,600	0.6%
Child Care Benefits	218,870,100	7.1%
Temporary Cash Assistance	135,737,400	4.4%
Food Stamp Benefits	1,926,728,100	62.6%
Family Assistance Services	227,721,100	7.4%
Community Services	241,657,100	7.9%
Child Support	69,098,400	2.3%
Vocational Rehabilitation	74,627,300	2.4%
Disability Determination	57,864,700	1.9%
Total Expenditures	\$3,076,557,300	100.0%

Source: *The Budget: Fiscal Year 2011-2012.*

Budget and Anticipated Revenues
For the Fiscal Year Ending June 30, 2011

<i>Source</i>	<i>Amount</i>	<i>% of Total</i>
State	\$ 176,863,400	5.8%
Federal	2,730,648,400	89.4%
Other	145,514,900	4.8%
Total Revenue	\$3,053,026,700	100.0%

Source: *The Budget: Fiscal Year 2011-2012.*

Budget and Anticipated Revenues
For the Fiscal Year Ending June 30, 2012

<i>Source</i>	<i>Amount</i>	<i>% of Total</i>
State	\$ 175,449,200	6.0%
Federal	2,599,862,300	89.3%
Other*	135,062,000	4.7%
Total Revenue	\$2,910,373,500	100.0%

*"Other" revenue sources are counties, non-government revenue, current services/interest income, and interdepartmental.

Source: *The Budget: Fiscal Year 2011-2012.*

FINDINGS AND RECOMMENDATIONS

1. Implementation of a new computer system for the Adult Protective Services Division failed to improve caseload monitoring and controls over computer data

Finding

Adult Protective Services (APS) staff investigate reports of abuse, neglect (including self-neglect), or financial exploitation of adults who are unable to protect themselves because of a physical or mental limitation. Staff assess the need for protective services and provide services to reduce the identified risk to the adult. Auditors' review of the division's new computer system, FOCUS, found significant problems that hinder the division's ability to centrally monitor cases, manage caseloads, and effectively use the system. APS contracted for the FOCUS system to replace the previous system and to automate workflow. APS' intent for FOCUS was to follow a case from intake/referral to closure and document all aspects of the case.

Ongoing Problems With Monitoring and Data Management

The October 2006 Performance Audit found the monitoring of the Adult Protective Services Division was not centralized. This audit also noted weaknesses in and the need for control procedures in the computer system used for monitoring case information.

To remedy problems associated with the prior computer system, a contract with Lagan Technologies, Inc., for \$1.672 million was signed in May 2007. The original contract required Lagan to implement a system by January 31, 2009; however, that contract has been amended annually and the deadline is now May 31, 2012. (Amendment 1, signed in October 2008, extended the deadline from 18 to 24 months with a deadline of May 31, 2009. Amendment 2, signed in February 2009, extended the deadline to May 31, 2010. Amendment 3, signed in May 2010, extended the deadline to May 31, 2011. Amendment 4 extended the deadline to May 31, 2012.) After four amendments/extensions and almost \$1.5 million, the system is still not functioning as an efficient tool for APS. When the new system, FOCUS, went live across the state in August 2010, APS stopped using the legacy system, ACSS.

Current Audit Results

For our current audit, we reviewed system documentation such as the data dictionaries and other manuals for the new system provided by Lagan Enterprises, Inc. We also reviewed and reconciled reports from the system and surveyed field supervisors about the system's functionality. We found the division in a similar situation as the 2006 audit regarding monitoring because of problems with the new system. The specific problems we found include:

- information provided by the contractor did not always match actual system settings;
- default settings in the system regarding staff leaving DHS or transferring to another APS unit caused report-reconciliation problems; and
- field supervisors stated the system moves slowly and is difficult to keep up-to-date because of its slowness.

Since the division relies on the system for collecting case information, assigning cases, and storing case investigative information, it is difficult for field supervisors to properly monitor and manage cases using the system. Further, after we requested to review information from the system, the department's Information Systems (IS) staff found that data was not updating to the reporting function properly and the extract function of the system was not working. Lagan contracted with a subcontractor for services to repair the problems.

Additionally, department IS staff reported that the length of time for nightly updates of the system continued to get longer over several months. According to department IS staff, the Department of Finance and Administration's Office for Information Resources and Department of Human Services IS staff have reviewed everything on the state's end and determined that the problem is a vendor issue, not a state issue.

Contractor Data Dictionaries Versus Actual System Settings

Our review of the data dictionaries and other manuals focused on a review of field setting information. Field setting information shows the types and format of the data in the system. We found numerous fields that were formatted to hold 4,000 text characters. Some of these fields were for dates, calculations, monetary amounts, etc., and should not have been formatted as 4,000 text characters. Ideally, field values would be restricted; for example, gender could simply be an "M" or an "F"; however, in this system the field for gender is a 65-character field, which could allow room for inconsistent and inappropriate entries. Most fields in this system are drop-down menus that would not allow for inconsistent or inappropriate entries; however, the purpose of system documentation is to record the system as it is in place. In the event of turnover, illness, etc., those charged with supporting the system need documentation to support the system as written.

We found another field regarding the number of days a visit is overdue that was formatted as text. Upon further review, we noted that while the title of the field was "days overdue," the description of the field stated that the field calculated hours overdue and not the number of days. The field also allowed the use of text to indicate "Not Overdue." In programming a system such as this, there are many options for ways to simplify the format of fields for more efficient reporting functions. The department provided a report based on this field so we could determine if the report showed days or hours. While the report did not show numbers large enough to indicate that hours were being shown, the information that was displayed required a great deal of further explanation. For example, on the first two pages of the report, two cases had the same due date based on the latest referral; however, one case showed 1 day overdue while the other showed 18 days overdue. Reports should be simple enough that a

new staff member or other person coming to them without prior experience can interpret them with little explanation.

According to the department's IS staff, all the manuals are generally considered to be finished. However, as a practical matter, the manuals will probably still require that updates/additions be performed as needed (for example, in cases where the state or vendor feels more explanation is needed, or if they learn that something was inadvertently omitted) until the end of the post-implementation period.

The fields we have mentioned were known to be standard fields, and their format should have been determined prior to system testing and implementation. The fields should have been appropriately designed and identified in the information originally provided by Lagan.

Report Reconciliation Issues

We reviewed several different report types from the computer system. We noted that the reports provided showed numbers of cases but no detail on cases even though the ability to provide such detail was a key reason for developing the new system. Under the circumstances, we decided to attempt to reconcile the closed cases reports. In theory, the totals on all of these reports should be the same, and they were; however, problems were noted in attempting to reconcile the reports down to the district and unit level. During our reconciliation attempts, we discovered that when caseworkers leave APS or transfer to another division, the system disassociates them from their old division and caseload. For reporting purposes, the case information is still in the system but will show in an "unknown" division.

We reviewed a report of closed cases by district and unit between September 1, 2010, and March 31, 2011; it showed 79 "unknown" district cases. We reviewed the same report for closed cases between September 1, 2010, and July 31, 2011; it showed 83 "unknown" district cases, which means that, unless changes are made, this problem will continue to grow the longer the system is in use. In working with the department's IS staff, another report was created specifically to reconcile the data down to the district and unit level. It should be noted that the department had not been performing this reconciliation – the report used for reconciliation was only created in response to auditor requests.

Supervisor Survey

It is important for APS staff to be able to manage their cases and their caseloads and to ensure services are provided to their vulnerable population in a timely manner. With the knowledge that FOCUS has already had significant problems, we decided to send a survey to the field supervisors, who should use the system on a regular basis for monitoring counselors' caseloads. We received responses from 5 of the 13 field supervisors.

According to the responses, FOCUS is slow to transition between screens when staff are entering information, and it is easier to keep track of cases manually than to use FOCUS. Also, one supervisor reported that with the slow transition between screens, it takes a lot of time for counselors to enter this information. This leaves the counselors in the position of having to go

back and enter information later, which could lead to some necessary case information never being entered at all. Two supervisors reported that they are not automatically notified of counselors' new referrals.

In April 2011, the system was unavailable for six consecutive working days, and the division had to revert to a paper system. Lagan again hired a subcontractor to repair the system. After repair, and auditors' requests for information, the division found that the system was still not functioning properly and some data for reports were not updated.

According to division personnel, the gravity of the outstanding issues with FOCUS results in growing concern about counselors' ability to access case data needed to assess client safety and ensure necessary services are provided in a timely manner. Further concerns include Lagan's inability to determine the root cause of the problems and asking state staff to not access the system during certain hours. The problems have led the APS Director to provide staff with instructions on managing and tracking their cases outside of the computer system. The problems with FOCUS significantly hinder the division's ability to centrally monitor cases, manage caseloads, or even effectively use the system. Thus, it appears that the problems with this system leave the department in a similar if not worse predicament than described in our 2006 audit.

Recommendation

The Commissioner should immediately assess how this situation has evolved and take corrective action to ensure that the department obtains the type of system, with proper and necessary functionality and controls, that enables staff to effectively and efficiently centrally monitor cases, manage caseloads, and use the system. The Commissioner may want to solicit the assistance of the Office for Information Resources (OIR) within the Department of Finance and Administration (F&A) in these efforts and discuss the implementation problems with the EDISON team for their advice based on their implementation problems and experience. The Commissioner may also wish to seek advice from the Attorney General's Office regarding possible legal action against the vendor.

Department management should consider having a third party review the system and its current functionality.

Division staff should review available reports and determine what additional reports are necessary to efficiently and adequately manage cases.

The department should review default settings and processes for the system to ensure that cases and case information are not lost. The department should also regularly reconcile the system's reports to ensure that cases and case information are not being lost.

In the future, prior to implementing a new computer system, the department should consider an Independent Verification and Validation (IV&V), an independent review of a systems project that is conducted concurrently with its development. An IV&V provides

assurance to the agency that the project is performed according to specifications and that it meets the requirements provided to the vendor for systems development. The Government Accountability Office stated in July 2011, "Adoption of IV&V can provide agencies with information to better manage their IT investments. To be effective, leading industry practices and government guidance recommend, among other things, that organizations adopt certain key elements of effective IV&V."

If the department does not have an IV&V of new systems, a method of continuous contract monitoring and system testing should be developed and documented to ensure problems like those encountered with FOCUS are avoided.

The department should use the experiences and lessons learned with the implementation of FOCUS to work with OIR and the Information Systems Council to improve methods for planning and execution of all state system contracts. Further, the process should require an agency to notify F&A/OIR, the Information Systems Council, the Attorney General, and the Comptroller's Office prior to amending contracts to extend the date of system delivery because of vendor problems.

Management's Comment

We concur in part. While we agree there have been problems with the FOCUS product, the finding recommendation seems to indicate a completely non-functioning system. The system has issues that we have been addressing and will continue to address in order to improve performance of the system. Additionally, during the audit period we have consistently worked with our State partners, including the Attorney General's Office and the Office of Information Resources, in an attempt to resolve the problems. Finally, all state contracting policies and procedures were followed in the execution of amendments to the contract. We were not made specifically aware of any amendment that did not comply with state policy.

2. Weak financial controls and poor business practices in the Tennessee Business Enterprise program increase the risk that financial information is inaccurate and that fraud may be committed by facility managers and their employees

Finding

In order to determine whether Tennessee Business Enterprise (TBE) facility managers are providing complete and accurate monthly financial reports and the risks of fraud in the facility are mitigated, the auditors evaluated the TBE program's oversight of the financial reports and the financial controls present in the facilities. Our review found a series of weak controls and poor business practices that could lead to unsupported financial information in a facility's monthly report. These practices may also not detect fraud being committed by facility employees or managers. Furthermore, we found in some cases, program staff were not performing the semi-annual reviews as frequently as required. In order to perform this review,

we visited 10 facilities throughout the state during June and July 2011. These visits consisted of interviews with managers, observation of the facility's financial and inventory processes, and a review of financial documents and records. In all but one of the facilities, we identified one or more of the weak controls or poor practices.

Background

The U.S. Randolph-Sheppard Act of 1936 gives blind individuals priority to operate vending businesses on federal properties. The Tennessee legislature extended this priority to properties owned or leased by the state or local government in 1994 through Title 71, Chapter 4, Part 5, *Tennessee Code Annotated*. The Tennessee Business Enterprise (TBE) program, which the Department of Human Services administers, is responsible for implementing both the federal and state acts. The program establishes business enterprises and trains legally blind clients of the Vocational Rehabilitation program to become self-employed managers of these businesses. The program's overall goal is to maximize economic opportunities for the legally blind.

The TBE program contracts with blind individuals to operate commissaries, food preparation/cafeterias, snack bars, and vending machine routes in federal, state, and local facilities. As of August 24, 2011, there were 139 business enterprises in Tennessee.

The Business Enterprise Operations manual requires each TBE manager to submit to TBE program staff a monthly financial report of the facility's total sales, costs of goods sold and other business expenses, gross and net profits, and the calculated set-aside fee. The set-aside fee is 14 percent of a facility's net profit plus a \$10 fixed assessment, and is used to maintain or replace facility equipment and for management services provided to the managers by the program.

The operations manual requires managers to maintain adequate records to support the monthly report's figures, and also requires that these documents be available for review by TBE program staff at any time. Program staff review at least a one-month sample of this documentation during the facility's semi-annual review.

No Verification or Reconciliation of Cash¹

Many facilities conduct sales transactions through cash registers and vending machines, both of which have mechanisms to verify the cash amounts collected. These mechanisms include tapes in cash registers and non-resettable sales meters in vending machines. Our review found that some managers simply count the cash found in the register or vending machine and record that amount without reconciling to the documented sales calculated by the cash register or vending machine.

The practice of cash reconciliation is important for both facility managers and TBE program staff. Some managers have employees who operate the registers or remove cash from the vending machines and, if the managers rely solely on the amount of cash counted as the sales

¹ Cash includes coins, currency, checks, and credit or debit card transactions.

amount, the opportunity is created for employees to “skim”² cash from the facility. Similarly, when program staff rely only on the sales amount the managers provide, they cannot detect whether the managers are “skimming” cash or if the amount of sales is correct because the sales amount cannot be verified against an independent record such as a register tape or vending machine count.

Some managers interviewed stated that they perform cash reconciliations but do not maintain documentation of the reconciliation. The TBE operations manual states that managers must maintain adequate documentation to support sales figures, and TBE program staff are required to confirm that sales figures are correct during the semi-annual review. Without documentation such as cash register tapes, it may not be possible for sales figures to be supported. One manager we interviewed kept a cash register tape and a completed register close-out form for each register at the end of each business day (see Exhibit 1) with evidence of the reconciliation between the two amounts. This type of documentation would help both the manager and program staff ensure that sales are being recorded properly and detect if theft of cash has occurred.

Infrequent Deposits and Improperly Securing Cash Prior to Deposits

In order to prevent cash theft from sales proceeds, daily bank deposits of sales are recommended. Because some facilities do not collect cash from product sales daily, the frequency of deposits should match the frequency that cash from sales is collected (i.e., when cash is removed from vending machines or cash registers). The facility operators whom auditors interviewed stated that they deposit cash from a few times per week to once every two weeks. In many instances, operators collected cash receipts more frequently than they deposited them.

The auditors also found that cash is not always secured properly to prevent theft in the time period between when sales receipts are collected and counted and when the deposits are made. While many managers put the cash into a safe, either in their home office or at the business facility, some managers allow employees or family members access to the cash. A few managers also allow the employees to make deposits. The practices of infrequent cash bank deposits and improperly securing cash provide opportunities for managers, employees, and family members to take cash prior to its deposit in the bank.

Exhibit 1

CASH REGISTER CLOSE-OUT SHEET	
Date:	_____
Register #:	_____ Employee: _____
Gold \$1	_____
\$1	_____
\$5	_____
\$10	_____
\$20	_____
\$50	_____
\$100	_____
\$0.01	_____
\$0.05	_____
\$0.10	_____
\$0.25	_____
Total	_____
Bank \$	(300.00)
Net Total	_____ (Cash in Drawer)
Credit Card Sales	_____
Grand Total	_____

Opportunities to commit fraudulent acts increase further when managers fail to maintain documentation to support bank deposits. Many of the facilities reviewed did not have

² Skimming is the theft of cash that has not been recorded in the accounting system.

documentation such as prepared bank deposit slips, bank deposit receipts, and bank account statements that would properly support the amount and frequency of deposits. Frequent (i.e., daily) deposits are recommended so the deposit amount can be easily traced to the bank account. It is important for managers to regularly review deposit documentation for dates and amounts, particularly if they choose to allow employees and family members access to the cash after it has been counted (a practice that should be discouraged). TBE program staff also could use this documentation to monitor the deposits.

Inadequate Controls Over Purchases and Expenses

Proper controls over disbursements ensure that only authorized payments are allowed. One type of control is to make payments by checks, debit cards, or credit cards so payments can be compared against a bank or credit card statement. Some of the facilities reviewed noted on receipts and invoices that purchases or employee salaries were paid in cash. While these are examples of managers' attempts at creating documentation supporting the cash transactions, these methods do not ensure that all the cash purchases are accounted for. Furthermore, when managers use cash for purchases, there is no assurance that all of the purchases were for the operation of the facility.

Also, most of the managers do not maintain bank or credit card statements in their records for reconciliation against invoices and receipts for purchases made by check or credit card. This type of reconciliation – called “proof of cash”³ – ensures the records are complete and the amount is correct.

TBE program staff are required to confirm that expenses and purchases are being reported accurately during the semi-annual review process. However, because cash is often used for purchasing, and managers usually only provide receipts and invoices as documentation to program staff during their review, it is not clear how TBE program staff determine expenses and purchases were accurate and complete. Since business expenses reduce a manager's income and, therefore, the set-aside fee due to the program, it is important that income and expenses be accounted for correctly.

Semi-annual Reviews Not Occurring As Often As Required

The Business Enterprise Operations manual states that TBE program staff should conduct reviews of each facility twice a year. Our review of 18 files in June and July 2011 disclosed that some facilities have not had reviews that often. Five facilities had not had a review for seven months or more; one of these facilities had not been reviewed in the last year. Six other facilities had not had more than one review per year since 2008. For example, the most recent semi-annual review for one facility occurred in December 2010, but the previous two reviews occurred in September 2009 and November 2008.

³ Proof of cash reconciliation also includes reconciling the total deposits on the bank account statement to the total sales amounts recorded.

Because the semi-annual reviews in part examine the documentation that supports the sales, expenses, and purchase amounts, they are important in detecting fraud and ensuring a facility's monthly reports are complete and accurate. However, if these reviews are not conducted as frequently as intended, their effectiveness is diminished.

Recommendation

Facility managers need to improve their business practices in several ways. These improvements include

- performing cash reconciliations to readings from cash registers and vending machines;
- making bank deposits as frequently as cash is removed from cash registers and vending machines;
- limiting access to cash after it has been reconciled but before it is deposited in the bank and not relying on employees to make the deposits; and
- comparing the deposit slips with the bank statements each month in order to monitor deposits for timeliness and accuracy.

The TBE program should train all facility managers in these practices either through on-the-job training or during the annual statewide managers' meeting. These practices should also be incorporated into the TBE entry-level training and operations manual.

The program should also develop policies to provide reasonable assurance that reported income and expenses are accurate and complete. While facility managers can continue to receive cash from sales, the ability for facility managers to use cash for business purchases and expenses should be limited (if not completely eliminated) through program policy. Also, the managers should maintain bank account and credit card statements with the invoices and receipts in order to reconcile purchases and expenses.

Facility managers should maintain documentation that supports revenue and expenses, and TBE staff should perform a complete review of this documentation as part of the semi-annual review. Adequate documentation should include evidence of cash reconciliations from registers and vending machines, bank account statements, credit card statements, and receipts and invoices. The program should also consider whether staff should monitor deposits as part of the semi-annual review, which would require the managers to maintain deposit slips in addition to bank account statements. Program management should ensure that the financial reviews are performed twice a year as required.

If facility managers and TBE staff reviewers identify any indications of fraud, waste, or abuse, they should promptly report in writing these indications to TBE management. Examples of these indications of fraud, waste, or abuse would include missing support for transactions, discrepancies between related records and documentation, overages and underages in sales revenues, and failures to perform the recommended review and reconciliations timely. The TBE staff reviewers of operations should be required to include in their test work a review of these activities and to report any problems noted in their report, which should be filed with TBE management. TBE management should examine the reviews for indications of weak or overridden internal controls, ensure that mitigating actions are taken, and promptly report the situation to department management.

Management's Comment

We concur in part. We concur that some of the facility managers do not operate out of a "best business practice" model and recognize the need to enhance our training and revise our policies. We do not concur that these practices are occurring across the whole system as the finding seems to imply. Ten (10) of the one-hundred and twenty-five (125) active vendors were sampled and the auditor reported no actual occurrence of fraud, waste, or abuse.

3. The Vocational Rehabilitation Services Office does not have the documentation to support the client service expenditures authorized in half of the reviewed client files

Finding

In order to determine that only services listed on a Vocational Rehabilitation (VR) client's Individualized Plan for Employment (IPE) were provided, auditors reviewed 286⁴ client files throughout the state and compared the services listed on the IPEs to service payment authorizations and invoices. Of these 286 files, we found errors in 50 percent (143)⁵ of the files, with some of the files having multiple types of errors.

Once an applicant has been determined to be eligible for VR services, a VR counselor will assist the client in creating an Individualized Plan for Employment or IPE. An IPE outlines the expected employment outcome and nature and scope of services, including the service type and service provider. VR counselors and clients must amend the IPE when there are substantive changes to the original one, such as the services to be provided or the service providers.

⁴ The sample for this review was determined randomly from cases receiving services and cases closed between October 1, 2009, and March 31, 2011 (total number of cases: 12,114). The audit team focused on these groups of cases in order to assess the controls for client service expenditure authorization in recent cases and closed cases. While the error rate can be projected to the population, we did not perform this projection.

⁵ Based on the sample size, the best estimate of the IPE error rate is 50 percent; however, with a 95 percent confidence interval, the IPE error rate is between 44.2 and 55.8 percent due to a 5.8 percent margin of error.

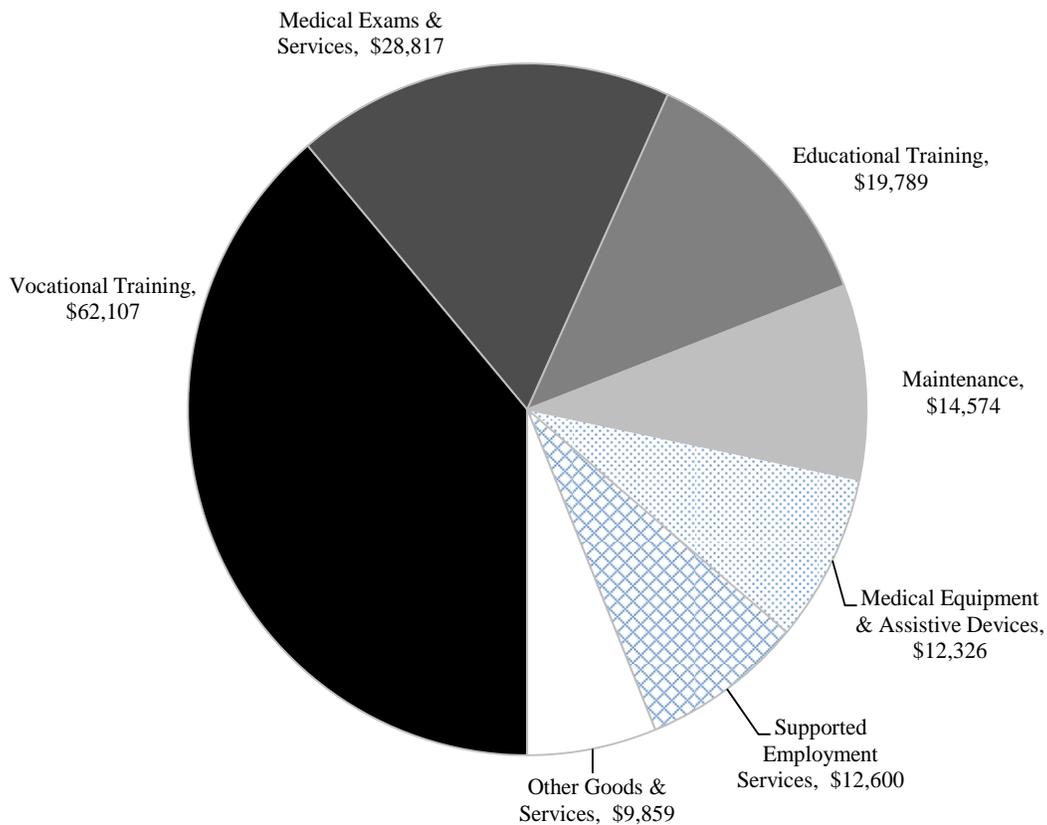
Auditors' review of client files found three basic types of errors: services provided that were not listed on the IPE, services provided by someone other than the approved provider on the IPE, and authorized costs that were either not listed or were exceeded. Our review also identified some services that appeared questionable or had descriptions that were too ambiguous to determine appropriateness, but we did not consider these items as errors in the files.

Services Provided Were Not Listed on the IPE

VR office policy requires that services not included on a signed and dated IPE should not be provided to the client as they have not been properly authorized. In interviews, VR office personnel stated that a limited number of diagnostic services during disability diagnosis, eligibility determination, and IPE planning are allowed to be authorized without having to be listed on the IPE; however, there are no written policies to specify these services.

In 113 of the 286 client files reviewed, we found services provided that were not on the IPE. The cost of these services totaled approximately \$160,100.

Exhibit 2
Services Not on IPE – Types and Costs



Source: Auditor's analysis of VR Client files.

As shown in Exhibit 2 above, the types of services authorized varied widely and included client maintenance (e.g., meals and transportation) as well as tuition, hospitalizations, and low-vision aids.⁶ One type of authorized service that was never on the clients' IPEs in our sample was wage reimbursements as part of the Wage Reimbursement Incentive program (WRIP). The procedures for this program do not address inclusion on the IPE. VR personnel stated that the WRIP program is considered as a type of on-the-job training, which should be on the client's IPE.

Service Provider on IPE Not Amended

VR office policies state that any change in a client's IPE requires an amendment. There is no policy that requires counselors to justify the need for an IPE amendment. During our review, we found instances where an amendment to the service provider should have been created. Specifically, in 58 client files, the service provider specified on the IPE was not used for some or all of the services authorized for the client. In some of the files, the client was the provider listed (i.e., the client was to self-pay for the service), but the VR office would pay a private provider or reimburse the client for the particular service. This scenario occurred most often with transportation, meals, and housing maintenance services. Similarly, the IPE would list the VR office or a Tennessee Rehabilitation Center as the service provider, but the authorization and invoice for the particular service would be issued to a private vendor.

Costs to VR Office Not Listed or Exceeded

In October 2009, the VR office created a new IPE form that included a column where, according to policy, the counselor is to specify the cost of the service to the client and to the VR office. The purpose was to clarify to the client who would pay what amount for the service. Our review found 14 client files in which the counselor did not specify a cost when all or a portion of the service cost was paid for by the VR office.

Additionally, VR office personnel state that if the cost of the service will exceed the amount specified on the IPE, an amendment to the IPE should be made to specify the new amount. In the client files we reviewed, we found four files where service costs exceeded the amount specified on the IPE, but no IPE amendment had been filed.

Questionable Authorizations and Ambiguous Descriptions

During our review, the auditors identified a number of services authorized before the initial IPEs were signed and questioned whether these services should have been authorized without an IPE. Auditors also questioned the appropriateness of a few services with ambiguous descriptions of either service type or service provider. The auditors did not include either of these areas when determining the error rate.

⁶ In Exhibit 2, tuition is categorized under educational training; hospitalizations, under medical exams and services; and low vision aids, under medical equipment and assistive devices. Vocational training includes services such as WRIP, job readiness, and job retention.

While certain services relating to diagnosis, eligibility, and IPE planning are allowed to be authorized without an IPE, we found many services that did not fall under those categories that were authorized before the initial IPE was signed. Overall, we questioned service authorizations costing almost \$25,300 in 53 client files. Some of these services included tuition and books, job coaching, and training and placement maintenance. We also questioned a variety of medical services such as certain specialty exams, mental health training, and psychological counseling.

Our review also identified unclear descriptions of service types and providers in 34 client files. One example is the use of the description “supported employment services,” which can generally describe about 16 individual services. Also, in some client files, counselors listed the service provider as “authorized vendor,” “various vendors,” or “TBD.”

The auditors identified several possible reasons why the IPE errors and omissions, questionable authorizations, and ambiguous descriptions occurred. First, because of the high number of services authorized but not listed on the clients’ IPEs, counselors may have chosen to disregard the policies regarding IPEs and service authorizations, and create authorizations and invoices for services not on the IPE.

Second, counselors may be confused about policies. Currently, there are three active written sources of policy: a 633-page policy and procedure manual, a 35-page policy manual, and 16 standard procedure directives. Counselors stated there was often confusion about policies; specifically, the confusion was caused by the number of policy documents and changes to policy occurring verbally or through email. Confusion regarding IPE policies may also have occurred because counselors can use multiple forms to document changes to a client’s IPE. While the client’s initial IPE must be created on the form entitled “Individualized Plan for Employment” (see Exhibit 3), changes can be made by creating an amended IPE on the same form or by writing out the change in narrative form on a program change letter or annual review letter.

With the planned September 2011 implementation of a new information system, Tennessee Rehabilitation Information Management System (TRIMS), the VR office reports that it will be making efforts that should lessen the counselors’ confusion and reduce the number of improper authorizations and invoices being created. TRIMS is a web-based case management tool for counselors and program management that will replace the current paper-intensive process. After the TRIMS implementation is complete, the VR office will complete 47 more standard procedure directives (for a total of 63) that will replace the 633-page policy and procedure manual. Also, because a client’s IPE will be created in TRIMS rather than on paper, all changes to the IPE will also be made within the system. Furthermore, the auditors observed that TRIMS appears to eliminate the ability for counselors to create authorizations and invoices without the service type and service provider being listed in the client’s IPE.

Exhibit 3 Individualized Plan For Employment

Page 3 of 6



Tennessee Department of Human Services
Division of Rehabilitation Services

INDIVIDUALIZED PLAN FOR EMPLOYMENT

1. NAME: _____ SSN: _____

2. SSI/SSDI Yes No CLIENTS WHO RECEIVE SSI/SSDI CASH BENEFITS BASED ON THEIR DISABILITY ARE EXEMPT FROM PARTICIPATING IN THE COST OF SERVICES USING PERSONAL FUNDS. HOWEVER, THEY ARE NOT EXEMPT FROM UTILIZING COMPARABLE BENEFITS TO PAY FOR SERVICES.

3. PROGRAM TYPE: INITIAL AMENDMENT

4. PROGRAM FOR: VOCATIONAL REHABILITATION SERVICES SUPPORTED EMPLOYMENT SERVICES
 TRIAL WORK EXPERIENCES POST-EMPLOYMENT SERVICES

5. SPECIFIC EMPLOYMENT OUTCOME _____

6. PROJECTED DATE OF ACHIEVEMENT OF EMPLOYMENT OUTCOME _____

7. SERVICES REQUIRED TO ACHIEVE THE EMPLOYMENT OUTCOME (IDENTIFY SERVICES AND SERVICE PROVIDERS CHOSEN BY THE INDIVIDUAL OR REPRESENTATIVE, METHODS USED TO PROCURE SERVICES, FUNDING SOURCES, ANNUAL AMOUNT OF ANY COMPARABLE BENEFITS, CLIENT AND DRS ANNUAL PARTICIPATION IN COSTS, AND TIMELINES FOR INITIATION OF SERVICES).

SERVICES	SERVICE PROVIDER	METHOD TO PROCURE SERVICE	FUNDING SOURCE (DRS; CLIENT; NAME OF COMP SERVICE OR BENEFIT)	ANNUAL AMOUNT OF COMP BENEFIT	CLIENT ANNUAL PARTICIPATION IN COST	DRS ANNUAL COST	INITIAL DATE OF SERVICE

Recommendation

Even though TRIMS appears to have been designed with some internal controls over client service authorizations, the VR office should make certain that the current manual and planned electronic controls are in place and working as designed so that only IPE-listed services are authorized for a client. These controls should be monitored frequently to detect whether personnel have circumvented any controls. In addition, management needs to take steps to ensure that information on the IPEs is not lost or inadvertently changed during the transition to the new system.

While the large policy and procedures manual will be replaced when the remainder of the standard procedure directives are written, the VR office needs to ensure that policies are consolidated and that counselors clearly understand them. Preferably, the policies and procedures should be explained in formal training settings or regular staff meetings. The counselors' understanding of policies and procedures is particularly important while TRIMS is being implemented, as counselors should understand why the system, for example, is limiting counselors' actions or is requesting certain data from the counselor or client.

Management's Comment

We concur in part. We agree that “substantial services” should be in the Individualized Plan of Employment (IPE), but we do not concur that all of the services listed by the auditor constitute substantial services. Only those services that have a substantial impact on the work goal are addressed on the IPE. There are many instances when a service is initiated, authorized, and appropriately documented in the case history and will not appear on the IPE.

- 4. The Vocational Rehabilitation Services office has not had the capability to efficiently and effectively monitor the costs of services provided at the residential Tennessee Rehabilitation Center in Smyrna as it has for the 17 non-residential, community-based rehabilitation centers across the state**

Finding

For financial management purposes, the Vocational Rehabilitation (VR) Services office monitors the total amount of expenditures for client services in its information system, Tennessee Rehabilitation Agency Client Tracking System (TRACTS). However, while the costs for services provided at the 17 community-based Tennessee Rehabilitation Centers (TRCs) are calculated in TRACTS, the cost of services provided at the residential TRC-Smyrna is not. VR office personnel were not aware of why TRACTS was not originally programmed to include TRC-Smyrna costs.

According to the Director of the TRC-Smyrna facility, management calculate the facility's cost per day by dividing the annual budget by the number of student days the facility operates (currently estimated to be \$136/day). This includes the assumption that the facility is operating at full capacity every day, which is reasonable with a waiting list of 400 students. The problem with this type of calculation is that the cost per day does not take into account the actual cost of providing the various types of services offered.

Without properly tracking the true costs of services at the Tennessee Rehabilitation Center in Smyrna, the VR office has incomplete information and cannot properly manage and monitor the complete cost of providing services to VR clients throughout the state. Staff state that a new information system – the Tennessee Rehabilitation Information Management System (TRIMS) – is currently being implemented that they believe will be able to track TRC-Smyrna costs and will have the capability to break down and report costs for all TRCs.

Recommendation

The Vocational Rehabilitation Services office should capture and track all client services expenditures at each individual TRC, including those of the Tennessee Rehabilitation Center in Smyrna, for management purposes. The Commissioner should ensure that the new TRIMS information system can track TRC-Smyrna as well as the 17 community-based TRCs' expenditures as promised, and is thoroughly tested prior to implementation. The Vocational Rehabilitation Services office should regularly calculate the cost of providing the various services at the Smyrna residential facility so that cost information can be compared to the community centers for management purposes.

Management's Comment

We concur. Tennessee Rehabilitation Center in Smyrna staff has limited access to TRIMS and we are evaluating other tools to enable the department to ensure the proper documentation of all expenses.

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- 5. The department and many of its contractors providing services on its behalf need to improve their continuity of operations plans to ensure they can continue to provide services should department/contractor buildings, equipment, and staff be directly impacted by natural or man-made disasters and other critical events**

Finding

Auditors reviewed U.S. Department of Homeland Security continuity of operations plan (COOP) templates and Federal Emergency Management Agency (FEMA) COOP guidance and assessment documents to determine the current best practices on the issue of continuity of operations planning. Based on this review, as of July 2011, the auditors found that the current Tennessee Department of Human Services (DHS) COOP that dates back to 2009, a 2011 revision not yet approved by the department, the data-only DHS Disaster Recovery Plan (as of March 2011), and the Emergency Workforce Management Plan (provided in December 2011 following receipt of the draft finding) do not address in appropriate detail all areas of departmental operations. Auditors also reviewed the documentation in the possession of the department (as of August 2011) for the required contractor disaster recovery plans. While most of these plans appear to be sufficiently detailed, many have weaknesses similar to those of the departmental COOP.

The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit certain weaknesses. Disclosing these vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the Department of Human

Services with detailed information regarding specific vulnerabilities as well as our recommendations for improvement.

Section 58-2-106 and 108, *Tennessee Code Annotated*, and the Tennessee Emergency Management Plan require TEMA to prepare a Tennessee Emergency Management Plan and maintain an accountable Emergency Services Coordinator (ESC) program. The Emergency Services Coordinators (departmental liaisons with TEMA) established under TEMA's authority and oversight are responsible for ensuring that their departments develop plans to ensure continuation of necessary agency functions and that suitable space is provided for personnel, equipment, and records essential for operations during times of emergency and/or disaster. For more on issues regarding the ESC program and continuity of operations plans, see the 2007 and 2011 Sunset Performance Audits of the Tennessee Emergency Management Agency at the Comptroller's website noted on the inside cover of this audit.

Effective continuity of operations planning facilitates the performance of essential functions during emergencies or other situations that might disrupt operations. Continuity programs and operations are simply good business practices that ensure government functions and services will be available to citizens under all conditions. Both the Tennessee Emergency Management Agency and the Federal Emergency Management Agency have staff and resources available (directives, guidance, and templates) to assist federal, state, and local agencies in the preparation of such plans.

Recommendation

The Department of Human Services provides essential regulatory, safety, and often life-dependent services to the citizens of Tennessee. The Commissioner and other staff should consult with state and federal emergency management officials as needed for advice on the preparation of a continuity of operations plan.

The commissioner should task each assistant commissioner with ensuring that programs and contractors under their oversight have developed and tested their respective parts of a department-wide detailed and comprehensive continuity of operations plan and that all management and supervisory staff have been trained to implement the continuity of operations plan.

Management's Comment

We concur. The Department of Human Services will consult with state and federal emergency management officials and develop a comprehensive continuity of operations plan. We will ensure the development of the plan in consultation with the Emergency Services Coordinator, the program divisions of the Department, support divisions, as well as the Commissioner's office.

- 6. Some policy and procedure manuals are not up-to-date and/or consistent with contract requirements or current practice and cause a situation where staff may take inappropriate action or fail to take action and require additional time and resources to correct**

Finding

For several years, management has communicated policy changes to Adult and Child Care Licensing and Child Support Services staff through a series of intradepartmental memoranda. In addition, Child Support Services staff must navigate the differences between practice, policy, and contract requirements to properly oversee contractor operations. Without consolidated, up-to-date policy and procedure manuals, staff and other resources may not be used to their maximum efficiency.

Adult and Child Care Licensing

The current Adult and Child Care Licensing Manual is dated June 2006 and is the latest, according to the director of Adult and Child Care Licensing. Page 4 (C) of the manual reads that the manual is updated at least quarterly.

The Adult and Child Care Licensing office notifies its staff of policy changes through Child and Adult Care Licensing Numbered Memorandums that can be found on the department's intranet. As of August 24, 2011, the office had issued 33 memos changing or clarifying policy and procedure since October 2006. The first memo (CCL Bulletin 001-06, Oct. 13, 2006) states, "Effective immediately, Child Care Licensing state office staff will issue numbered bulletin memorandums that will explain and clarify any Licensing policy and procedures. These bulletins will be used to introduce changes to policy and procedures. The Policies and Procedures Manual will continue to be updated on a regular basis, incorporating each bulletin. All Licensing staff are required to maintain copies of each bulletin in a file notebook for future reference. Supervisors please review with staff upon receipt, making sure contents are understood and followed."

However, the online manual has not been updated since 2006 and, as of August 24, 2011, the Adult and Child Care Licensing manual and policy update memos are not linked together on the department's internet or intranet website, and memos do not state, for the staff's benefit, where and what wording exactly in the manual is being changed. The same goes for communications from the department to adult and child care providers. DHS Provider Mailouts/Communications are made available on the department's internet site. However, the titles or labels of these mailouts do not adequately convey to a provider searching the website the importance of these communications and whether or not they include policy changes.

Child Support

Policy Manual Is Not Complete or Up-to-Date

The current, undated Child Support Services Manual was made available online to staff in 2009 and can be found on DHS's intranet site. As with Adult and Child Care Licensing, according to staff in the office of the director of Child Support Field Operations, policy changes and clarifications (along with other information) are communicated to staff through Information Memorandums and then incorporated into the online manual.

On August 15, 2011, the auditor reviewed all Information Memorandums (IMs) for calendar years 2005-2011 on the department's intranet site for Child Support Services Manual changes disseminated by IM.

Table 1
Information Memorandums
Calendar Years 2005-2011 (as of August 15)

Calendar Year	IMs Issued
2005	49
2006	49
2007	53
2008	35
2009	38
2010	36
2011	36

Changes to the Child Support Services Manual made by IM in 2005, 2010, and 2011 are all reflected in the online manual. However, five changes to the manual made in five different IMs in 2006, two changes made in two different IMs in 2007, and one of seven manual changes made in one IM in 2008 are not reflected in the current online manual.

As a result, if staff are aware that not all policy and procedure changes have been updated in the manual, Child Support staff must take the time to not only consult the manual but also sift through years of memoranda to determine current policy. If staff are not aware that the manual is not up-to-date (as may sometimes be the case as the Field Operations Office staff stated they assumed the online manual was being updated), actions taken by staff may be wrong and require additional time and resources to correct.

Policy Manual Contractor Oversight Requirements Do Not Conform to Practice or Contract Requirement

In all but one of the 31 Judicial Districts, Child Support Enforcement is contracted out – the District Attorney Generals Conference has 21 judicial districts; Policy Studies, Inc. (PSI), 4; Maximus, 3; and YoungWilliams, 2. The department itself runs the last remaining office.

According to the policy manual, the Division of Child Support Services is to conduct Program Reviews (PR or site visits) twice a year and Technical Assistance Reviews (TARs) every 18 months or within 6 months of the appointment of new key personnel by all Child Support Enforcement contractors. The contractors are required to submit Corrective Action Plans (CAPs) to address any problems found during site visits and TARs.

However, there are conflicts between policy, practice, and contracts. The department contracts with four different entities through ten different contracts to provide Child Support Enforcement services, but there are five different sets of requirements regarding the frequency of site visits (program reviews) and TARs, though all require Corrective Action Plans for both types of reviews when necessary.

**Table 2
Contract Review Requirements
By Judicial District**

	Periodic Site Visits	Regular Site Visits	Quarterly Site Visits	TARS Every 24 Months	Discretionary TARs
District Attorneys General Conference	1-3, 5, 8-9, 12-19, 22-26, 28, 31				1-3, 5, 8-9, 12-19, 22-26, 28, 31
Maximus	11	30	7	7	11, 30
PSI			10, 20, 21, 29	10, 21, 29	20
YoungWilliams	27		6	6	27

In addition, practice conflicts with both contract and policy. Staff state that

- beginning in 2008, if a judicial district was meeting its performance measures and the contract did not require quarterly visits, program coordinators would only conduct a case reading and not perform an actual site-visit;
- when scheduled, TARs are accepted in place of a quarterly site visit; and
- there is no formal follow-up on TAR corrective action plans and the required PR corrective action plans are not even being requested.

Auditors conducted a file review in August 2011 of PRs, TARs, and CAPs to determine whether contract oversight was being performed by program coordinators as frequently as required by policy. The review showed that since calendar year 2008, program coordinators have been performing site visits (Program Reviews) as required (at least twice a year) if not more frequently (quarterly) with the following exceptions:

- in the 2nd Judicial District, program coordinators conducted only two site visits in 2010 (2nd & 3rd quarter) and only two months apart

- in the 3rd Judicial District (2010) and 8th Judicial District (2011), program coordinators did not conduct at least two site visits every six months
- in the 8th Judicial District (1st & 2nd quarter 2011), 25th Judicial District (4th quarter 2010-1st qtr 2011), and 31st Judicial District (3rd & 4th quarter 2009), program coordinators conducted case readings back-to-back such that a site visit was not done every six months

The review also showed that since 2003, the Child Support division has typically performed TARs every 24 months in all judicial districts, rather than the 18 months as required by the policy manual. Of 135 TAR reports reviewed, using the oldest as the starting point,

- 93 of the 104 remaining TARs were performed more than 18 months after the last TAR; and
- 29 of the 93 were performed 24 months or more after the last TAR or, as of August 2, 2011, it had been more than 24 months since the last TAR.

Of the 97 required TAR CAPs, 2 CAPs and 4 departmental letters of CAP approval were missing.

These discrepancies between policy, practice, and contract requirements, and the differences between the contracts themselves, creates a confusing system for staff and contractors in which they are trying to effectively manage and may be contributing to the need for unnecessary additional time and other resources to perform Child Support Enforcement services.

Recommendation

The Commissioner should task the appropriate assistant commissioners and directors who supervise these areas of operations to ensure that policy and procedure manuals are kept current and properly dated and maintained and that contract language mirrors official policies and procedures. While it is understandable that policies and procedures must change and evolve based on practical and legal considerations, staff should have to search as few sources as possible to ascertain the current and correct requirements. Notices of policy changes should be incorporated into policy manuals on a frequent and regular basis. The director of department operations that contract with private vendors to provide services on the department's behalf should ensure that contract and policy language and practice are in agreement and, if not, that appropriate adjustments are made where necessary.

Management's Comment

We concur in part.

Adult and Child Care Licensing

We agree that the Adult and Child Care Licensing Manual dated June 2006 was not up to date. In order to avoid confusion it has been taken off the inter/intranet websites.

Child Support

We agree the Child Support Policy & Procedures Manual should be kept current, properly dated and maintained. We likewise agree that approved information disbursed through the information memorandum (IM) process should be reflected in the manual. We also agree that CS-06-01 & CS-07-37 were not properly updated.

We do not concur the remaining IM's were not included. The following were in the on-line manual: CS-06-02, CS-06-07, CS-06-19, CS-06-48, CS-07-22, CS-08-10.

We concur that contract language should mirror official policies and procedures. Appropriate staff will assess contract and policy language, as well as practices to ensure that the language and practices are consistent. The audit noted discrepancies between the policy directives requiring technical assistance reviews every 18 months or within 6 months of the appointment of new key personnel and actual practice and policy.

In 2008, due to a reduction in staff resources, Child Support Field Operations began conducting technical assistance reviews on a less frequent basis for offices with good performance and more frequent reviews for offices targeted as having lower performance.

The audit found that of 97 required TAR CAPs, 2 CAPs and 4 departmental letters of CAP approval were missing. The missing documents are addressed as follows:

Two Missing CAPs

- We concur the TAR CAP for the 8th JD is missing.
- The 19th JD submitted the CAP for July 11, 2011 on November 2, 2011. Not in September as anticipated.

Missing CAP Approval Letters

- The 1st JD corrective action plan is available for March 27, 2007, but we concur that the acceptable letter is missing.
- We concur that the CAP approval letter for the 8th JD for September 16, 2003 is missing, but this appears to be beyond the scope of this audit.
- The 19th JD submitted CAP November 2, 2011. Approval letter sent November 9, 2011.

- The 20th JD for October 8, 2002 CAP, there is a TAR dated September 9, 2001 and JD submitted CAP on October 8, 2002 and the approval letter was sent October 23, 2002. Again, this appears to be beyond the scope of the audit.

Auditor Comment

We have verified that the missing information memorandums (IMs) have now been included in the online manual.

7. While the department devotes significant resources to monitoring and auditing its programs' subrecipients, contractors, and clients, it needs to improve monitoring and auditing of its own internal program operations to ensure the efficiency and effectiveness of its operations

Finding

The Department of Human Services (DHS) has an Office of Inspector General (OIG) comprised at the time of audit fieldwork of four sections:

- Internal Audit – focuses primarily on financial reviews of providers participating in the Child Care Certificate Program, the Child and Adult Care Food Program, the Summer Food Service Program, and the Weatherization Program, as well as assisting in IRS reviews of the department's safeguarding of federal tax information.
- Program Review – reports to Internal Audit and focuses primarily on Policy 22 subrecipient monitoring in the Child and Adult Care Food Program, Summer Food Service Program, Weatherization, Community Services Block Grant, Low-Income Home Energy Assistance Program, and Social Services Block Grant. Department of Finance and Administration Policy 22 subrecipient contract monitoring determines subrecipients' compliance with state and/or federal program requirements, laws and regulations, and stated results and outcomes.
- Quality Control – is responsible for conducting federally required Food Stamp recipient household eligibility and financial reviews to determine the accuracy of authorized benefits and payments and reviewing Medicaid, TennCare Standard, and Families First cases. While administratively attached to the Inspector General's office, review results are reported to the appropriate program office and not formally reported to either the director of Internal Audit or the Inspector General unless a payment error is discovered, and then it is reported to the Investigations section.
- Investigations – is responsible for conducting investigations of overpayments including possible fraud and abuse in all DHS programs; performs statutorily mandated criminal

background checks for certain DHS employees and DHS regulated entities; and handles most internal investigations for the department.

Sections within State Audit regularly work with staff of the Office of Inspector General and have found them to be diligent and professional in their operations. However, based on interviews with the four directors of these sections of the OIG's office, reviews of the official internal audit plans for fiscal years 2006 through 2012, and reviews of the work performed by each section, it appears internal auditing and oversight are focused more on clients, providers, and subrecipients and less on regularly auditing internal DHS operations (i.e., the department's operation and oversight of its programs). While the Internal Audit section assists in performing IRS safeguard reviews and the Quality Control section performs reviews of a sample of Food Stamp cases for proper eligibility determination and payment, little else is routinely done that provides an independent review focusing internally on DHS program management and internal controls.

According to the Institute of Internal Auditors (IIA), the international professional association and recognized authority, internal auditing is an independent, objective assurance and consulting activity designed to help an organization accomplish its objectives by improving the effectiveness of risk management, control, and governance processes. The internal audit activity evaluates risk exposures relating to the organization's governance, operations, and information systems, in relation to

- effectiveness and efficiency of operations;
- reliability and integrity of financial and operational information;
- safeguarding of assets; and
- compliance with laws, regulations, and contracts.

IIA also states that, as a cornerstone of strong governance, internal auditing assesses the ethical climate and the effectiveness and efficiency of operations, and serves as an organization's safety net for compliance with rules, regulations, and overall best business practices. Management is responsible for establishing and maintaining a system of internal controls — structures, activities, processes, and systems that help management effectively mitigate the risks to an organization's achievement of objectives. Management is charged with this responsibility on behalf of the organization's stakeholders and is held accountable for this responsibility by elected officials and the public.

A strong internal auditing function is particularly essential for the Department of Human Services, which provides essential regulatory, safety, and often life-dependent, services to the citizens of Tennessee. To provide these services to a large number of clients with limited resources and many different problems, DHS must maintain a strong internal control system to mitigate the numerous programs' risks, manage a large staff spread across the entire state, and properly navigate the voluminous federal and state requirements of the various programs it oversees. Internal audit staff should include appropriate efforts to ensure that the internal control system is well designed and working as designed.

Recommendation

The Commissioner, with the assistance of the Inspector General, should regularly assess program risk for all department programs and regularly schedule (perhaps on a rotating basis) internal auditing activities based on those perceived risks. The department should focus an appropriate portion of its OIG resources toward internal audit activities that regularly assess departmental programs and their management and staffing, not just contractor/subrecipient/client compliance, to ensure the efficiency and effectiveness of departmental and program operations. These efforts should include an adequate emphasis on whether there are effective measures in place for department staff to independently monitor compliance with policies and procedures and to report noncompliance to those within the department who have the authority to further investigate such issues.

Management's Comment

We do not concur. We certainly agree that a strong internal auditing function is necessary. To this end the Department has been conducting regular assessments of risk within all areas of the department. Additionally, the whole department is in a constant state of looking for continued quality improvement and the OIG is certainly a part of this process. All of these processes, in addition to the breadth and depth of the OIG function, are a strong indicator of the Department's awareness of the value of internal audit.

It should also be noted that the Department has been audited at least once a year by staff from the Comptroller's Office on all federal programs. Just this past year alone representatives from the Comptroller's Office reviewed Supplemental Nutrition Assistance Program (10.551); State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (10.561); Weatherization Assistance for Low-Income Persons (81.126); Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act (84.390); Child Care and Development Block Grant (93.575); Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596); ARRA – Child Care and Development Block Grant (93.713); Temporary Assistance for Needy Families (93.558); ARRA – Emergency Contingency Fund for Temporary Assistance of Needy Families (TANF) State Programs (93.714); ARRA – Temporary Assistance of Needy Families (TANF) Supplemental Grants (93.716); Child Support Enforcement (93.563); Low Income Home energy Assistance (93.568); Community Services Block Grant (93.569); ARRA – Community Services Block Grant (93.710); Social Security – Disability Insurance (96.001); and Supplemental Security Income (96.006) for a total of over \$2.5 billion dollars audited.

It is also noteworthy that the Department's Audit Plan is sent to the Comptroller's Office each year for review. We have never been notified that our plan did not contain enough "internal" audit work. Likewise, we leverage work done by the Comptroller's Audit staff to help us monitor internal performance. Additionally, although outside the audit scope, the Department has already completed several projects which would be classified as "internal audit" work.

Finally, the auditing of program dollars outside of the Department does in fact demonstrate that internal controls are working as intended.

Auditor Comment

As discussed in the finding, the OIG completes reviews of sub-recipients and some contractors providing services on the department's behalf. However, the department should step back and introspectively review and assess the risks associated with its administration of programs and contracts. In addition to the safeguarding of assets and the reliability and integrity of data, internal auditing also involves evaluating the organization's internal governance, the efficiency and effectiveness of administrative operations, the efficient and effective use of departmental human resources, and the department's own compliance with laws, regulations, and contracts.

8. The department should report all confirmed employee and client fraud to the Comptroller's Office

Finding

Section 8-19-501, *Tennessee Code Annotated*, states that "any official of any agency of the state having knowledge that a theft, forgery, credit card fraud, or any other act of unlawful or unauthorized taking, or abuse of, public money, property, or services, or other shortages of public funds has occurred shall report the information immediately to the office of the comptroller of the treasury." However, the department is reporting only employee fraud, not client fraud, to the Comptroller's Office.

Section 8-4-503, *Tennessee Code Annotated*, requires a similar commitment from local government officials in that "a public official with knowledge based upon available information that reasonably causes the public official to believe that unlawful conduct has occurred shall report the information in a reasonable amount of time to the office of the comptroller of the treasury."

Recommendation

As the department is the recipient in fiscal year 2011 of an estimated \$177 million state dollars, in addition to the approximately \$2.7 billion federal dollars, the department should be reporting both employee and client fraud to the Comptroller's Office.

Management's Comment

We concur in part.

The Department takes very seriously its responsibility to report fraud to the Comptroller's Office and does in fact report employee fraud.

Likewise, the Department understands we are responsible to ensure the most efficient and effective use of taxpayer dollars through the detection of fraud waste and abuse and we have a statewide investigative function that serves this role. We understand our duty to report all instances of fraud that could have a material effect on our balance sheet. Since the Department's clients are not public officials §T.C.A. 8-19-501 does not apply to the reporting of client fraud.

While we are not opposed to reporting non-material fraud, we do note this to be duplicative of activities that are already occurring. Further, we are not sure the auditor considered the volume of reporting that would be compelled; and we are not sure of the timing of the reports. Should this recommendation stand, this will require further discussions with the Comptroller to work out the details. As we have stated previously, we take seriously our responsibility to safeguard taxpayer dollars.

Additionally, as a matter of technical response, it appears T.C.A. §8-19-501 addresses the bonding requirements of public officials and the stated legislative intent noted in T.C.A. §8-19-504 is "to hold liable any person, and thereby such persons bonding company." (Emphasis Supplied.) This statute appears to only apply to those officials whose office requires they be bonded.

Section 8-4-503 that is also cited appears to apply only to the requirement for local/county public officials to report unlawful conduct since the "public official" reference in Section 503 is defined in T.C.A. 8-4-502 as a "person elected or appointed to any office of a public entity". A "public entity" is then defined in the same code section "as any branch or agency of a county, municipality . . . or other political subdivision". Therefore, the requirement to report unlawful conduct under the cited code section is applicable only to officials as defined in Section 502, i.e. city, county officials and those of other political subdivisions of the State.

As stated previously, the Department takes seriously its responsibility to deter, detect and prosecute fraud waste and abuse. We will continue to use our Investigation Section to lead this effort on behalf of the Department.

Auditor Comment

We appreciate that the department takes seriously its responsibility to report fraud to the Comptroller's Office. We look forward to working with department management to determine the methods by which all client and employee fraud can be reported to the Comptroller's Office.

9. The department has no system to track contracts requiring Title VI monitoring and is not monitoring all service contractors for Title VI compliance

Finding

All programs or activities receiving federal financial assistance are prohibited by Title VI of the Civil Rights Act of 1964 from discrimination against participants or clients on the basis of race, color, or national origin.

Because the department receives federal funds, all those contracting with or receiving funds from any program within the department must comply with Title VI. This particularly includes those contractors providing services to citizens on behalf of the department and those subrecipients receiving federal funds through the department. While it appears that the department trains and monitors its own staff regarding Title VI, and is overseeing somewhat, through self-surveys, the child and adult care providers receiving federal funds from the USDA, the department is not monitoring for Title VI compliance contractors that are providing services to citizens on the state's behalf for programs such as Families First, Child Support, Weatherization, Child Care provider support services, and Vocational Rehabilitation. The department's Title VI coordinator, who is an Assistant General Counsel for the department, could provide no details on these areas of department operations. The Title VI coordinator has no tracking system of department contracts requiring Title VI monitoring to assist in ensuring all necessary and required monitoring is performed.

Recommendation

The Commissioner should ensure that the Title VI coordinator reviews all contractors, vendors, and subrecipients to determine those that must be monitored for Title VI compliance. The Title VI coordinator should then develop a tracking system that shows the contractors/vendors/subrecipients that do or do not require monitoring for Title VI compliance. This tracking system should ensure all self-surveying and active contract oversight monitoring is performed by the department as required. Any contractor providing services to citizens on the department's behalf must be monitored for compliance with Title VI.

Management's Comment

We do not concur. The report does not cite any federal requirement that the Department is responsible for monitoring Title VI compliance for all its subrecipients and contractors. 28 Code of Federal Regulations §42.105 only requires that the Department obtain assurances from its contractors that it will comply with Title VI's non-discrimination requirements. See 28 C.F.R. §41.105 (d).

The Department's Section of Program Review conducts onsite visits to various subrecipient agencies and the Department's program monitors conducted two hundred fifty-three (253) field and on-site reviews that included Title VI compliance monitoring during Fiscal Year 2011. Non-compliance was reported to the Title VI Coordinator.

The Department verifies compliance with Title VI by requiring all subrecipients to submit an annual Title VI Compliance Plan Survey. The three (3) page survey must be completed and returned to the Civil Rights Compliance Officer no later than May 31 of each year. The survey allows the Department to assess the subrecipient's compliance with Title VI.

Additionally and contrary to the report, the Department maintains a database that tracks the responses to the Title VI self-survey. The Department reviews each survey and determines whether the agency is in compliance with Title VI. If an agency is found to be out of compliance, the Department assists the subrecipients in curing any deficiencies by providing posters, pamphlets, training materials, and any other assistance necessary to achieve compliance.

Finally, the Department's compliance with Title VI has been actively reviewed by the USDA Office of Civil Rights, HHS Office of Civil Rights, and the Title VI Compliance Program of the Tennessee Human Rights Commission. None of the aforementioned federal and state oversight agencies has made any findings that the Department is failing to meet its obligations under Title VI with respect to monitoring, or obtaining the necessary Title VI compliance assurances from its subrecipients or contractors, nor do they require the Department to maintain any type of tracking system to determine if compliance is occurring with subrecipients or contractors.

Auditor Comment

According to 28 CFR, Section 42.104(b)(1) and (2), Section 42.105(d)(2), and the U.S. Department of Justice's *Title VI Legal Manual*, Section VI, a recipient of federal funds

- must provide for administrative methods that give reasonable assurance that primary and secondary recipients of federal funds comply with Title VI; and
- may not absolve itself of its Title VI obligations by hiring a contractor or agent to perform or deliver assistance to beneficiaries.

As the Department of Human Services is the recipient of federal funds, any person or business with whom the department contracts to provide services on its behalf to citizens of Tennessee must be monitored for compliance with Title VI.

As this is an issue that affects all agencies, we will obtain further detailed clarification from the Civil Rights Division of the U.S. Department of Justice and other federal agencies regarding their expectations from Title VI compliance monitoring.

OBSERVATIONS AND COMMENTS

The topics discussed below did not warrant a finding but are included in this report because of their effect on the operations of the Department of Human Services and on the citizens of Tennessee.

Revenue Maximization by the Division of Child Support Services – Fees and Cost Recovery

The fiscal year 2012 budget for the Child Support Enforcement (CSE) section of the Department of Human Services (DHS) includes “Other Services and Other Revenues” of \$25,109,800, or 34.6% of the budget. These “Other Services and Other Revenues” include fees that CSE is either required or allowed to collect for the services provided. See Table 3 on page 45.

Department management is considering increasing CSE’s funding by collecting and/or raising allowable fees and recovering more of the costs of services. CSE staff advised that consideration would need to include the timing of fee collections as well as the impact of the fee on the two major parties involved in the collection of child support — the custodial parent and the noncustodial parent. The CSE does not want to put an additional burden on the custodial parent, forcing them to rely more on state assistance, nor does the CSE want to place an additional burden on the child-support payer that could cause payments to be negatively affected.

Social Security Act

Application Fee. Section 454 of the Social Security Act [42 U.S.C. 654] allows states to collect an application fee for furnishing services to individuals who are not receiving assistance under a state program funded under Title IV, part A (Temporary Assistance for Needy Families) or E (Foster Care/Adoption Assistance), or under a state plan approved under Title XIX of the Social Security Act. The fee shall not exceed \$25 and can be collected from the individual receiving the services of CSE, from the absent parent, or be paid by the state out of its own funds. According to the State Plan for Support Collection, the state reduced the application fee from \$1.00 (paid by the custodial parent) to \$0.01 (paid by the state out of its own funds) in 1987. CSE staff estimate that the state averages around 30,000 non-assistance cases that receive child support services; thus, the cost to the state is around \$300 annually. By having the state pay this amount, the state can include the cost in the CSE operational cost, 66% of which is reimbursed by the federal government each quarter. If the department chose to collect this fee from the custodial or noncustodial parent, the state would have to report this amount as program revenue and return 66% to the federal government and classify the remaining 34% as current services revenue.

Before making the decision to charge the application fee to individuals not receiving assistance, CSE should perform a cost/benefit analysis to consider the cost associated with

updating the current computer system to automate collection and also the impact on the custodial and noncustodial parents. Will the fee imposed on the custodial parent result in the individual relying more heavily on state and/or federal assistance? Will the fee imposed on the noncustodial parent result in financial hardship that may result in them paying less child support or stopping payment altogether?

Annual Fee. The Social Security Act requires the state to collect an annual fee of \$25 from individuals who have never received assistance under a state program funded under Title IV part A and for whom the state has collected at least \$500 of support. The CSE collects the fee from the custodial parent by having the computer system deduct the amount from the child support sent to the custodial parent after the first \$500 has been collected. Table 3 on page 45 indicates that for the past three state fiscal years, the state has collected an average \$1.6 million in annual fees from child support payments for non-assistance cases.

Paternity Testing. CSE may also collect a fee for genetic tests to determine paternity. This fee is imposed on the noncustodial parent (NCP) who is responsible for the payment of child support. The federal government has created a 129-item priority list of how child support is to be allocated. The top of the list includes Current Child Support, Current Medical Support, and Current Spousal Support. The last item on the list is NCP Genetic Fees to the State. The state rarely collects enough child support to cover genetic testing.

Late Fee. In addition, Section 454 of the act allows the state to impose on the noncustodial parent a late payment fee (3 to 6 percent of support owed) on all overdue support. The state could only collect this fee after full payment of any overdue support and if it would not directly or indirectly result in a decrease in the amount of the support paid to the child (or spouse). The current Tennessee state plan has no procedure for the imposition of late payment fees.

Internal Revenue Service

Tax Refund Offset. The IRS imposes a \$25 fee when the state requests that the U.S. Secretary of the Treasury withhold past-due child support from an individual's tax refund. The IRS withholds the fee from the withheld child support amount sent to the state. CSE adds back the \$25 fee and sends the full amount to the custodial parent. The federal government reimburses the state 66% of this operational cost each quarter.

State Statute and Rules

Processing Fee. Effective November 9, 2002, Department of Human Services Rule 1240-2-3-.03 (pursuant to Sections 8-21-403 and 36-5-116, *Tennessee Code Annotated*) reduced the child support processing fee paid by the noncustodial parent for the collection and distribution of child support through the central collection system from 5 percent to 0 percent of child support payments due. This came as a result of a Consent Order in a federal class action lawsuit (Sharon Harp et al. vs. Natasha K. Metcalf, Commissioner, State of Tennessee Department of Human Services, 2001) and as a result of federal distribution rules that dictate that the fee cannot come out of or be used to reduce the amount of child support collected and applied to a case.

Collecting Reimbursement of Program Costs for Services Provided

The Department of Human Services has a Cost Allocation Plan that has been approved by the U. S. Department of Health and Human Services. This plan is used by the various divisions, such as CSE, to recover administrative costs from the federal government for operating the program. The federal government also reimburses CSE 66% of the operational costs incurred.

Section 454 of the Social Security Act allows the state to recover costs in excess of fees collected to cover administrative costs in non-assistance cases. According to the state plan, CSE does not collect any costs in excess of fees collected. But, CSE has not conducted a cost study to determine what the actual cost is of collecting child support. Some allowed reimbursable costs include Federal Parent Locator Services and State Directory of New Hires services. Federal Parent Locator Services is a database that states pay a fee to utilize when trying to locate parents. All states have access to this information. Rarely, states may directly request Tennessee to locate a parent they believe is in Tennessee but cannot be located using the federal database. The State Directory of New Hires is a directory required by the federal government to be established in every state to which employers are required to report new employees. The state can collect civil penalties from employers who do not report (\$25) or employers/employees who conspire to not report (\$500) new hire information. This type of information may be requested by other states or local governments, but the cost of providing this information is not recovered as it is provided to other states as a courtesy in anticipation of having to make similar requests.

Conclusion

CSE charges the mandatory annual fee (\$25) for collecting child support over \$500 for non-assistance cases, and the state pays the application fee for non-assistance cases (\$0.01). There are opportunities for CSE to recover costs of providing certain services (see Table 3 on page 45), but CSE has not calculated the actual cost of providing the service. Management stated that they are considering exploring areas where fees are allowed to be collected and recovering costs of services provided. The impact of requiring custodial parents and noncustodial parents to pay fees or costs of services provided will be an important part of the analysis — CSE management does not wish to cause an increase in custodial parents' dependence on assistance or cause the noncustodial parent to be unable to pay any or all of the actual child support.

Management's Response

The Tennessee Child Support Enforcement Program is, as stated in the audit report, reconsidering the fees and cost recoveries that are allowed under Title IV/D of the Social Security Act and implementing federal regulations. In these reconsiderations, we will look at the potential revenues to the program, the potential impact on the custodial parents of the children, and the potential impact on the non-custodial parents who are ordered to pay child support. We will also consider the cost of assessing, tracking, and collecting the fee or cost.

Revenue Maximization by the Division of Child Support Services – Incentive Payments to States

Section 458 of the Social Security Act [42 U.S.C. 658a] describes incentive payments to states. The payment to the state is calculated using five performance measures:

- paternity establishment
- support orders
- current payments
- arrearage payments
- cost-effectiveness

According to the most current information provided by the U.S. Department of Health and Human Services (see Table 4 on page 47), Tennessee ranked either 18th or 19th in the level of incentive payments when compared to the rest of the states (including the District of Columbia and three territories) in federal fiscal years 2004 through 2009.

The most current information available (federal fiscal year 2009) for performance indicator scores and incentives earned is presented in Table 5 on page 48. Out of 54 recipients of incentive payments, Tennessee ranked

- 39th in percent of paternity established,
- 49th in percent of support orders established,
- 49th in percent of current support collected,
- 38th in percent of arrearage collections, and
- 8th in cost-effectiveness ratio.

Table 6 on page 49, current through federal fiscal year 2010, provides a comparison of Tennessee with national and regional performance.

Changes from 2007 to 2008:

- In federal fiscal year (FFY) 2008, Tennessee had an 11% increase in the percentage of collections distributed compared to FFY 2007, compared to national and regional increases of 6.9% and 8.2%, respectively.
- Tennessee's cost-effectiveness performance (a measure of cost-efficiency) shows that, for every dollar spent collecting child support, Tennessee recovered \$6.09, compared to national and regional cost-effectiveness of \$4.79 and \$5.39, respectively.
- Tennessee also increased its full-time equivalent staff by 7.4% and total caseload by 3.5% from FFY 2007 to 2008.

Changes from 2008 to 2009:

- In FFY 2009, Tennessee had a 0.8% decrease in collections distributed from the year before, compared to a national decrease of 0.7% and regional collections that remained the same.
- Tennessee improved its cost-effectiveness when compared to FFY 2008 (increased by \$1.42 to \$7.50), compared to a national decrease of \$0.02 and a regional increase of \$0.28.
- Tennessee also realized a 10.4% decline in full-time equivalent staff but a 3.8% increase in total caseload. The national and regional full-time staff equivalents decreased by 2.5% and 1.6%, but the caseloads increased 0.8% and 0.9%, respectively.

Changes from 2009 to 2010:

- In FFY 2010, Tennessee collections distributed only increased by 0.1% over FFY 2009, compared to national and regional increases of 0.6% and 2.4%, respectively.
- Tennessee realized a \$0.83 decline in cost-effectiveness from FFY 2009, compared to a national increase of \$0.10 and a regional decrease of \$0.15.
- Tennessee's full-time equivalent staff decreased by 3.9%, but total caseload increased by 1.2% in FFY 2010. This was the second year to have a reduction in staffing and an increase in total caseloads. Nationally, the full-time equivalent staff declined by 3.1% and the region experienced a reduction of 2.5%. The national and regional total caseloads increased by 0.4% and 2.2%, respectively, over FFY 2009.

Conclusion

Over the past six years, Tennessee has ranked either 18th or 19th among the 54 recipients of the incentive payments to states (50 states, the District of Columbia, and 3 U.S. territories). Tennessee ranks in the lower third in four of the five areas of performance measurements but ranks in the top ten as far as program cost-effectiveness. It can be assumed that the current economic situation has impacted the Current Support Collected and Arrearages Collected indicators.

When federal fiscal years 2008, 2009, and 2010 are compared, Tennessee has a higher cost-effectiveness than the national and regional averages. It is also noteworthy that while the total caseload increased in both 2009 and 2010, the full-time equivalent staff number declined, meaning that fewer staff are handling larger caseloads.

Management's Response

The incentives cited are paid to states based on program performance in five specific areas. We are currently devoting significant attention to review data and develop ways in which we can improve our program performance in these five areas which will likely in turn increase the amount of incentives that we earn each federal fiscal year. States using administrative

processes in lieu of court processes are consistently among the highest performing states. We are evaluating state law to determine how best to maximize administrative processes in our Child Support Program. We are evaluating how best to achieve a more favorable balance between department-operated programs and vendor-operated programs. We are confident that there is progress that we can make in these areas.

Table 3
Child Support Enforcement
Federal Payments, Required Fees, and Allowable Cost Recovery

Revenue Source	Authority	Federal Payments; Mandatory/Optional Fees	Maximum Amount Allowed	Actual Amount Collected
Federal Payments to States	SSA Sec. 455 [42 USC 655]	Federal Payment	State reimbursed 66% of the cost of operating the program and appropriate administrative costs.	CSE Grant Awards FFY 07 \$51,858,797 FFY 08 \$50,840,856 FFY 09 \$43,134,643 FFY 10 \$40,697,489 FFY 11 \$38,200,474
Federal Incentive Payments (Performance Based) to States	SSA Sec. 458 [42 USC 658A]	Federal Payment	Incentive Payments based on State Performance Measures.	FFY 05 \$7,837,795 FFY 06 \$8,245,688 FFY 07 \$8,923,582 FFY 08 \$9,612,387 FFY 09 \$10,180,983
Grants to States for Access and Visitation Programs	SSA Sec. 469B [42 USC 669b]	Federal Payment	No less than \$100,000 annually.	FFY 10 Served 1,590 clients Served 2,604 children of clients FFY 09 \$187,753 FFY 10 \$181,834 FFY 11 \$184,527
Application Fee for Non-Assistance Cases	SSA Sec. 454 [42 USC 654]	Mandatory	\$25.00/application	\$0.01/Application (Paid to DHHS from State Funds)
Annual Fees on Non-Assistance Cases with Collections over \$500	SSA Sec. 454 [42 USC 654]	Mandatory	\$25.00 after collection of \$500	SFY 09 \$1,618,939 SFY 10 \$1,617,994 SFY 11 \$1,639,532
IRS Tax Refund Offset Fee	SSA Sec. 454 [42 USC 654]	Optional	\$25.00	State replaces the \$25 fee withheld from the tax refund by the IRS and is reimbursed 66% of the amount from DHHS.
Genetic Testing Fee to Determine Paternity	SSA Sec. 454 [42 USC 654] TCA 36-5-802	Optional	Recover cost of genetic testing from noncustodial parent.	Rarely collected due to federal priorities of applying child support to past-due payments.
Late Payment Fee	SSA Sec. 454 [42 USC 654]	Optional	3% to 6% of past-due payments	State elects not to collect late payment fees.

Revenue Source	Authority	Federal Payments; Mandatory/Optional Fees	Maximum Amount Allowed	Actual Amount Collected
Recovery of Costs in Excess of Fees Collected to cover administrative cost on Non-Assistance cases	SSA Sec. 454 [42 USC 654]	Optional	Cost > fee may be recovered from the noncustodial parent.	State elects not to collect program costs that exceed fees (has not calculated the cost of providing services).
Federal/State Parent Locator Service	SSA Sec. 453 [42 USC 653]	Optional	Recover cost, but cost has not been determined.	There is no fee to cover the cost of this service.
State Directory of New Hires Civil Penalties	SSA Sec. 453A [42 USC 653A]	Optional	Civil Penalties: \$25 – employer noncompliance, \$500 – employer/employee conspire not to comply	CSE staff unaware of any civil penalties collected.
Reimbursement for Child Support Payment Records	TCA 24-7-121	Optional	May establish “reasonable fee.” Cost has not been calculated.	No fee established. Information is available online at the CSE website.
Costs Related to the Provisions of New Hire Information to Other State/Local Governments	TCA 36-5-1106	Optional	May charge fee to cover cost. Cost has not been calculated.	No charge to other states or local governments.
Cost Related to License Revocation Enforcement	TCA 36-5-101(f)(5)(A)	Required	Individual seeking the information shall pay a fee set by the department for providing service. CSE has not calculated the cost of providing the service.	CSE does not charge a fee. CSE computer system interfaces with other systems of the professional agencies. CSE has not calculated the cost of providing the service.
Elimination of Child Support Processing Fee	TCA 8-21-403 & 36-5-116 DHS R/R 1240-2-3-.03	Mandatory	5% fee was reduced to 0%.	No fee collected.
Costs Related to Legal Expenses for Administrative Orders of Seizure, Levy, or Asset Sale	DHS R/R 1240-2-5-.15	Optional	DHS Legal Costs	Not a frequent occurrence. If money does come in, it is credited against the legal expenses of the Attorney General’s office.

Table 4
Tennessee Ranking Among 54 Recipients* of Incentive Payments
Fiscal Years 2004 Through 2009

Fiscal Year	Ranking	Amount Received	Total Amount Distributed	TN % of Total Amount
2004	18 th	\$7,766,731	\$454,000,000	1.71%
2005	19 th	\$7,837,795	\$446,000,000	1.76%
2006	18 th	\$8,245,688	\$458,000,000	1.80%
2007	19 th	\$8,923,582	\$471,000,000	1.89%
2008	19 th	\$9,615,969	\$483,000,000	1.99%
2009	18 th	\$10,180,983	\$504,000,000	2.02%

* 50 states plus the District of Columbia and Territories (Guam, Puerto Rico, Virgin Islands)
Source: U.S. Department of Health and Human Services, Office of Child Support Enforcement.

Table 5
Performance Indicator Scores and Incentives Earned
National Performance - 54 Recipients*
Federal Fiscal Year 2009

	Percent of Paternity Established (1)	Percent of Support Orders Established (2)	Percent of Current Support Collected (3)	Percent of Arrearage Collections (4)	Cost- Effectiveness Ratio (5)
Tennessee Ranking	39 th	49 th	49 th	38 th	8 th
Tennessee Score	90.57	66.24	52.65	59.90	7.51
Top Score	108.77	93.37	81.31	81.78	9.80
Bottom Score	79.14	56.08	48.05	46.54	1.90
Average Score	94.53	79.41	61.78	63.34	4.78

* 50 States plus the District of Columbia, Guam, Puerto Rico, Virgin Islands

- (1) Statewide Paternity Establishment Percentage = with respect to a state for a fiscal year, the ratio (expressed as a percentage) that the total number of minor children – (i) who have been born out of wedlock, and (ii) the paternity of whom has been established or acknowledged during the fiscal year, bears to the total number of children born out of wedlock during the preceding fiscal year.
- (2) Support Order Performance Level = the percentage of the total number of cases under the approved State Plan in which there is a support order during the fiscal year.
- (3) Current Payment Performance Level = the total amount of current support collected during the fiscal year under the approved State Plan divided by the total amount of current support owed during the fiscal year in all cases under the State Plan, expressed as a percentage.
- (4) Arrearage Payment Performance Level = the total number of cases under the approved State Plan in which payments of past-due child support were received during the fiscal year and part or all of the payments were distributed to the family to whom the past-due child support was owed (or, if all past-due child support owed to the family was, at the time of receipt, subject to an assignment to the state, part or all of the payments were retained by the state) divided by the total number of cases under the State Plan in which there is past-due child support, expressed as a percentage.
- (5) Cost-Effectiveness Performance Level = the total amount collected during the fiscal year under the approved State Plan divided by the total amount expended during the fiscal year under the State Plan, expressed as a ratio.

Source: Richard Paige, Director, Child Support Fiscal Services, Dept. of Human Services (received 8/30/2011).

Table 6
Child Support Enforcement
Incentive Payments to States
Tennessee Performance Compared to National and Regional

Fiscal Year 2008

	Nationwide		Region IV ⁺		Tennessee	
	Amount	Change from FY07	Amount	Change from FY07	Amount	Change from FY07
Collections Distributed	\$26,560,705,858	6.9%	\$4,223,560,611	8.2%	\$534,929,835	11.0%
-Current Assistance	\$ 977,640,254	3.3%	\$ 136,209,042	1.7%	\$ 43,211,694	-10.0%
-Former Assistance	\$ 9,940,415,119	5.0%	\$1,828,190,830	2.4%	\$175,235,550	-5.2%
-Never Assistance	\$12,009,211,914	6.1%	\$1,316,941,293	7.7%	\$203,161,177	3.0%
-Medicaid Assistance	\$ 3,633,438,571	16.6%	\$ 942,219,446	23.9%	\$113,321,414	NA
Total Expenditures	\$ 5,877,699,305	5.1%	\$850,122,353	8.3%	\$93,791,894	10.7%
Cost-Effectiveness* (\$ Change)	\$4.79	\$0.07	\$5.39	-\$0.03	\$6.09	-\$0.02
Paternities & Acknowledgements	1,783,088	3.1%	380,753	13.0%	79,762	12.3%
Orders Established	1,192,808	1.3%	307,899	3.0%	105,061	6.7%
Full Time Equivalent Staff	59,995	-0.2%	9,583	0.1%	1,120	7.4%
Total Caseload	15,675,989	-0.5%	3,130,725	1.0%	420,617	3.5%
-Current Assistance	2,048,241	-4.1%	348,347	-1.9%	82,858	-6.8%
-Former Assistance	7,068,930	-1.8%	1,431,032	0.7%	185,123	2.5%
-Never Assistance	6,558,818	2.1%	1,351,346	2.0%	152,636	11.5%
Net Undistributed Collections	\$ 704,018,474	49.2%	\$155,626,987	70.9%	\$15,626,457	47.0%
Arrears Amounts Due	\$105,548,155,058	-0.9%	\$18,508,242,226	4.3%	\$2,191,139,893	6.9%

*Cost-Effectiveness - The Fiscal Year Cost-Effectiveness Performance level for a state is equal to the total amount collected during the fiscal year divided by the total amount expended during the fiscal year, expressed as a ratio (the amount of Child Support collected for each dollar of expenditures for collecting Child Support).

+ Region IV – Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee
Source – U.S. DH&HS Office of Child Support Enforcement FY 2008 Preliminary Report (no date, but FY 2009/2010 were dated May of the following year).

Table 6 (continued)
Fiscal Year 2009

	Nationwide		Region IV ⁺		Tennessee	
	Amount	Change from FY 08	Amount	Change from FY 08	Amount	Change from FY 08
Collections Distributed	\$26,385,592,827	-0.7%	\$4,222,005,718	0.0%	\$530,651,486	-0.8%
-Current Assistance	\$978,127,090	0.0%	\$134,130,457	-1.5%	\$44,466,049	2.9%
-Former Assistance	\$9,293,931,882	-6.5%	\$1,705,864,132	-6.7%	\$140,747,011	-19.7%
-Never Assistance	\$11,936,424,542	0.1%	\$1,329,685,966	1.0%	\$191,418,844	-5.8%
-Medicaid Assistance	\$4,177,109,313	12.2%	\$1,052,325,163	11.7%	\$154,019,582	35.9%
Total Expenditures	\$5,849,699,175	-0.04%	\$801,295,903	-5.1%	\$75,371,798	-19.6%
Cost-Effectiveness* (\$ Change)	\$4.78	-\$0.02	\$5.71	\$.28	\$7.50	\$1.42
Paternities & Acknowledgements	1,810,564	0.7%	400,668	1.4%	82,883	16.7%
Orders Established	1,267,437	6.3%	316,757	2.9%	103,650	-1.3%
Full Time Equivalent Staff	58,516	-2.5%	9,432	-1.6%	1,004	-10.4%
Total Caseload	15,797,768	0.8%	3,160,074	0.9%	436,569	3.8%
-Current Assistance	2,179,652	6.4%	358,393	2.9%	90,741	9.5%
-Former Assistance	6,872,007	-2.8%	1,379,310	-3.6%	184,861	-0.1%
-Never Assistance	6,746,109	2.9%	1,422,371	5.3%	160,967	5.5%
Net Undistributed Collections	\$588,520,419	-16.4%	\$122,087,833	-21.6%	\$14,108,239	-9.7%
Arrears Amounts Due	\$107,638,651,677	2.0%	\$18,167,073,013	-1.8%	\$2,376,405,874	8.5%

*Cost-Effectiveness - The Fiscal Year Cost-Effectiveness Performance level for a state is equal to the total amount collected during the fiscal year divided by the total amount expended during the fiscal year, expressed as a ratio (the amount of Child Support collected for each dollar of expenditures for collecting Child Support).

+ Region IV – Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee
Source – U.S. DH&HS Office of Child Support Enforcement FY 2009 Preliminary Report, May 2010.

**Table 6 (continued)
Fiscal Year 2010**

	Nationwide		Region IV ⁺		Tennessee	
	Amount	Change from FY 09	Amount	Change from FY 09	Amount	Change from FY 09
Collections Distributed	\$26,555,741,023	0.6%	\$4,322,296,968	2.4%	\$530,996,736	0.1%
-Current Assistance	\$1,015,060,217	3.8%	\$138,756,450	3.4%	\$45,465,924	2.2%
-Former Assistance	\$8,971,138,329	-3.5%	\$1,676,214,150	-1.7%	\$128,587,313	-8.6%
-Never Assistance	11,840,173,746	-0.8%	1,315,090,202	-1.1%	180,061,452	-5.9%
-Medicaid Assistance	4,729,368,731	13.2%	1,192,236,166	13.3%	176,882,047	14.8%
Total Expenditures	5,775,633,834	-1.3%	841,810,135	5.1%	84,692,329	12.4%
Cost-Effectiveness* (\$ Change)	\$4.88	\$0.10	\$5.56	-\$0.15	\$6.68	-\$0.83
Paternities & Acknowledgements	1,733,973	-4.2%	377,017	-5.9%	78,577	-5.2%
Orders Established	1,297,020	2.3%	320,545	1.2%	95,944	-7.4%
Full Time Equivalent Staff	56,703	-3.1%	9,193	-2.5%	965	-3.9%
Total Caseload	15,858,602	0.4%	3,230,918	2.2%	441,655	1.2%
-Current Assistance	2,198,249	0.9%	360,222	0.5%	87,949	-3.1%
-Former Assistance	6,777,199	-1.4%	1,378,830	0.0%	186,228	0.7%
-Never Assistance	6,883,154	2.0%	1,491,866	4.9%	167,478	4.0%
Net Undistributed Collections	\$568,058,871	-3.5%	\$117,853,633	-3.5%	\$11,894,864	-15.7%
Arrears Amounts Due	\$110,261,308,005	2.4%	\$19,699,741,921	8.4%	\$2,532,738,528	6.6%

*Cost-Effectiveness - The Fiscal Year Cost-Effectiveness Performance level for a state is equal to the total amount collected during the fiscal year divided by the total amount expended during the fiscal year, expressed as a ratio (the amount of Child Support collected for each dollar of expenditures for collecting Child Support).

+ Region IV – Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee
Source – U.S. DH&HS Office of Child Support Enforcement FY 2010 Preliminary Report, May 2011.

Use of Federal Funding for Vocational Rehabilitation

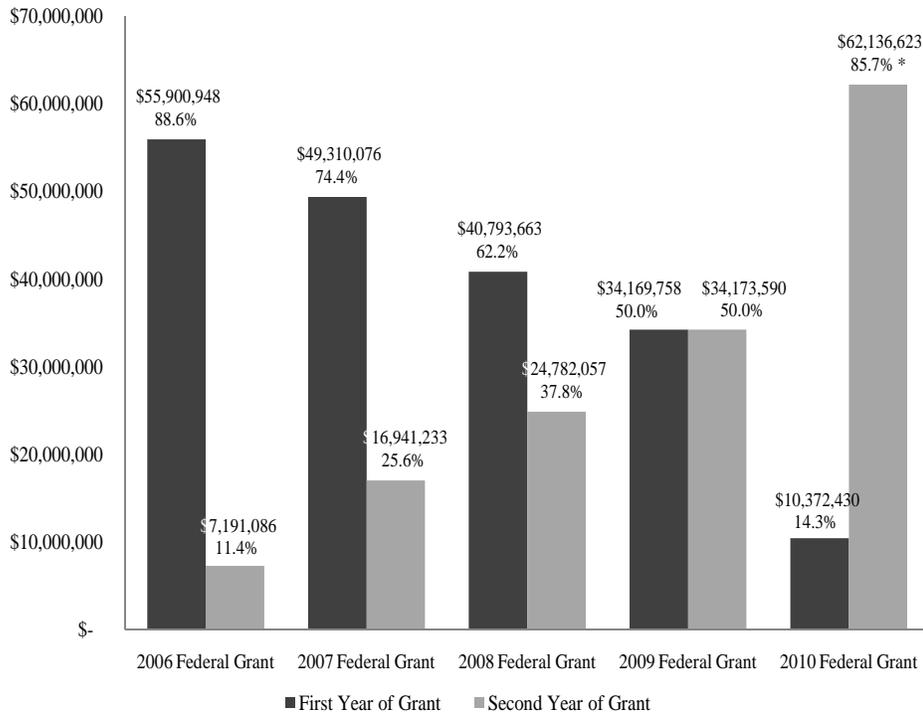
An increasingly large amount of Vocational Rehabilitation federal grant money is being carried over into the second year of the grant, raising the real possibility that the department may lose some of its available federal grant funds through reversion. These grant funds are essential to the Vocational Rehabilitation office's activities, and the office appears to be working to seek the matching funds required for the federal grant. However, the absence of a formal spending plan and the increased problems finding sources for the required matching funds make it more difficult for the office to maximize clients served and ensure that no federal funds must be reverted.

The main source of funding for Vocational Rehabilitation (VR) Services expenditures is the federal Vocational Rehabilitation Basic Support grant. Tennessee's recent grant award amounts have ranged from \$63.1 million in federal fiscal year 2006 to \$72.5 million in federal fiscal year 2010.

States that receive this grant are required to provide matching funds to the grant award – 78.7 percent federal funds to 21.3 percent non-federal funds. The VR Services office uses a variety of state, local, and private funds to match the grant. Examples of these match funds include state appropriations, establishment grants from institutions that contract with the VR office to establish or improve a community rehabilitation program, and funds provided by cities and counties to provide VR services for their eligible population. The Department of Human Services Fiscal Services office reports that these match funds are accumulated through mostly monthly or quarterly receipts throughout the grant's year of appropriation.

Grant recipients are allowed to carry-over obligated funds an additional fiscal year beyond the grant's federal fiscal year of appropriation, provided that the matching requirement is met by the end of the first year. An analysis of the VR office's carry-over amounts from the federal fiscal year 2006 through 2010 grants indicates the carry-over amount has increased steadily each year, as shown in Exhibit 4.

Exhibit 4
VR Basic Support Grant Expenditures (Federal Share)
Carry-Over Amounts After First Year Expenditures



*Second Year of Grant figures for 2010 grant were projected.
 Source: Auditor Analysis of Grant Reports.

For the federal fiscal year (FFY) 2006 Basic Support grant, approximately 89 percent of the grant was spent the first year, but for the 2010 grant, only 14 percent of the grant award was spent during the first year, leaving a carry-over amount of approximately \$62 million.⁷ If this expenditure pattern continues, the VR office may be unable to spend the grant funds during the two-year period, which would require the office to revert the unspent funds to the federal Rehabilitation Services Administration.

VR office personnel point to the difficulty of getting matching funds as contributing to the growing carry-over amounts. The VR office has been able so far to accumulate the required non-federal matching funds (e.g., \$19.6 million for the FFY 2010 grant) by the end of the grant's appropriation year in order to carry-over the federal funds. However, accumulating these non-federal funds has become more difficult. For example, match funds from school systems

⁷ During the first year of the FFY 2010 grant, the VR office finished spending the FFY 2009 grant and the \$12.2 million ARRA grant before starting to spend the FFY 2010 grant.

have declined 31 percent from FFY 2007 to FFY 2010 (\$654,000 to \$450,000). Also, interdepartmental transfers from the Departments of Health, Mental Health, and Finance and Administration have been completely eliminated.⁸ As a result, the VR office has used more of its state appropriation to accomplish the match – up to \$14.3 million in FFY 2010 from \$11.9 million in FFY 2007.

Even though more state appropriations have been used for the match, VR office personnel believe continuing to use more state appropriations for the state match would be beneficial to the VR program because such funds are more predictable than the other sources of matching funds and allow for more flexible spending of grant funds. The VR office has not requested a state appropriations enhancement for matching funds in recent years, but as other types of match funds are becoming more difficult to obtain, an enhancement may become necessary.

VR office personnel also stated that the absence of a formal spending plan in past years may have contributed to the large carry-over amounts, and that the office is in the process of developing a programmatic spending plan for the VR grant that focuses on VR client service expenditures. In the last fiscal year, client expenditures for VR services were approximately \$23.9 million; however, before the order of selection was put into place in 2001, the service expenditures were about \$40 million annually. The proposed spending plan would increase current client expenditures to about \$30 million per year in an effort to serve both priority category 1 and priority category 2 clients. For the explanation of “order of selection” and the priority categories, see page 5.

The Vocational Rehabilitation Services office should continue its efforts at creating a spending plan in order to serve more VR clients and limit the amount of carry-over each year. Because federal funding could be lost if these large carry-over amounts continue, the VR office should also consider requesting a state appropriations funding enhancement in order to provide a more predictable source of match funds for the federal grant.

Management’s Response

We have recognized the carry forward issue and we are developing a strategic approach to deal with all of the issues in Vocational Rehabilitation.

The Poor Economy and Vocational Rehabilitation’s Order of Selection Have Contributed to a Decreased Performance on Federal Employment Indicators

Because of decreasing performance on indicators that assess a vocational rehabilitation program’s impact on employment, the federal Rehabilitation Services Administration (RSA) has had to develop a program improvement plan for Tennessee’s Vocational Rehabilitation (VR) Services office. RSA uses six indicators, as shown in Table 7, to monitor the impact on employment. In federal fiscal year 2010 the VR office failed to meet RSA’s required

⁸ Interdepartmental Transfers from these departments totaled approximately \$1.3 million in FFY 2007.

performance level for successful employment outcomes (percentage and amount) as well as for the earnings ratio. RSA requires that a state pass a minimum of four indicators for two years consecutively to have the program improvement plan lifted.

Table 7
Tennessee’s Performance on RSA Vocational Rehabilitation Employment Indicators
Federal Fiscal Years 2008 Through 2010

Indicator	RSA Performance Level	FFY 2008	FFY 2009	FFY 2010
1. Change in Successful Employment Outcome: <i>Difference between number of persons achieving successful employment outcomes during current period and previous period</i>	Greater than or Equal to Prior Year	-344	-578	-255
2. Successful Employment Outcome Percentage: <i>Percentage of persons exiting the program after achieving successful employment outcomes</i>	55.8%	31.2%	54.8%	47.8%
3. Competitive Employment Outcome Percentage: <i>Proportion of persons achieving successful employment outcome (Indicator 2) that are employed in a competitive employment setting</i>	72.6%	90.6%	88.4%	92.6%
4. Significance of Disability: <i>Proportion of persons employed in a competitive employment setting (Indicator 3) who have a significant disability</i>	62.4%	93.4%	94.8%	93.8%
5. Earnings Ratio: <i>Ratio of average hourly earnings of persons employed in a competitive employment setting (Indicator 3) to the average hourly earnings of all employed persons in the state</i>	.52	.55	.54	.51
6. Self-Support: <i>For persons employed in a competitive employment setting (Indicator 3), the difference between the percent of persons who indicated their own income as their primary source of support at program exit versus at application</i>	53	65	59	70

Source: RSA and auditor’s analysis of VR data.

In particular, the successful employment outcome rate has been below RSA’s standard for the past three fiscal years. In federal fiscal year 2008, the rate had dropped 51 percent from the successful employment outcome rate for federal fiscal year 2007 (62.95%), because the VR office began closing the cases of clients whom the office was unable to locate or contact, who refused services, or who failed to cooperate,⁹ in an effort to remove such clients from the counselors’ caseloads.

⁹ Of the 5,489 unsuccessful closures in FFY 2008, 5,031 cases were closed for these three reasons.

Additionally, RSA explains that a drop in success rate is affected by the state's economy and the significance of the disabilities of clients in the caseload. In discussions with VR counselors throughout the state, the auditors found that, despite the services and counseling provided to the clients, the poor economy and being under an order of selection has made it more difficult to place their clients in jobs, thereby resulting in a lower successful employment outcome rate. The majority of the clients currently being served by the VR office are priority category one, or the most significantly disabled, and these clients are having to compete with persons without limitations for the same jobs.

RSA attributes successful employment outcomes and a high earnings ratio to a few factors: the appropriateness of the employment plan, the quality of job development, and providing vocational or post-secondary training services to the clients. VR counselors we interviewed throughout the state also stated that these factors can affect a client's employment outcome. Counselors' comments are summarized below.

- *Appropriateness of Employment Plans.* A counselor's role is to help the client choose an employment outcome that would be appropriate for the client and one in which the client could be successful. According to the counselors we interviewed, choosing a suitable employment outcome involves obtaining a good understanding of the client's disability and the limitations caused by the disability soon after the intake interview. A counselor may help the client to establish realistic goals by assisting the client in employment research, arranging job shadowing, or career exploration.
- *Quality of Job Development.* Counselors interviewed by the auditors described certain services offered by the VR office that develop a client's readiness to participate in the workforce. One of these services is job readiness training, which teaches job seeking and work maturity skills such as interviewing skills and personal appearance recommendations. Clients may also participate in work adjustment training that increases work tolerance and develops work habits in order to acclimate the client to the work world. Counselors also described the success of the Work Reimbursement Incentive program, now considered part of on-the-job training, which allows employers to train VR clients while the VR office reimburses the wages during the training period.
- *Training Services.* Many of the counselors we interviewed stated that completion of the training program in order to gain a specific skill set increases the likelihood that the client will be successfully placed in a job. These training programs can include post-secondary education or vocational training. One counselor estimated that of those clients who complete a training program, 90 percent will become successfully employed. RSA has also found that better trained clients obtain better paying positions.

Because the poor economy and order of selection appear to significantly affect the successful employment outcome rate despite the services the VR office provides to its clients,

Vocational Rehabilitation may continue to have a low success rate in subsequent years. Furthermore, the RSA program improvement plan may not be lifted.

Management's Response

Currently, the Department's leadership is reevaluating the program's interpretation of priority categories under an Order of Selection. Also, the Department is focusing on strategic ways to develop and cultivate employer relationships throughout Tennessee for persons with disabilities.

Approximately Half of Vocational Rehabilitation Counselors Do Not Meet a Federally Required Credential Standard, in Part Because of State-Required Hiring Practices That Do Not Reflect This Standard

The Rehabilitation Act Amendments of 1992 require each state vocational rehabilitation (VR) agency to establish a personnel standard for VR counselors, commonly referred to as the Comprehensive System for Personnel Development (CSPD) standard. The purpose of the standard is to ensure only qualified rehabilitation counselors are providing VR services and assisting individuals with disabilities to achieve employment outcomes through the VR program. The Rehabilitation Services Administration (RSA) believes that counselors meeting the CSPD more successfully assist individuals with disabilities to achieve high-quality employment outcomes.

Each state has some flexibility in choosing its CSPD standard. Tennessee's Vocational Rehabilitation (VR) Services office has adopted as its standard the degree required for the national Certified Rehabilitation Counselor designation, a master's degree in Rehabilitation Counseling (M-RC) or a closely related field.¹⁰ On August 2, 2011, the VR office reported that 48 percent of Tennessee's counselors meet this standard. Currently, on the official job classification specifications, the minimum education qualification for counselors in Tennessee's VR Services office (both VR Counselor 1 and 2 positions) remains a bachelor's degree (not limited to a relevant field), which is not consistent with the state's chosen standard.

RSA requires that, if a state's existing hiring standards are not based on the VR office's chosen CSPD standard, the VR office must develop a plan to retrain existing counselors and hire future counselors that meet the office's CSPD standard. The VR office has reported to RSA that by December 31, 2018, only counselors meeting the standard will perform the non-delegable duties of a counselor (e.g., eligibility certification and Individualized Plan for Employment development).

¹⁰ Based on the CRC eligibility criteria, these degrees include Counseling, Behavioral Health/Science, Disability Studies, Human Relations, Human Services, Marriage & Family Therapy, Occupational Therapy, Psychology, Psychometrics, Rehabilitation, Social Work, Special Education, and Vocational Assessment/Evaluation.

VR office personnel report that they are unable to hire applicants exclusively with Masters of Rehabilitation Counseling degrees because of the small applicant pool with these degrees. Tennessee has only two universities with M-RC degree programs – the University of Tennessee-Knoxville and the University of Memphis – from which counselors can be hired. While there are many online and distance learning programs throughout the country for M-RC degrees, VR office personnel stated that these programs have not helped increase the state’s applicant pool.

However, many of Tennessee’s colleges and universities have graduate degree programs in the closely-related fields that meet the CSPD standard. Our review of public and private schools throughout the state found at least 25 schools with masters and/or doctoral programs in fields such as counseling, social work, special education, and psychology. Graduates from these programs, if hired as VR counselors, could satisfy the CSPD standard.

VR counselors employed with the state have been provided opportunities and assistance from the VR office to pursue their M-RC through RSA-sponsored slots in online or distance learning programs. Since December 2010, 10 counselors have graduated with an M-RC degree and another seven are currently enrolled in a degree program. While these degree opportunities exist for the counselors, the percentage of counselors meeting the CSPD standard remains low. However, because the state’s hiring policy sets a bachelor’s degree as the minimum educational qualifications for VR counselor positions, the VR office cannot require that existing counselors obtain a master’s degree to remain in the same job classification.

In order to increase the percentage of counselors meeting the CSPD standard, the Vocational Rehabilitation Services office needs more job applicants with a master’s degree in Rehabilitation Services or a closely related field. The VR office should begin recruiting candidates directly from the two in-state M-RC programs and from both in-state and out-of-state universities and colleges that have degree programs in acceptable related fields. After recruiting efforts are in place, the VR office should consult with the Department of Human Resources in regard to changing a VR counselor’s minimum educational requirements to a master’s degree in the fields that meet the CSPD standard to ensure applicants meet the standard.

Management’s Response

We do not agree with the way the observation has oversimplified this complex issue that requires changes to state regulations, realignment with federal regulation and a job register that does not have a sufficient quantity of CRC qualified counselors. Additionally, Tennessee’s standard is: “must be deemed academically eligible to sit for the CRC exam.” This allows “closely related field” to be examined for CSPD compliance but does not make them “automatically compliant” as inferred.

We are currently working with the Department of Human Resources to update the Department’s standards in order to begin with a more qualified pool of applicants.

As Found in the 2006 Performance Audit, Vocational Rehabilitation Counselors Did Not Always Use TSAC's eGRandS System as Required to Determine Eligibility for Educational Benefits

The 2006 Department of Human Services audit found that Vocational Rehabilitation (VR) counselors did not always determine clients' eligibility for educational benefits using the Tennessee Student Assistance Corporation's eGRandS system.

In October 2009, the Vocational Rehabilitation Services office instituted a policy in which VR clients may be required to participate in the cost of training services at a college, university, or any post-secondary institution depending on a client's household financial circumstances. In order to determine a client's financial participation level, the VR counselor is required to complete a school funding worksheet using an eGRandS report to identify the source(s) and amount(s) of grant financial aid the client will receive. The school funding worksheet and the eGRandS report are required to remain in the client's case file located at a VR field office.

To determine if VR counselors complied with this policy, the auditors reviewed the files of 32 clients throughout the state who received training services from October 1, 2009, to March 31, 2011. Of these files, 11 clients received the type of training that required a determination of a client's financial participation level. In these 11 files, we found four files without the eGRandS report, the school funding worksheet, or both documents.

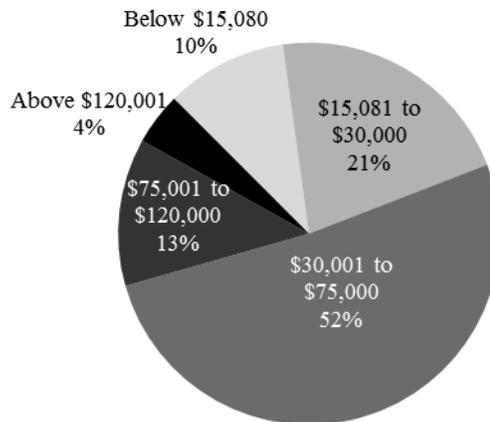
The VR Service office should ensure that VR counselors comply with the office's policy on determining a client's financial participation level and maintain the documentation of its compliance in the case file.

While Tennessee Business Enterprise Program Staff Take Steps to Help Facility Managers Increase Their Profitability, Some Facilities Continue to Generate Low Annual Net Profits

Facility managers report a wide range of net incomes for their facilities. Net profits reported in 2010 ranged from \$2,984 to \$524,943.¹¹ As shown in Exhibit 5, 31 percent (43 of 136) of TBE facilities earned \$30,000 or less, 52 percent (70) earned between \$30,001 and \$75,000, and 17 percent (23) earned more than \$75,000. The median net profit was \$43,858 during this period.

¹¹ These amounts include only net profit for those facilities open during all of calendar year 2010.

Exhibit 5
Tennessee Business Enterprise Facilities
CY 2010 Annual Net Profit



Source: Auditor Analysis of TBE Monthly Reports

As the pie chart above also shows, 10 percent (14) of the facilities produced a net profit for their managers below the current federal annualized minimum wage of \$15,080.¹²

The average net profit for individual facility managers varied depending on the type of business enterprise. Based on the 2010 reported net profits, combined commissary and vending facilities produced the highest average annual net profit of \$226,180. Commissary-only facilities also had a high average net profit (\$90,450), while highway vending facilities averaged \$35,255. Seventeen facilities have a history of generating low net profits.¹³ Most (11) of the 17 facilities are vending facilities. Fifteen of the facilities reported net profits of \$20,000 or below in each of the past three calendar years (2008 to 2010).

When a facility's net profit falls and remains below the standards set by the TBE program,¹⁴ it is the responsibility of TBE program staff to work with the facility manager to identify the causes. Program staff stated several factors which could contribute to low profitability.

¹² The annualized minimum wage amount is calculated based on 2,080 total annual hours multiplied by the federal minimum wage of \$7.25 per hour.

¹³ Low net profit is defined as a net profit in the lowest 25 percent of all net profits for TBE facilities for one calendar year.

¹⁴ The net profit percentage of gross sales standards ranges from 28 percent for commissary and commissary/vending facilities to 15 percent for on-site food preparation and cafeterias.

- High overhead costs and product wholesale costs could erode the sales generated by the facility.
- Sale prices of products could reduce sales overall.
- The location of the facility could affect a facility's profitability.
 - Facilities are located where the customer base is only seasonal (e.g., college campus).
 - Facilities have experienced increased competition from similar businesses open in the area.
 - Facilities have had a decrease in the customer population the facility serves.

See also Finding 2 on page 14 regarding auditor concerns over weak financial controls and poor business practices.

When program staff determine that the causes for low profitability are within the control of the manager, they create a plan of action for the facility that contains recommendations for improvement and a time frame to complete those recommendations. If the manager repeatedly refuses to comply with the recommendations in the time frame specified, program staff initiate disciplinary action, which could lead to a probationary period or termination of the manager's license. However, if the facility manager complies with the recommendations and the facility continues to have low profits, program staff stated they may consolidate the facility with another facility or close the facility. Program staff also stated that if a manager is satisfied with the facility, the program would neither consolidate nor close the facility until that manager left the program. Approximately two to three facilities are closed or consolidated each year.

Management's Response

As stated in the comptroller's report, the average net profit for individual facility managers varied depending on the type of business enterprise. Data reviewed from the Department of Labor indicates profits of TBE business owners are comparable to the profits of similar businesses within the state of Tennessee.

The Department Could Expand Its Analysis of Available Snap/Food Stamp Data to More Proactively Identify Recipients Who Are Potentially Trafficking Their Food Stamp Benefits

The U.S. Department of Agriculture's (USDA) Food and Nutrition Service funds SNAP to provide nutrition for low-income families, and each state administers its own program. In Tennessee, the Department of Human Services, through a federal-state agreement, determines applicant eligibility and issues Food Stamp Program benefits to needy Tennesseans using Electronic Benefits Transfer (EBT). (Electronic Benefit Transfer is an on-line system in which food stamp benefits are stored in a central computer database and electronically accessed by customers at a point-of-sale machine via reusable plastic cards.) Food Stamp benefits can only

be used to buy food for individuals meeting specific eligibility requirements and only at stores authorized by the USDA to accept food stamp benefits.

Food stamp fraud includes actions such as providing false information in order to obtain/maintain food stamp benefits or trafficking of food stamps. Food stamp trafficking could involve the illegal buying or selling of food stamp benefits for cash, drugs, and weapons. The Department of Human Services currently investigates tips of food stamp fraud received in e-mails or phone calls to its fraud hotline, and through referrals from other state agencies, local DHS offices, etc. The department also proactively reviews EBT transaction data, which is stored electronically, via a contract with J.P. Morgan-Chase, and this data can be reviewed and analyzed by the department to determine areas of high-risk for fraud or benefit trafficking. Currently the department's reviews of EBT data focus mostly on potential fraudulent activities by stores and individual client transactions that fit into specific set parameters.

Some stores violate the Food Stamp Program requirements by accepting food stamp benefits for cash at less than face value for unauthorized items such as tobacco and alcohol. If the department finds a problem with a store, there is a process for reporting the problem to the USDA, and the store can be put on a watch list. According to department staff, if they find a problem with a particular store, they can go back and look at clients using that store.

While the department proactively reviews the EBT data for stores and set parameters for client transactions, the department could use the available data for further data mining of client transactions. This would further mitigate fraud risk and the risk that clients are engaged in trafficking or other misuse of their food stamps benefits.

Management's Response

The Department takes seriously its responsibility to detect, investigate and collect on fraud, waste and abuse in the SNAP program. The observation does not note that TN was, in FY 2011, according to USDA, ranked second in the Southeast Region with over 9,980 referrals for the investigation with a savings of over \$11 million dollars. Additionally, we led the Southeast Region in Administrative Disqualification Hearings with over \$5.6 million dollars adjudicated.

The Department will continue to look for innovative ways to detect, deter and prosecute fraud.

Review of Appeals Processing Found That the Percent of Overdue Appeals Is Relatively Low, but There Are Opportunities for Improvement to the Appeals Resolution Tracking System (ARTS)

The Division of Appeals and Hearings processes appeals and conducts hearings for applicants and clients who are dissatisfied with any adverse administrative action taken by the department. Auditors' review of Families First, Food Stamps, Medicaid, TennCare, Child Support, and Rehabilitation Services appeals data found the following:

- while the percent of overdue appeals fluctuates, it remains relatively low;
- appeals that are considered overdue remain on the overdue list for an average of two months; and,
- the Appeals Resolution Tracking System (ARTS) provides management with limited reports, and the data in those reports have a few weaknesses that could be remedied with system changes.

Appeal Timeliness Requirements

Rule 1240-5-8-.01 states that the maximum time limit for processing appeals is 90 days for the Families First Program, TennCare, Medicaid, and Services Programs (i.e., programs in the Division of Adult and Community Services, Rehabilitation Services Division and Services for the Blind, and Child Support Division). Rule 1240-5-8-.01 further states that Food Stamp appeals are to be processed within 60 days. The time limit applies to the period extending from the date the request is received by the department until the date the Final Order is entered.

According to division management, the time guideline for intake of an appeal is 24-48 hours. Upon receipt of the appeal, management must determine that the appeal was received timely (i.e., within the required time limit for filing an appeal). Once this is determined, the conciliation process begins.

Department Monitoring of Appeal Timeliness

The department uses the Appeals Resolution Tracking System (ARTS) for processing, scheduling, and monitoring the status of appeals. Untimely appeals and the number of appeals, by specific task and program, are regularly monitored by Appeals and Hearings management using reports within ARTS.

Auditors originally requested a report listing closed cases by department program. The intent was to calculate the average time that it takes for the department to process a case from open to close. However, department management stated that there is not a report that reflects closed cases and to pull such a report would require separate programming and loss of resources. Therefore, auditors obtained a more readily available report that lists the appeals that are considered “overdue,” meaning not processed timely. This report is used to monitor appeal trends and to track the status and progress of appeals. The table below lists the active appeals, number of appeals overdue, and the percentage overdue as of June 30 for fiscal years 2009 through 2011.

**Table 8
Appeals Overdue
June 2009 – June 2011**

Program	June 2009			June 2010			June 2011		
	Active	Overdue	Percentage Overdue	Active	Overdue	Percentage Overdue	Active	Overdue	Percentage Overdue
Families First	1,221	84	7%	1,498	50	3%	1,342	113	8%
Food Stamps	3,953	503	13%	2,939	234	8%	3,441	430	12%
Medicaid	4,258	257	6%	3,195	197	6%	3,042	281	9%
TennCare	131	18	14%	46	5	11%	153	5	3%
Child Support	964	194	20%	685	121	18%	566	131	23%
Rehabilitation Services	2	1	50%	4	2	50%	3	0	0%
Total	10,529	1,057	10%	8,367	609	7%	8,547	960	11%

Source: Division of Appeals and Hearings.

The department has other programs that may occasionally receive appeals, but those are very minimal in number and therefore are not included in the above table.

Division management attributes most of the overdue appeals to factors beyond the division's control, such as an appellant requesting a continuance, delays in receiving medical records, delays in receiving HIPAA forms authorizing someone else to act on the appellant's behalf, and the time it takes to have documents translated. ARTS does not have the capability for staff to enter the reasons for delays into the system. Therefore, auditors cannot determine to what degree the overdue appeals are the result of department inefficiency or factors beyond the department's control.

As illustrated in Table 8 above, the number of active appeals as of June 2011 has decreased since June 2009, while the percentage of overdue appeals has increased. Department management provided the overdue reports for all months between July 2008 and June 2011. Before analyzing these reports to determine an average number of months a case was overdue, we tested the data to ensure that appropriate edit checks were in place and to ensure the reporting function was working properly. Each report includes the appeal date, process due date, and status date. The appeal date is the date the appeal was filed, the process due date is the date an action is due on the case, and the status date is the date of the last action on the case. Of the 21,788 cases listed on the overdue reports for the three fiscal years, one case had an appeal date after the status date, which means the appeal would have been filed after the case status date; four cases had blank process due date fields, which means there is not a mechanism in the system to ensure there is a date in this field; and 37 cases were closed before the process due date, which means that the case was never actually overdue.

Our discussions with department management had already revealed limitations (noted above) to the reports ARTS could provide. Our review of the data on the reports revealed that the system allows the process due field to be blank, and the reporting mechanism regarding cases closed in the month that an action was due does not take into consideration whether the case was closed before action was required. Correction of these items would require system changes. We removed these 42 cases from our population for analyzing the average months a case was on the overdue list.

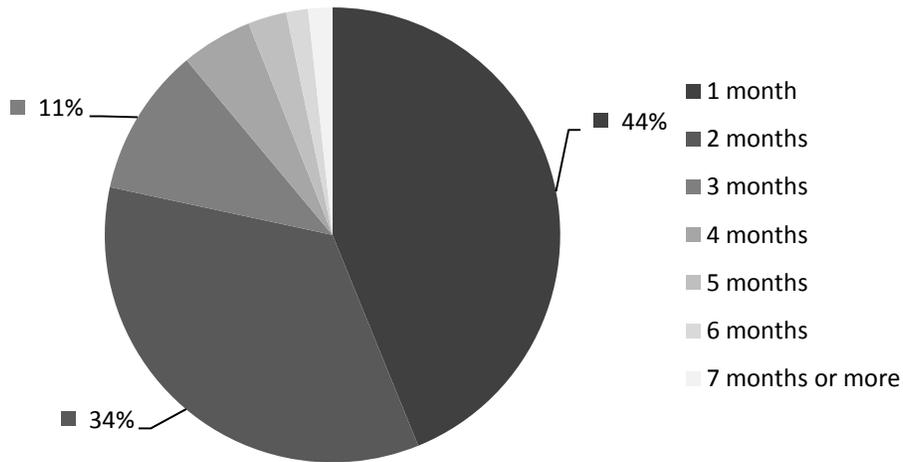
Next, auditors analyzed the reports of overdue cases by month provided by the department to determine the average number of months a case is on the overdue list. The following table lists the average months on the overdue list by program.

Table 9
Average Months on Overdue List
Fiscal Years 2009 – 2011

	FY 2009	FY 2010	FY 2011	Overall FY 2009- 2011
Child Support	2.41	2.33	2.48	2.58
Families First	1.96	2.11	2.24	2.18
Food Stamps	1.67	1.56	1.78	1.71
Medicaid	2.27	2.06	2.19	2.28
Rehabilitation Services	2.22	2.67	2.38	2.62
TennCare	3.06	2.14	2.46	3.03
Total	2.00	1.83	2.00	2.03

As you can see in Table 9, on average a case is overdue for a little over two months. The higher cumulative averages for the three-year period are a result of cases being carried over between fiscal years. For example, if a case was on the overdue list for May, June, and July 2009, it would have counted as two months for fiscal year 2009 and one month for fiscal year 2010; however, in the cumulative analysis, it would have counted as three months total. Exhibit 6 breaks down the overdue cases into the months they were on the overdue list. The majority of the cases were on the overdue list between one and three months.

Exhibit 6
Cases by Number of Months on the Overdue List
Percentage of Cases Overdue
Fiscal Years 2009, 2010, & 2011



While the average length of time a case is overdue is just over two months, there are cases that may be on the overdue list for several months, and there is one instance of a case being overdue for 22 months. However, those cases are rare.

The department should continue to track program appeals. The department may wish to consider weighing the cost and benefit of making changes to ARTS to allow for better reporting capabilities which, in turn, would provide for more precise tracking of an appeal. Examples of changes could be tweaking the system to allow the ability to enter reasons for appeal delays into the system and/or having a report listing the average time it takes to close a case. Changes such as these would allow management to have a more accurate representation of the cause of delays in processing and how long it takes to close an appeal.

Management's Response

The Department agrees there are opportunities for improvement within ARTS and we are already in the process of developing a new application. The new application will capture more information during the processing of an appeal to allow more precise tracking of data and provide more detailed reports.

Monitoring of the Families First Work Activity Provider Contracts

The Department of Human Services uses five contractors to provide the work activity component for Families First clients. Work activity components include unsubsidized employment, subsidized private sector employment, subsidized public sector employment, job search and job readiness assistance, work experience, community service programs, vocational educational training, job skills training, and adult education. The Adult and Family Services Contracts Division conducts quarterly site visits of all the contractors. A monitoring report is created after each site visit. The department requires contractors to submit a corrective action plan within 30 days when there is a finding in the monitoring report. A review of monitoring reports and corrective action plans for 2010 and 2011 indicates that DHS is monitoring the five contractors.

The contractors are East Tennessee State University (ETSU); MAXIMUS Human Services, Inc.; Policy Studies, Inc. (PSI); Structured Employment Economic Development Corporation (Seedco); and Workforce Essentials, Inc. Seedco, PSI, and MAXIMUS use subcontractors and are responsible for any of the subcontractors' deviances from contract terms. The contract terms are effective for April 1, 2007 – June 30, 2012.

The Adult and Family Services Contracts Division is responsible for monitoring the Families First work activity provider contracts. Staff are to conduct quarterly site visits of all the contractors. During these site visits, staff perform case readings, conduct file reviews, participate in training sessions, and conduct interviews with contractor personnel. Prior to June 2010, staff monitored the contracts by performing quarterly case readings. Case readings consisted of central office staff reviewing areas of compliance relating to attendance, timeliness of actions, correct number of client hours, employment documentation, etc. The move to site visits was an effort to make the monitoring more comprehensive and effective.

A monitoring report is created after each site visit. Auditors requested all monitoring reports from 2010 forward. The following table lists the contractor and the number of reports provided.

Table 10
Work Activity Provider Monitoring Reports

	Policy Studies	Workforce Essentials	Seedco	MAXIMUS	ETSU	Number of Reviews Completed	Number of Reviews that Should Have Been Completed	Completion Rate
2010	4	3	4	4	2	17	20	85%
2011	2	1	2	2	2	9	10	90%

According to staff, each contractor is to be monitored quarterly. However, as you can see in the table, not all contractors were monitored quarterly. Each contractor should have four monitoring reports for 2010 and, as of August 2011, at least two for 2011. Department

management attribute the lack of monitoring reports to staff transitions at the central office and with the contractors, inclement weather (e.g., the May 2010 flood and its aftermath), and the fact that regular monitoring (quarterly visits) did not begin until mid-June 2010.

As a general guideline, the department requires contractors to submit corrective action plans within 30 days when there is a finding in the monitoring report. An explanation of how the finding(s) will be corrected is contained in the plan. The process of requiring a Corrective Action Plan was instituted June 2010. Auditors reviewed Corrective Action Plans (and related correspondence) for each monitoring report that contained a finding. Our review found that corrective action plans were requested and submitted, and that the department reviewed the submitted plans, either approving or requesting additional information on planned corrective actions.

The department should ensure that monitoring reports are created and maintained after all contractor site visits, and should also continue to request corrective action plans when warranted. Quarterly monitoring reports along with correction action plans are important tools for ensuring contract compliance and appropriate client services.

Management's Response

As the report noted the Department monitors these contracts and holds the contractor accountable when they need corrective action. We will continue to evaluate and refine our processes in order to ensure the most efficient and effective use of these dollars.

RESULTS OF OTHER AUDIT WORK

Weatherization

As part of the *2010 Tennessee Single Audit Report* (pp. 86-114), the Division of State Audit conducted test work on the federal Department of Energy's Weatherization Assistance Program to determine whether the Tennessee Department of Human Services (DHS) and its subrecipients complied with the Weatherization Assistance Program's allowed and unallowed activities and costs. That audit reviewed the related client files, energy auditor files, and contractor files for 446 files from a population of 6,796 weatherized homes. The work also included site visits at 84 weatherized homes. The audit noted that contractors had not performed weatherization measures, had not properly completed the weatherization measures, or had performed work that was not allowable under the weatherization program.

Following the finding in the *2010 Tennessee Single Audit Report* regarding the state's operation of the Weatherization Assistance Program, we decided to determine whether

Tennessee's DHS was reviewing and analyzing the outcomes of the weatherization program to determine if the program was meeting its federal mission to "increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditures on energy, and improve their health and safety." (OMB Circular A-133 Compliance Supplement, Part 4[I])

The stated goals of the federal program on the Department of Energy's website are

- to "reduce the burden of energy prices on the disadvantaged" and
- to enable "low-income families to permanently reduce their energy bills by making their homes more energy efficient."

The only federal metrics listed, and that states are required to track and report, are

- the amount of funding provided to states and
- the number of homes weatherized.

Through

- review of the federal Weatherization Assistance Program website,
- review of federal statute and program rules,
- discussions with state DHS and federal Department of Energy program monitors, and
- review of state program review documents,

we discovered that such review and analysis to determine whether the program increased the energy efficiency of low-income persons' dwellings, reduced their energy costs, and improved their health and safety are not required by the federal program and is, therefore, not performed by the state.

Adult Day Care Facilities

Auditors' initial objective was to review oversight of adult day care licensure. When asked about the possibility that there were unlicensed adult day care facilities operating in Tennessee, department program staff acknowledged the possibility but believed it unlikely to be an issue because operating such a facility is expensive and an intensive endeavor. Staff also noted very few complaints in the last two years. Auditors followed up on these comments by conducting a comparison of state-licensed adult day cares (ADC) and entities listed on two websites as offering adult day care services. This comparison showed significant differences, which could have been the result of an ADC serving less than 10 people and, therefore, not being required to be licensed; or these differences could have indicated that entities were operating without the required license. Because of concerns raised by this comparison, we conducted a survey of 66 businesses that advertised adult day care services on two websites but were not

licensed to offer such services by the Department of Human Services. Our objective was to determine whether these businesses were offering adult day care services and, if so, were offering such services to ten or more persons, thereby requiring licensure by the state. Limited test work did not reveal the existence of adult day care providers operating illegally without a license. No further work was performed on this issue.

Status Update on Implementation of Vision Integration Platform (VIP)

According to the information systems plan of the Department of Human Services (DHS), the effective coordination and delivery of services to support Family Assistance programs (Families First, Food Stamps, TennCare/Medicaid, and Child Care) by the state and its partners mandate new software functionality and technology that do not currently exist within the legacy systems that date to the early 1990s and have already been extensively modified. In addition to replacing the functionality provided in these legacy systems, enhanced functionality will be provided in the new system to automate and streamline business processes.

DHS' original timeline for the VIP project was just over three years (January 30, 2006 - May 27, 2009), with a maximum liability of \$37,286,700. The contract term was amended in early 2009, to run through May 27, 2010. The contract term was amended again and approved by the Fiscal Review Committee on May 28, 2010, to run through June 30, 2012; at this time, the maximum liability was increased by \$846,000 to \$38,132,700.

As of August 2011, DHS has completed design and construction requirements, and is currently in the system test phase. DHS is preparing for user testing, training, and implementation. DHS is also completing design changes to functionality due to defects in current designs or new functionality requirements resulting from policy changes since the release of prior requirements. According to the VIP Systems Coordinator, there have been 42 change orders approved and added to the project. As these changes complete the design, they will move to construction and testing.

DHS' current schedule has the system test phase ending March 14, 2012, at which time the user acceptance test phase will begin. The pilot will roll out November 1, 2012, and full state implementation is projected for April 1, 2013.

As of June 30, 2011, DHS has paid \$18,645,489 on the VIP contract; \$2,058,473 of that is due to change orders. This leaves \$19,487,211 of the approved contract amount to be paid as the project reaches completion.

DHS has also had a contract with a third-party vendor to provide quality assurance/independence verification and validation for the VIP project. The first contract with North Highland Company ran from January 17, 2008, to August 31, 2010, and cost a total of \$796,000. The second and current contract with Fox Systems runs from November 1, 2010, to February 28, 2013, and has a maximum liability of \$415,744, of which \$103,936 has been paid.

Vocational Rehabilitation Counselor Training

Prior to October 2008, most of the training for Vocational Rehabilitation (VR) counselors was given by a Regional Rehabilitation Continuing Education Program (RRCEP) funded through a federal grant. The RRCEP for Tennessee provided training through a variety of sources including the University of Tennessee-Knoxville and Georgia State University.

When federal grant funding to the RRCEP was eliminated in October 2008, the state's Vocational Rehabilitation Services office (VR office) was not equipped to provide the specialized training similar to the training provided by the RRCEP beyond the training already being performed by VR supervisors and managers (such as new employee training or on-the-job training). As a result, the VR office began making plans to create a training unit that would replace the training capacity lost with the end of the RRCEP. On October 1, 2010, two employees were transferred to trainer positions, and this training unit will coordinate with the newly formed Department-wide Organizational and Performance Management group to provide training to VR counselors statewide.

RECOMMENDATIONS

ADMINISTRATIVE

The Department of Human Services should address the following areas to improve the efficiency and effectiveness of its operations.

1. The Commissioner should immediately assess how the FOCUS situation has evolved and take corrective action to ensure that the department obtains the type of system, with proper and necessary functionality and controls, that enables staff to effectively and efficiently centrally monitor cases, manage caseloads, and use the system. The Commissioner may want to solicit the assistance of the Office of Information Resources (OIR) within the Department of Finance and Administration (F&A) in these efforts and discuss the implementation problems with the EDISON team for their advice based on their implementation problems and experience. The Commissioner may also wish to seek advice from the Attorney General's Office regarding possible legal action against the vendor.

Department management should consider having a third party review the system and its current functionality.

Division staff should review available reports and determine what additional reports are necessary to efficiently and adequately manage cases.

The department should review default settings and processes for the system to ensure that cases and case information are not lost. The department should also regularly reconcile the system's reports to ensure that cases and case information are not being lost.

In the future, prior to implementing a new computer system, the department should consider an Independent Verification and Validation (IV&V), an independent review of a systems project that is conducted concurrently with its development. An IV&V provides assurance to the agency that the project is performed according to specifications and that it meets the requirements provided to the vendor for systems development. The Government Accountability Office stated in July 2011, "Adoption of IV&V can provide agencies with information to better manage their IT investments. To be effective, leading industry practices and government guidance recommend, among other things, that organizations adopt certain key elements of effective IV&V."

If the department does not have an IV&V of new systems, a method of continuous contract monitoring and system testing should be developed and documented to ensure problems like those encountered with FOCUS are avoided.

The department should use the experiences and lessons learned with the implementation of FOCUS to work with OIR and the Information Systems Council to improve methods for planning and execution of all state system contracts. Further, the process should require an agency to notify F&A/OIR, the Information Systems Council, the Attorney General, and the Comptroller's Office prior to amending contracts to extend the date of system delivery because of vendor problems.

2. TBE facility managers need to improve their business practices in several ways. These improvements include
 - performing cash reconciliations to readings from cash registers and vending machines;
 - making bank deposits as frequently as cash is removed from cash registers and vending machines;
 - limiting access to cash after it has been reconciled but before it is deposited in the bank and not relying on employees to make the deposits; and
 - comparing the deposit slips with the bank statements each month in order to monitor deposits for timeliness and accuracy.

The TBE program should train all facility managers in these practices either through on-the-job training or during the annual statewide managers' meeting. These practices should also be incorporated into the TBE entry-level training and operations manual.

The program should also develop policies to provide reasonable assurance that reported income and expenses are accurate and complete. While facility managers can continue to receive cash from sales, the ability for facility managers to use cash for business purchases and expenses should be limited (if not completely eliminated) through program policy. Also, the managers should maintain bank account and credit card statements with the invoices and receipts in order to reconcile purchases and expenses.

Facility managers should maintain documentation that supports revenue and expenses, and TBE staff should perform a complete review of this documentation as part of the semi-annual review. Adequate documentation should include evidence of cash reconciliations from registers and vending machines, bank account statements, credit card statements, and receipts and invoices. The program should also consider whether staff should monitor deposits as part of the semi-annual review, which would require the managers to maintain deposit slips in addition to bank account statements.

Program management should ensure that the financial reviews are performed twice a year as required.

If facility managers and TBE staff reviewers identify any indications of fraud, waste, or abuse, they should promptly report in writing these indications to TBE management. Examples of these indications of fraud, waste, or abuse would include missing support for transactions, discrepancies between related records and documentation, overages and underages in sales revenues, and failures to perform the recommended review and reconciliations timely. The TBE staff reviewers of operations should be required to include in their test work a review of these activities and to report any problems noted in their report, which should be filed with TBE management. TBE management should examine the reviews for indications of weak or overridden internal controls, ensure that mitigating actions are taken, and promptly report the situation to department management.

3. Even though TRIMS appears to have been designed with some internal controls over client service authorizations, the VR office should make certain that the current manual and planned electronic controls are in place and working as designed so that only IPE-listed services are authorized for a client. These controls should be monitored frequently to detect whether personnel have circumvented any controls. In addition, management needs to take steps to ensure that information on the IPEs is not lost or inadvertently changed during the transition to the new system.

While the large policy and procedures manual will be replaced when the remainder of the standard procedure directives are written, the VR office needs to ensure that policies are consolidated and that counselors clearly understand them. Preferably, the policies and procedures should be explained in formal training settings or regular staff meetings. The counselors' understanding of policies and procedures is particularly important while TRIMS is being implemented, as counselors should understand why the system, for example, is limiting counselors' actions or is requesting certain data from the counselor or client.

4. The Vocational Rehabilitation Services office should capture and track all client services expenditures at each individual TRC, including those of the Tennessee Rehabilitation Center in Smyrna, for management purposes. The Commissioner should ensure that the new TRIMS information system can track TRC-Smyrna as well as the 17 community-based TRCs' expenditures as promised, and is thoroughly tested prior to implementation. The Vocational Rehabilitation Services office should regularly calculate the cost of providing the various services at the Smyrna residential facility so that cost information can be compared to the community centers for management purposes.
5. The Department of Human Services provides essential regulatory, safety, and often life-dependent services to the citizens of Tennessee. The Commissioner and other staff should consult with state and federal emergency management officials as needed for advice on the preparation of a continuity of operations plan.

The Commissioner should task each assistant commissioner with ensuring that programs and contractors under their oversight have developed and tested their respective parts of a department-wide detailed and comprehensive continuity of operations plans and that all management and supervisory staff have been trained to implement the continuity of operations plans.

6. The Commissioner should task the appropriate assistant commissioners and directors who supervise the Adult and Child Care Licensing and Child Support areas of operations to ensure that policy and procedure manuals are kept current and properly dated and maintained and that contract language mirrors official policies and procedures. While it is understandable that policies and procedures must change and evolve based on practical and legal considerations, staff should have to search as few sources as possible to ascertain the current and correct requirements. Notices of policy changes should be incorporated into policy manuals on a frequent and regular basis. The director of department operations that contract with private vendors to provide services on the department's behalf should ensure that contract and policy language and practice are in agreement and, if not, that appropriate adjustments are made where necessary.
7. The Commissioner, with the assistance of the Inspector General, should regularly assess program risk for all department programs and regularly schedule (perhaps on a rotating basis) internal auditing activities based on those perceived risks. The department should focus an appropriate portion of its OIG resources toward internal audit activities that regularly assess departmental programs and their management and staffing, not just contractor/subrecipient/client compliance, to ensure the efficiency and effectiveness of departmental and program operations. These efforts should include an adequate emphasis on whether there are effective measures in place for department staff to independently monitor compliance with policies and procedures and to report noncompliance to those within the department who have the authority to further investigate such issues.
8. As the department is the recipient in fiscal year 2011 of an estimated \$177 million state dollars, in addition to the approximately \$2.7 billion federal dollars, the department should be reporting both employee and client fraud to the Comptroller's Office.
9. The Commissioner should ensure that the Title VI coordinator reviews all contractors, vendors, and subrecipients to determine those that must be monitored for Title VI compliance. The Title VI coordinator should then develop a tracking system that shows the contractors/vendors/subrecipients that do or do not require monitoring for Title VI compliance. This tracking system should ensure all self-surveying and active contract oversight monitoring is performed by the department as required. Any contractor providing services to citizens on the department's behalf must be monitored for compliance with Title VI.

10. The Vocational Rehabilitation Services office should continue its efforts at creating a spending plan in order to service more VR clients and limit the amount of carry-over each year. Because federal funding could be lost if these large carry-over amounts continue, the VR office should also consider requesting a state appropriations funding enhancement in order to provide a more predictable source of match funds for the federal grant.
11. In order to increase the percentage of counselors meeting the CSPD standard, the Vocational Rehabilitation Services office needs more job applicants with a master's degree in Rehabilitation Services or a closely related field. The VR office should begin recruiting candidates directly from the two in-state M-RC programs and from both in-state and out-of-state universities and colleges that have degree programs in acceptable related fields. After recruiting efforts are in place, the VR office should consult with the Department of Human Resources in regard to changing a VR counselor's minimum educational requirements to a master's degree in the fields that meet the CSPD standard to ensure applicants meet the standard.
12. The VR Services Office should ensure that VR counselors comply with the office's policy on determining a client's financial participation level through use of TSAC's eGRandS System and maintain the documentation of its compliance in the case file.
13. While the department proactively reviews the SNAP program's EBT data for stores and set parameters for client transactions, the department could use the available data for further data mining of client transactions. This would further mitigate fraud risk and the risk that clients are engaged in trafficking or other misuse of their food stamps benefits.
14. The department should continue to track program appeals. The department may wish to consider weighing the cost and benefit of making changes to ARTS to allow for better reporting capabilities which, in turn, would provide for more precise tracking of an appeal. Examples of changes could be tweaking the system to allow the ability to enter reasons for appeal delays into the system and/or having a report listing the average time it takes to close a case. Changes such as these would allow management to have a more accurate representation of the cause of delays in processing and how long it takes to close an appeal.
15. The department should ensure that Families First Work Activity Provider Contract monitoring reports are created and maintained after all contractor site visits, and should also continue to request corrective action plans when warranted. Quarterly monitoring reports along with corrective action plans are important tools for ensuring contract compliance and appropriate client services.

Appendix 1 Title VI and Other Information

In response to a request from members of the Government Operations Committee, we compiled information concerning federal financial assistance received by the Department of Human Services and the department's efforts to comply with federal non-discrimination requirements. For fiscal years 2010 through 2012, the department received or anticipates receiving approximately \$8.13 billion in federal funding.

All programs or activities receiving federal financial assistance are prohibited by Title VI of the Civil Rights Act of 1964 from discrimination against participants or clients on the basis of race, color, or national origin. The Department of Human Services' Title VI Coordinator is an Assistant General Counsel for the department. The department received 15 Title VI complaints in fiscal year 2010 – 12 racial and national-origin discrimination complaints; 2 age discrimination complaints; and 1 gender related complaint. None were found to be valid. One lawsuit that is currently pending was filed on the basis of racial discrimination.

Auditors reviewed the department's 2010 Title VI Plan and obtained and reviewed additional information regarding the department's Title VI-related activities from the Title VI Coordinator and other department staff. This review resulted in Finding 9, which details weaknesses in the department's monitoring of service contractors' Title VI compliance.

Other Information

Detailed below is a breakdown of department staff by job title, ethnicity, and gender, as well as information regarding department contractors.

Department of Human Services Staff by Job Title, Gender, and Ethnicity As of August 11, 2011

Title	Male	Female	Total	Asian	Black	Hispanic	Indian	White	Other	Total
Account Clerk	0	1	1	0	0	0	0	1	0	1
Accountant 2	8	1	9	1	1	0	0	7	0	9
Accountant 3	5	3	8	0	2	0	0	6	0	8
Accountant/Auditor 1	0	1	1	0	0	1	0	0	0	1
Accounting Manager	2	0	2	0	1	0	0	1	0	2
Accounting Technician 1	6	31	37	2	8	0	1	26	0	37
Accounting Technician 2	3	9	12	0	3	0	0	9	0	12
Administrative Assistant 1	1	39	40	1	16	0	0	23	0	40
Administrative Secretary	2	73	75	0	9	0	0	66	0	75
Administrative Services Assistant 2	2	15	17	0	6	0	0	11	0	17
Administrative Services Assistant 3	0	6	6	0	2	0	0	4	0	6
Administrative Services Assistant 4	1	7	8	0	2	0	1	5	0	8
Administrative Services Assistant 5	1	5	6	0	3	0	0	3	0	6

Title	Male	Female	Total	Asian	Black	Hispanic	Indian	White	Other	Total
Administrative Services Director 2	0	1	1	0	0	0	0	1	0	1
Administrative Services Manager	1	0	1	0	0	0	0	1	0	1
Assistant Commissioner 2	4	2	6	0	2	1	0	3	0	6
Attorney 3	19	29	48	0	9	0	0	39	0	48
Attorney 4	1	6	7	0	1	0	0	6	0	7
Audit Director 2	1	0	1	0	1	0	0	0	0	1
Auditor 2	0	1	1	1	0	0	0	0	0	1
Auditor 3	2	1	3	0	0	0	0	3	0	3
Auditor 4	2	1	3	1	0	0	0	2	0	3
Blind Services Rehabilitation Center Manager	0	1	1	0	0	0	0	1	0	1
Budget Analyst 2	1	0	1	0	0	0	0	1	0	1
Budget Analyst Coordinator	2	0	2	0	0	0	0	2	0	2
Building Maintenance Worker 2	4	0	4	0	2	0	0	2	0	4
Building Maintenance Worker 3	1	0	1	0	0	0	0	1	0	1
Business Enterprises Consultant 2	3	2	5	0	1	0	0	4	0	5
Business Enterprises Specialist	4	3	7	0	2	0	0	5	0	7
Business Enterprises Supervisor	2	1	3	0	1	0	0	2	0	3
Child Care Program Evaluator 2	7	176	183	0	64	0	0	117	2	183
Clerk 1	0	5	5	0	0	5	0	0	0	5
Clerk 2	15	77	92	0	59	2	0	30	1	92
Clerk 3	5	31	36	0	17	0	0	19	0	36
Commissioner 2	0	1	1	0	1	0	0	0	0	1
Communications System Analyst 4	1	0	1	0	0	0	0	1	0	1
Community Services Assistant	0	5	5	0	3	0	0	2	0	5
Computer Operations Manager 1	0	1	1	0	1	0	0	0	0	1
Custodial Worker 2	1	4	5	0	3	0	0	2	0	5
Custodial Worker Supervisor 1	0	1	1	0	0	0	0	1	0	1
Database Administrator 3	2	1	3	1	0	0	0	2	0	3
Deputy Commissioner 2	0	1	1	0	1	0	0	0	0	1
DHS Appeals Referee	2	12	14	0	7	0	0	7	0	14
DHS Appeals Referee Supervisor	0	1	1	0	0	0	0	1	0	1
DHS Area Manager 1	3	2	5	0	0	0	0	5	0	5
DHS Area Manager 2	2	2	4	0	1	0	0	3	0	4
DHS Child Support Technician	1	6	7	0	4	0	0	3	0	7
DHS Contract Manager	1	2	3	0	1	0	0	2	0	3
DHS District Invn Director	2	2	4	0	2	0	0	2	0	4
DHS Field Management Director 1	8	23	31	0	6	0	0	25	0	31
DHS Field Management Director 2	2	5	7	0	1	0	0	6	0	7
DHS Inspector General	1	0	1	0	0	0	0	1	0	1
DHS Investigative Specialist Supervisor	1	3	4	0	1	0	0	3	0	4

Title	Male	Female	Total	Asian	Black	Hispanic	Indian	White	Other	Total
DHS Investigative Specialist	8	24	32	1	12	1	0	18	0	32
DHS Planner	0	3	3	0	3	0	0	0	0	3
DHS Program Coordinator	24	69	93	1	41	0	0	51	0	93
DHS Program Director 1	8	26	34	0	9	0	0	25	0	34
DHS Program Director 2	6	6	12	0	3	0	0	9	0	12
DHS Program Director 3	5	7	12	0	2	0	0	10	0	12
DHS Program Director 4	2	2	4	0	0	0	0	4	0	4
DHS Program Manager	6	19	25	0	6	0	0	19	0	25
DHS Program Specialist	23	90	113	1	62	1	0	48	1	113
DHS Program Supervisor	4	26	30	1	8	0	0	21	0	30
DHS Special Investigator	3	8	11	0	2	0	0	9	0	11
Disability Claims Appeals Referee Supervisor	0	1	1	0	1	0	0	0	0	1
Disability Claims Appeals Referee	3	6	9	0	5	0	0	4	0	9
Disability Claims Director	0	1	1	0	0	0	0	1	0	1
Disability Claims Examiner 1	6	18	24	0	18	0	0	6	0	24
Disability Claims Examiner 2	78	100	178	2	52	3	0	118	3	178
Disability Claims Examiner 3	13	29	42	0	10	1	0	31	0	42
Disability Claims QA Reviewer	17	27	44	0	11	0	0	33	0	44
Disability Claims Supervisor 1	16	22	38	0	7	0	0	31	0	38
Disability Claims Supervisor 2	2	6	8	0	1	0	0	7	0	8
Distributed Computer Operator 2	2	2	4	0	1	0	0	3	0	4
Eligibility Assistant	8	113	121	1	63	2	1	54	0	121
Eligibility Clerk	2	106	108	0	51	1	1	55	0	108
Eligibility Counselor 1	41	172	213	1	96	2	0	114	0	213
Eligibility Counselor 2	310	1274	1584	5	539	9	5	1019	7	1584
Executive Administrative Assistant 1	1	1	2	0	1	0	0	1	0	2
Executive Administrative Assistant 3	2	3	5	0	1	0	0	4	0	5
Facilities Manager 1	1	0	1	0	0	0	0	1	0	1
Field Supervisor 1	54	224	278	1	79	4	0	192	2	278
Field Supervisor 2	2	6	8	0	1	0	0	7	0	8
Fiscal Director 1	5	0	5	1	1	0	0	3	0	5
Fiscal Director 2	1	0	1	0	0	0	0	1	0	1
Fiscal Director 3	1	0	1	0	0	0	0	1	0	1
General Counsel 4	1	0	1	0	0	0	0	1	0	1
Hearing Impaired Director	1	0	1	0	0	0	0	1	0	1
Human Resources Analyst 1	0	1	1	0	0	0	0	1	0	1
Human Resources Analyst 2	2	10	12	0	5	1	0	6	0	12
Human Resources Analyst 3	1	4	5	0	3	0	0	2	0	5
Human Resources Director 4	1	0	1	0	1	0	0	0	0	1
Human Resources Manager 1	0	2	2	0	1	0	0	1	0	2
Human Resources Manager 2	0	1	1	0	0	0	0	1	0	1

Title	Male	Female	Total	Asian	Black	Hispanic	Indian	White	Other	Total
Human Resources Technician 1	0	1	1	0	0	0	0	1	0	1
Human Resources Technician 2	0	2	2	0	2	0	0	0	0	2
Human Resources Technician 3	0	1	1	0	1	0	0	0	0	1
Information Resource Support Specialist 2	18	8	26	0	10	0	0	16	0	26
Information Resource Support Specialist 3	6	8	14	0	3	0	0	11	0	14
Information Resource Support Specialist 4	9	8	17	0	3	0	0	13	1	17
Information Resource Support Specialist 5	3	3	6	0	0	0	0	6	0	6
Information Systems Analyst 2	0	1	1	0	0	0	0	1	0	1
Information Systems Analyst 3	1	4	5	0	2	0	0	3	0	5
Information Systems Analyst 4	5	4	9	0	1	1	0	7	0	9
Information Systems Analyst Supervisor	1	2	3	0	1	0	0	2	0	3
Information Systems Associate	4	6	10	0	6	0	0	4	0	10
Information Systems Consultant	3	0	3	0	0	0	0	3	0	3
Information Systems Director 2	2	4	6	1	0	0	0	5	0	6
Information Systems Director 4	1	0	1	0	0	0	0	1	0	1
Information Systems Manager 1	1	0	1	0	0	0	0	1	0	1
Information Systems Manager 2	4	4	8	1	2	0	0	5	0	8
Information Systems Manager 3	5	1	6	1	1	0	0	3	1	6
Information Systems Manager 4	4	1	5	0	0	0	0	5	0	5
Information Systems Technical Consultant	1	0	1	0	0	0	0	1	0	1
Legal Assistant	9	10	19	0	7	1	0	11	0	19
Legal Services Director	0	1	1	0	0	0	0	1	0	1
Licensed Practical Nurse 2	1	6	7	0	4	0	0	2	1	7
Licensed Practical Nurse 3	1	0	1	0	0	0	0	1	0	1
Mail Clerk	0	2	2	0	1	0	0	1	0	2
Mail Technician 1	1	2	3	0	3	0	0	0	0	3
Managed Care Operator	0	3	3	0	3	0	0	0	0	3
Managed Care Technician	0	3	3	0	3	0	0	0	0	3
Nurse's Assistant 2	0	2	2	0	1	0	0	0	1	2
Occupational Therapy Assistant	0	1	1	0	0	0	0	1	0	1
Office Automation Specialist	0	4	4	0	1	0	0	3	0	4
Office Supervisor 1	0	17	17	0	10	0	0	7	0	17
Office Supervisor 2	0	6	6	0	2	0	0	4	0	6
Office Supervisor 3	0	4	4	0	4	0	0	0	0	4
Orientation & Mobility Specialist	1	0	1	0	0	0	0	1	0	1
Physical Therapist	0	1	1	0	0	0	0	1	0	1
Physical Therapy Technician	1	0	1	0	1	0	0	0	0	1
Physician-DDS	1	2	3	0	1	0	0	2	0	3

Title	Male	Female	Total	Asian	Black	Hispanic	Indian	White	Other	Total
Procurement Officer 1	0	4	4	0	2	0	0	2	0	4
Procurement Officer 2	1	0	1	0	0	0	0	1	0	1
Program Monitor 1	0	1	1	0	1	0	0	0	0	1
Program Monitor 2	3	4	7	0	1	0	0	6	0	7
Program Monitor 3	1	1	2	0	0	0	0	2	0	2
Program monitor 4	0	1	1	0	0	0	0	1	0	1
Programmer/Analyst 2	4	0	4	0	2	0	0	2	0	4
Programmer/Analyst 3	19	6	25	0	3	0	0	22	0	25
Programmer/Analyst 4	24	13	37	7	2	0	0	28	0	37
Programmer/Analyst supervisor	5	5	10	2	1	0	0	7	0	10
Psychological Examiner 1	0	2	2	0	0	0	0	2	0	2
Psychologist	2	0	2	0	0	0	0	2	0	2
Psychologist-DDS	3	3	6	0	0	0	0	6	0	6
Quality Assurance Reviewer	2	16	18	0	5	0	0	13	0	18
Recreation Therapist 1	1	0	1	0	0	0	0	1	0	1
Recreation Therapist 2	1	2	3	0	1	0	0	2	0	3
Recreation Therapist 3	0	1	1	0	0	0	0	1	0	1
Registered Nurse 2	0	2	2	0	0	0	0	2	0	2
Registered Nurse 3	0	3	3	0	0	0	0	3	0	3
Registered Nurse 4	0	1	1	0	0	0	0	1	0	1
Rehabilitation Assistant	14	40	54	0	16	0	0	38	0	54
Rehabilitation Assistant Supervisor	0	1	1	0	1	0	0	0	0	1
Rehabilitation Behavioral Instructor 2	3	6	9	0	3	0	0	6	0	9
Rehabilitation Instructor	0	1	1	0	0	0	0	1	0	1
Rehabilitation Instructor-Blind	1	15	16	0	0	0	0	16	0	16
Rehabilitation Superintendent	1	0	1	0	0	0	0	1	0	1
Rehabilitation Training Center Manager	5	11	16	0	1	0	0	15	0	16
Secretary	9	389	398	2	93	6	1	294	2	398
Security Chief	1	0	1	0	1	0	0	0	0	1
Security Guard 1	4	0	4	0	1	0	0	3	0	4
Social Counselor 1	1	5	6	0	0	0	0	6	0	6
Social Counselor 2	26	65	91	0	26	0	0	65	0	91
Statistical Analyst 2	2	1	3	0	0	0	0	3	0	3
Statistical Analyst 3	0	1	1	0	0	0	0	1	0	1
Systems Programmer 2	0	1	1	0	0	0	0	1	0	1
Telephone Operator 1	0	2	2	0	2	0	0	0	0	2
Training Officer 1	1	7	8	0	4	0	1	3	0	8
Vocational Rehabilitation Counselor 1	4	2	6	0	3	0	0	3	0	6
Vocational Rehabilitation Counselor 2	54	175	229	1	50	1	0	177	0	229
Vocational Instructor-Per Specialty	6	2	8	0	2	0	0	6	0	8

Title	Male	Female	Total	Asian	Black	Hispanic	Indian	White	Other	Total
Website Developer 2	1	0	1	0	0	0	0	1	0	1
Word Processing Operator 1	2	16	18	1	9	0	0	8	0	18
Word Processing Operator 2	0	1	1	0	1	0	0	0	0	1
Summary Totals	1,076	3,937	5,013	38	1,644	43	11	3,255	22	5,013

**Department of Human Services
Contract Breakdown
As of September, 2011**

Professional Services Contracts	Not Minority/Disadvantaged	Government	Small Business	Person with Disability	Female	Male	African American	Native American	Hispanic	Asian	Other
Administration	2	1						1			
Child Support	14	20								1	1
Family Assistance Services	15	7	3								1
Appeals & Hearings	2										
Child Care, Adult Protective Services, Community Support Services	7	6									
Vocational Rehabilitation	26	31	3	9	3						10
Disability Determination	17				12		2			1	2
Grant Contracts-Community Services	7	66									
Sub-Total	90	113	6	9	15	0	2	1	0	2	14
State-wide Contracts											
Administration	1					1					
Building	1					1					
Vocational Rehabilitation					1	7			1		
Disability Determination	1					2					1
Sub-Total	3	0	0	0	1	11	0	0	1	0	1
Total	93	113	6	9	16	11	2	1	1	2	15

Appendix 2 Performance Measures Information

As stated in the Tennessee Governmental Accountability Act of 2002, “accountability in program performance is vital to effective and efficient delivery of governmental services, and to maintain public confidence and trust in government.” In accordance with this act, all executive branch agencies are required to submit annually to the Department of Finance and Administration a strategic plan and program performance measures. The department publishes the resulting information in two volumes of *Agency Strategic Plans: Volume 1 – Five-Year Strategic Plans* and *Volume 2 – Program Performance Measures*. Agencies were required to begin submitting performance-based budget requests according to a schedule developed by the department, beginning with three agencies in fiscal year 2005, with all executive-branch agencies included no later than fiscal year 2012. The Department of Human Services began submitting performance-based budget requests effective for fiscal year 2005.

Detailed below are the Department of Human Services’ performance standards and performance measures, as reported in the September 2010 *Volume 2 – Program Performance Measures*. Also reported below is a description of the agency’s processes for (1) identifying/developing the standards and measures; (2) collecting the data used in the measures; and (3) ensuring that the standards and measures reported are appropriate and that the data are accurate.

Performance Standards and Measures

Administration

Performance Standard 1: Availability of the Child Support Enforcement computer system shall exceed 98%. (dropped from 99% the previous year)

Performance Measure 1: Percent of time Child Support Enforcement System is available.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
98.00%	97.18% *	98.00%	98.00%	98.00%

*Estimate

Performance Standard 2: Monitor the percentage of child care vendor invoices paid within ten days of receipt.

Performance Measure 2: Percent of approximately 140,000 child care invoices paid within ten days of receipt.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
97.80%	96.48% *	97.80%	97.80%	97.80%

*Estimate

The first performance standard is used to measure the online availability of the TCSES system for a particular duration of time. DHS Production Support produces a TCSES Batch Report every day that details the batch activity for the night, which contains a section titled “Monthly Downtime.” The performance measure result is calculated by dividing the total hours of uptime by total possible hours of uptime.

The second performance standard is used to measure how many of the invoices from child care vendors across the state are paid within 10 days of receiving them. This is important because it prevents a backlog of work for DHS employees and preserves relationships with vendors. Tennessee Child Care Management System collects data as DHS pays the child care providers over four different and overlapping payment cycles. The performance measure result is calculated by dividing the number of child care invoices paid within 10 days by the total child care invoices paid.

Field Operations

Performance Standard 1: Collection of random moment sample surveys must meet or exceed the federal minimum sample size.

Performance Measure 1: Percent of random moment sample size met quarterly.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
99.80%	100%	100%	100%	100%

This performance standard is used to measure the number of statistically valid samples Field Operations receive in order to reach the federally mandated minimum. RMS Plus is used to collect data, which is exported to and organized in an Excel spreadsheet by the planning section. The response rate is monitored daily and the samples are generated weekly based on the current response rate. The performance measure result is calculated by dividing the number of valid samples per quarter by 2,000 samples, which is the federally mandated minimum.

County Rentals

Performance Standard 1: Ensure functional office space for department employees is available each day the state is open for business. Active leases must be in place for each DHS office during the fiscal year.

Performance Measure 1: Number of active leases.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
133	133	133	133	133

The DHS Lease/Facility Administrator collects and verifies data. The performance measure result is calculated by counting the list of buildings under lease in Edison.

Appeals and Hearings

Performance Standard 1: Process Food Stamps appeals within a 60-day timeframe.

Performance Measure 1: Average monthly percent of Food Stamps appeals completed within 60 days.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
90.00%	83.00% *	90.00%	90.00%	87.00%

*Estimate

Performance Standard 2: Process Families First, TennCare, and Medicaid appeals within a 90-day timeframe.

Performance Measure 2: Average monthly percent of Families First, TennCare, and Medicaid appeals completed within 90 days.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
92.00%	87.00% *	91.00%	92%	90%

*Estimate

These performance standards are used to determine whether the applicable programs' appeals are processed in a timely manner and according to federal regulations. The data for these standards is collected from the Appeals Resolution Tracking System, which tracks all appeals from entry to completion. Reports are pulled from this system on a monthly basis and reviewed by the Assistant Commissioner for Appeals and Hearings. Both performance measure results are calculated first by each month's percentage using the formula: number of appeals (in the given performance measure) completed within 60 days divided by total number of appeals (in the given performance measure). The results from each month are averaged over the course of the year to get the final performance measure result.

Child Care Benefits

Performance Standard 1: Maintain Child Care rates at the 45th percentile of the market rate.

Performance Measure 1: Average percentile rate at which child care assistance is paid.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
45 th	37 th *	45 th	45 th	45 th

*Estimate

This performance standard is used to identify how the payment rate for child care subsidies compares to the child care market rate. The University of Tennessee establishes the market rate, and the rate set for child care subsidies is established based on appropriations made by the legislature. The child care subsidy rate paid is based on age of the child, type of provider, and location of the facility. These rates are simply compared to the child care market rate established by the University of Tennessee to determine the percentile.

Temporary Cash Assistance

Performance Standard 1: Monitor the monthly participation rate of families receiving temporary cash assistance.

Performance Measure 1: Average number of families receiving monthly temporary cash assistance payments.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
60,000	62,075 *	58,000	62,500	62,000

*Estimate

This performance standard is used to monitor the Families First program caseload. The data for this performance measure is collected monthly through the infopac report GRP850. The data from the GRP850 is the performance measure result.

Food Stamp Benefits

Performance Standard 1: Monitor the appropriate monthly participation rate of individuals receiving benefits.

Performance Measure 1: Number of individuals receiving monthly food stamp benefits.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
940,000	1,192,900 *	1,044,900	1,220,000	1,200,000

*Estimate

Food Stamp Benefits staff use monthly participation reports generated by their eligibility system in comparison with annual American Community Survey (ACS) Census data to measure growth, potential growth, and program reach. Prior year performance is based on a comparison of average monthly participation for the calendar year compared to the total number of individuals

living at or below 125% of poverty as reported on the annual ACS. Potential program growth is a measurement of the ACS increase from calendar to calendar year of those individuals living at or below 125% of poverty. A measure of Food Stamp Benefits actual performance is not available until well after the year has ended. (Census data the USDA uses in measuring performance is not published until eight or nine months after the calendar year ends.)

Family Assistance Services

Performance Standard 1: Meet or exceed the Federal Work Participation Rate for TANF clients.

Performance Measure 1: Families First’s Work Participation Rate (WPR).

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
50.00%	50.00% *	50.00%	50.00%	50.00%

*Federal Fiscal Year Estimate

Performance Standard 2: Increase Food Stamp payment accuracy rate to 95.00%.

Performance Measure 2: Food Stamp payment accuracy rate.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
95.00%	97.00% *	95.00%	95.00%	95.00%

*Federal Fiscal Year Estimate

The state estimates the Work Participation Rate (WPR) on a monthly basis. The state transmits monthly files four times a year to U.S. Health and Human Services. The calculation of the WPR is an extremely complicated process that is prescribed by the federal government. The target begins at 50%, but is adjusted downward based on declines the state experienced in its average monthly assistance over the prior fiscal year compared to the base year (2005).

Quality Control Reviewers collect data year-round via face-to-face interviews with clients throughout the state. They enter the results of their interviews into a database. The performance measure result is first calculated on a monthly rate by dividing food stamp dollars spent on erroneous cases by food stamp dollars spent on completed cases. The results from each month are averaged over the course of the year to get the final performance measure result.

Community Services

Performance Standard 1: Monitor the percentage of child care complaints investigated and resolved within 30 days.

Performance Measure 1: Percent of child care complaints investigated and resolved within 30 days.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
97.00%	97.00% *	97.00%	97.00%	97.00%

*Estimate

Performance Standard 2: Increase the percentage of vulnerable adults with reduced risk.

Performance Measure 2: Percent of valid Adult Protective Services cases with risk reduced.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
86.00%	82.00% *	88.00%	88.00%	88.00%

*Estimate

The first performance standard allows licensing staff to address issues immediately with actions that prevent further violations or harm while allowing time to fully investigate all aspects of the complaint and any additional issues that the investigation brings to light. Field supervisors and program supervisors run a Regulated Adult and Child Care System (RACCS) Complaint Detail Report monthly to determine if the 30-day mark is being met, and if not, address corrective measures with program evaluators. The performance measure result is calculated by dividing the number of child care complaints resolved within 30 days by the total number of child care complaints.

The second standard is used to measure the program's effectiveness at reducing the risk of abuse, neglect and financial exploitation for vulnerable adults. This is important because it accomplishes the stated goal of the program. APS Staff collect data continuously using the new FOCUS system. They run reports monthly and review them to measure progress. The performance measure result is calculated by dividing the number of APS cases with reduced risk by the total number of APS cases.

Child Support

Performance Standard 1: Increase the percentage of child support cases with court orders.

Performance Measure 1: Percent of cases with child support orders.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
67.00%	67.00%	70.00%	70.00%	70.00%

Performance Standard 2: Increase the percentage of current support collected.

Performance Measure 2: Percent of current support collected.

Target	Actual	Target	Estimate	Target
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FY 2009-2010	FY 2009-2010	FY 2010-2011	FY 2010-2011	FY 2011-2012
56.80%	52.00%	53.50%	53.50%	54.00%

Under the federal performance-based incentive/penalty system, a state's support order performance level is one of the indicators used to determine maximum incentive levels available to the state. In addition, failure to attain certain levels of support order performance may result in the imposition of financial penalties. Data is maintained in the Tennessee Child Support Enforcement System (TCSES). A report that includes this performance measure is generated monthly, as well as annually using data extracted from TCSES. Data from this report is used by the federal Office of Child Support Enforcement to establish Tennessee's level of support order establishment and current support collections. The first performance measure result is calculated by dividing the number of open IV-D cases with child support orders by the total number of open IV-D cases. The second performance measure result is calculated by dividing the total dollars distributed as current support in IV-D cases by total dollars owed for current support in IV-D cases.

Vocational Rehabilitation

Performance Standard 1: Maintain or exceed the federal standard for individuals who exit the Vocational Rehabilitation (VR) program after receiving services that achieve employment outcomes.

Performance Measure 1: Percent of individuals who exit VR program after receiving services that achieve employment outcomes.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
65.00%	51.30% *	55.80%	55.80%	55.80%

*Estimate

Performance Standard 2: Maintain at 90 percent the percentage of individuals who exit the VR program into employment with hourly earnings equivalent to at least the minimum wage.

Performance Measure 2: Of all individuals achieving employment outcomes, the percent whose earnings are equivalent to at least the minimum wage.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
90.00%	93.50% *	90.00%	90.00%	90.00%

*Estimate

The first performance standard provides both an indication of the number of successful closures the division is able to achieve as well as the ratio of successful outcomes to unsuccessful ones which provides a measure of quality. The second performance measure is used as an indicator of the quality of outcomes produced by the division. When a case is closed, Rehabilitation Services staff enters the closure data into the division's data system (currently TRACTS, transitioning to

TRIMS in 2011). One of the data elements entered is hourly wage at the time of closure. The first performance measure result is calculated by dividing the number of successful (employment gained) closures by the total number of closures. The second performance measure result is calculated by dividing the number of successful closures with an hourly wage greater than minimum wage by the total number of successful closures.

Disability Determination

Performance Standard 1: Provide accurate SSA services, based on randomly selected case reviews.

Performance Measure 1: Quality assurance based on performance reviews of determination accuracy.

Target FY 2009-2010	Actual FY 2009-2010	Target FY 2010-2011	Estimate FY 2010-2011	Target FY 2011-2012
97.00%	97.46% *	97.00%	97.00%	97.00%

*Estimate

This performance standard is used to determine whether adjudication reviews are being properly applied to each individual that comes into the program. An internal quality assurance review staff samples 17-18% of all claims to check for accuracy. Some of these year-round reviews are random, others are targeted. In addition to the review, the SSA has its own random sampling review group. The information is compiled by front-line and second-level supervisors. The performance measure result is calculated by dividing the number of performance reviews with a favorable determination by the total number of performance reviews. This result is always an estimate as it would be impractical to provide a quality review on every one of the decisions the agency makes (over 135,000 annually).

Performance Measures and Standards Conclusion

Below are auditors’ overall observations and comments regarding the performance standards and measures we reviewed.

Estimates Reported More Often Than Actuals

During a review of the performance measures information, we noted that actual performance results are not reported for 14 out of 18 of the department’s performance standards. The figures reported in these 14 results under the Actual FY 2009-2010 column are estimates based on available data at the time the strategic plan was due. Department officials state that when actual numbers are available, those numbers are not reported and published. Without reporting the actual performance result, there is no way to verify whether each performance standard is being met.

Targets Not Met For 8 of 18 Performance Measures

Administration. The department met neither of the two performance targets for Administration. Performance standard 1, “Availability of the Child Support Enforcement computer system shall exceed 98%,” was reported as 97.18%. Performance standard 2, “Monitor the percentage of child care vendor invoices paid within ten days of receipt,” was reported at 96.48% with a target of 97.8%.

Appeals and Hearings. The department met neither of the two performance targets for Appeals and Hearings. Performance standard 1, “Process Food Stamps appeals within a 60-day timeframe,” was reported as 83% with a target of 90%. Performance standard 2, “Process Families First, TennCare, and Medicaid appeals within a 90-day timeframe,” was reported at 87% with a target of 92%.

Child Care Benefits. The department did not meet the only performance standard for Child Care Benefits. This standard, “Maintain Child Care rates at the 45th percentile of the market rate,” was reported at the 37th percentile.

Community Services. The department did not meet one of two standards set for Community Services. Performance standard 2, “Increase the percentage of vulnerable adults with reduced risk,” was reported at 82% with a target of 86%.

Child Support. The department did not meet one of two standards set for Child Support. Performance standard 2, “Increase the percentage of current support collected,” was reported at 52% with a target of 56.8%.

Vocational Rehabilitation. The department did not meet one of two standards set for Vocational Rehabilitation. Performance standard 1, “Maintain or exceed the federal standard for individuals who exit the Vocational Rehabilitation (VR) program after receiving services that achieve employment outcomes,” was reported at 51.3% with a target of 65%.

Four Performance Targets Have Been Lowered

Appeals and Hearings. The department has lowered its performance target for processing Families First, TennCare, and Medicaid appeals within a 90-day time frame from 92% to 91%. DHS did not meet the beginning or lowered target for the 2009-2010 reported year.

Temporary Cash Assistance. The department has lowered its performance target for monitoring the monthly participation rate of families receiving temporary cash assistance. The participation target has been lowered from 60,000 to 58,000. Since this standard does not measure performance, lowering the target is not necessarily indicative of a problem.

Child Support. The department has lowered its performance target for increasing the percentage of current support collected from 56.8% to 53.5%. DHS did not meet the beginning or lowered target for the 2009-2010 reported year.

Vocational Rehabilitation. The department has lowered its performance target for maintaining or exceeding the federal standard for individuals who exit the Vocational Rehabilitation (VR) program after receiving services that achieve employment outcomes from 65% to 55.8%. DHS did not meet the beginning or lowered target for the 2009-2010 reported year. (See page 54 for additional information on this issue. The federal standard for federal fiscal years 2008 through 2010 was 55.8%.)

Three Measures Are Not a Measurement of the Department's Performance

County Rentals. The department's performance standard is to "ensure functional office space for department employees is available each day the state is open for business. Active leases must be in place for each DHS office during the fiscal year." The performance measure is the "Number of active leases." The number of leases has no relationship to adequate, functional square footage; therefore, the 133 leases could be for 200 square feet or 2 million square feet. The total square footage of these leases or a square footage by employee calculation may be a better measure for this standard.

Temporary Cash Assistance. The department's performance standard is to "monitor the monthly participation rate of families receiving temporary cash assistance." However, a measure of the "average number of families receiving monthly temporary cash assistance payments" does not address the participation rate of individuals receiving assistance and is not an adequate measure of the department's performance.

Food Stamp Benefits. The department's performance standard is to "monitor the appropriate monthly participation rate of individuals receiving benefits." However, a measure of the "number of individuals receiving monthly food stamp benefits" does not address the participation rate of individuals receiving benefits and is not an adequate measurement of the department's performance.

Reported Work Participation Rate Target and Actual Are Misleading

The Work Participation Rate (WPR) is the percentage of Families First participants who are fully meeting the federal hourly requirement for work, training, or looking for work. Most participants must average 30 hours per week in those activities. In setting a required WPR for the department, the U.S. Department of Health and Human Services (HHS) begins with the federal statutory WPR target of 50% and then adjusts the department's WPR target downward based on declines the state experienced in its average monthly assistance caseload over the prior fiscal year compared to the base year (2005).

The department met HHS' adjusted, required WPR in years 2006-2009 (2010 not yet released); however, the target and actual WPR the department reports in *Program Performance Measures* are misleading (i.e., the department reports the target and actual WPR as 50%, which is neither the adjusted target nor the actual WPR). The department reports the information this way because the adjusted target WPR and actual WPR are unknown until after the strategic plan is due.

To make the reported numbers less misleading, we recommend that the department include a disclosure explaining the credit to the target WPR. This disclosure should also note that the actual is reported at 50% to show the department meeting the WPR target although that target may not be the statutory target of 50%.