STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

HUMAN RESOURCE AGENCIES

Performance Audit Report

December 2014

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Comptroller of the Treasury
Department of Audit
Division of State Audit

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December 1, 2014

The Honorable Ron Ramsey
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Speaker of the House of Representatives
The Honorable Mike Bell, Chair
Senate Committee on Government Operations
The Honorable Judd Matheny, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Executive Directors of the Human Resource Agencies

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the human resource agencies for the period January 1, 2011, through July 2, 2014. This audit was conducted pursuant to the requirements of the Tennessee Governmental Entity Review Law, Section 4-29-11, *Tennessee Code Annotated*.

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

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA
Director

14/025

State of Tennessee

Audit Highlights

Comptroller of the Treasury | Division of State Audit

Performance Audit
Human Resource Agencies
December 2014

AUDIT SCOPE

We have audited the human resource agencies for the period January 1, 2011, through July 2, 2014. Our audit objectives were to examine agency programs, including but not limited to Transportation, Low Income Home Energy Assistance, and In-Home Services and Nutrition; review agency policies and procedures related to client safety; assess agency complaint policies and procedures; and examine agency internal controls over revenues and expenditures.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient, appropriate audit evidence to support the conclusions in our report. We present more detailed information about our methodologies in the individual report sections.

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.

AUDIT FINDINGS

Personnel files did not contain evidence that van drivers met criteria required by contracts, grant agreements, and agency job descriptions (Repeat Finding)
Delta, First Tennessee, Mid-Cumberland, Northwest Tennessee, and Southwest Human Resource Agencies employed van drivers whose personnel files did not contain documentation of the offer of the hepatitis B vaccine offer, driver training, CPR/first aid training, current driver licenses, drug screens prior to hire, and registry checks for Medicare/Medicaid fraud, all of which are required by contracts, grant agreements, and agency job descriptions (page 8).

Southeast Tennessee Human Resource Agency should adopt written grievance policies and procedures, as required by their transportation contracts with managed care organizations
Southeast Tennessee Human Resource Agency did not have written policies and procedures for client grievances (page 11).

East Tennessee, Northwest Tennessee, South Central, Southwest, and Upper Cumberland Human Resource Agencies did not conduct timely criminal background checks and registry reviews, putting client safety at risk; all human resource agencies need clarification of standards for checking the volunteers' backgrounds
East Tennessee, Northwest Tennessee, South Central, Southwest, and Upper Cumberland Human Resource Agencies failed either to retain adequate support for criminal background checks and/or registry reviews, or to perform criminal background checks and/or registry reviews at all. Nutrition Program staff needs clarification to determine whether certain volunteers are providing direct care (page 13).

Revenue receipting and depositing duties for the East Tennessee Human Resource Agency's Community Corrections Program are not adequately segregated, increasing the potential for errors and fraud
East Tennessee Human Resource Agency allows case officers to receive offender payments, prepare deposit slips, and make bank deposits (page 19).

Five human resource agencies—South Central, East Tennessee, Southeast Tennessee, Upper Cumberland, and Mid-Cumberland—did not deposit funds in a timely manner
Five human resource agencies (HRAs) did not comply with Department of Correction Community Corrections Standard AP5.03, which requires all program receipts be deposited within 72 hours of being collected. The department should review its practice of verbally amending this standard for some HRAs (page 21).

Revenue receipting and depositing duties for the Misdemeanor Probation Programs at the First Tennessee and Southeast Tennessee Human Resource Agencies are not adequately segregated, increasing the potential for errors and fraud
First Tennessee and Southeast Tennessee Human Resource Agencies allow case officers to accept client payments, prepare deposit slips, and make bank deposits (page 25).

First Tennessee Human Resource Agency's Misdemeanor Probation Program information system allows modification of offender payment data by program staff without supervisor approval

The First Tennessee Human Resource Agency allows the cashier to receive and enter offender payments in the offender tracking information system and to modify entries in the system without supervisory approval (page 26).

East Tennessee, Mid-Cumberland, and Southeast Tennessee Human Resource Agencies should amend the Misdemeanor Probation Program's policies and not allow offenders to make payments in cash

East Tennessee, Mid-Cumberland, and Southeast Tennessee Human Resource Agencies accept cash payments from offenders (page 27).

Delta and Northwest Tennessee Human Resource Agencies have not complied with the statute requiring bonding for certain board members and employees

Delta and Northwest Tennessee Human Resource Agencies have not complied with Section 13-26-110, *Tennessee Code Annotated*, which requires bonds for certain board members and employees (page 30).

South Central Human Resource Agency has adopted bylaws allowing board members to vote by proxy, which is prohibited by the human resource agency statute

South Central Human Resource Agency permitted proxy voting at board, policy council, and executive committee meetings (page 31).

Delta, East Tennessee, Southeast Tennessee, and Upper Cumberland Human Resource Agencies need to ensure accuracy of applicant data and apply eligibility standards consistently

Delta, East Tennessee, Southeast Tennessee, and Upper Cumberland Human Resource Agencies (HRAs) did not enter income amount, energy bill amount, and eligibility requirements correctly for some applicants; the HRAs are not applying the supervisory review requirement consistently (page 34).

The process used to determine meal counts for the Summer Food Service Program is manual and cumbersome and includes excessive paperwork

The paperwork used to establish accurate meal counts was excessive and had original amounts changed; auditors were not able to determine either if corrections were made before or after supervisors signed forms or why the corrections had been made (page 40).

OBSERVATIONS

The audit also discusses the following issues: (1) the human resource agencies had adequate complaint policies and procedures for Nutrition and In-Home Services, as required (page 17); and (2) Southeast Tennessee Human Resource Agency should adopt written policies and procedures for offender grievances (page 28).

Performance Audit
Human Resource Agencies

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Performance Audit
Human Resource Agencies

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of nine human resource agencies, all of which are scheduled to terminate June 30, 2015, was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated,* Title 4, Chapter 29. 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. This audit is intended to aid the committee in determining whether the human resource agencies should be continued, restructured, or terminated. The human resource agencies are

- Delta Human Resource Agency,
- East Tennessee Human Resource Agency,
- First Tennessee Human Resource Agency,
- Mid–Cumberland Human Resource Agency,
- Northwest Tennessee Human Resource Agency,
- South Central Human Resource Agency,
- Southeast Tennessee Human Resource Agency,
- Southwest Human Resource Agency, and
- Upper Cumberland Human Resource Agency.

ORGANIZATION AND STATUTORY RESPONSIBILITIES

Tennessee's human resource agencies (HRAs) operate under the authority of Title 13, Chapter 26, *Tennessee Code Annotated*. There are nine HRAs serving as the delivery system for services to 91 of the state's 95 counties. See the map on page 4 for the HRAs' service areas. Each HRA has a different combination of programs for its service delivery area. Federal financial assistance accounts for the majority of program revenues. The major federal programs administered by the agencies include Transportation, Head Start, Low Income Home Energy Assistance, Workforce Investment Act, and Nutrition.

Section 13-26-103, *Tennessee Code Annotated,* establishes the membership requirements for the HRAs' governing boards. Board membership includes all county executives within the area served; the mayors of all municipalities; the chief executive officer of any metropolitan

government within the area served; one representative from a local agency in each county; and one state senator and one representative whose districts lie within the HRA's jurisdiction. Section 13-26-103 also requires each HRA's governing board to appoint a policy council to act on its behalf, the members of which are to be broadly based and equitably distributed between human resource service providers and consumers (see Appendix 2 for number of policy council members by agency). The HRA's policy council has the power to appoint individuals to senior staff positions, to determine major policies, to approve overall program plans and priorities, and to assure compliance with proposals for financial assistance. Any actions of the policy council are subject to ratification by the governing board.

The HRAs have annual financial statements prepared by accounting firms, and the statements are filed with the Comptroller's Division of Local Government Audit.

AUDIT SCOPE

We audited the nine human resource agencies for the period January 1, 2011, through July 2, 2014. Our audit scope included a review of internal controls and compliance with laws, regulations, and provisions of contracts or grants that are significant within the context of the audit objectives.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient, appropriate audit evidence to support the conclusions in our report. We present more detailed information about our methodologies in the individual report sections.

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. The investigative findings presented in Appendix 1 resulted from professional services other than audits or attestations and are not required to be and were not conducted in accordance with those standards.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the October 2007 audit report. The nine human resource agencies (HRAs)

filed reports with the Department of Audit in March and April 2008. We conducted a follow-up of all prior audit findings as part of the current audit.

RESOLVED AUDIT FINDINGS

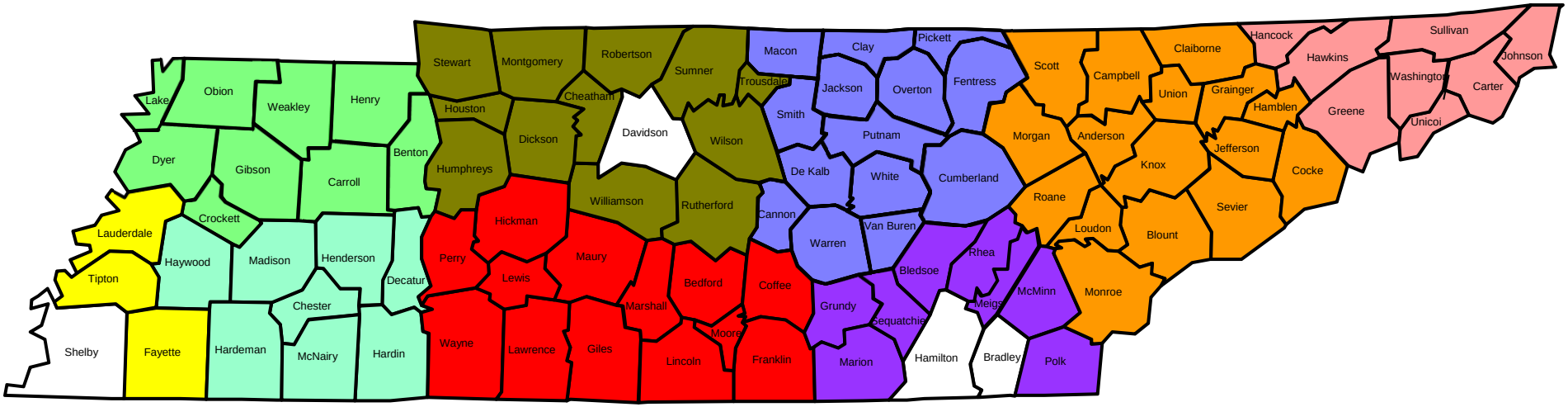
The current audit disclosed that

- the South Central HRA has corrected the previous audit finding concerning the Head Start Program; and
- East Tennessee, First Tennessee, Mid-Cumberland, South Central, and Southwest HRAs have corrected the previous audit finding concerning conflict-of-interest policies and procedures for board members.

REPEATED AUDIT FINDING

The prior audit report reported that Delta, First Tennessee, Mid-Cumberland, Northwest Tennessee, and Southwest HRAs did not document proof of the hepatitis B vaccine, pre-employment background checks, drug screens, and completion of training courses in the transportation program's drivers' files. This finding is repeated in Finding 1.

Exhibit 1
Human Resource Agency Service Areas
October 2014



Agencies

- Delta Human Resource Agency
- East Tennessee Human Resource Agency
- First Tennessee Human Resource Agency
- Mid-Cumberland Human Resource Agency
- Northwest Tennessee Human Resource Agency
- South Central Tennessee Human Resource Agency
- Southeast Tennessee Human Resource Agency
- Southwest Tennessee Human Resource Agency
- Upper Cumberland Human Resource Agency

Source: Human Resource Agencies.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

TRANSPORTATION PROGRAMS

Eight of the nine human resource agencies (HRAs) offer transportation services (all except South Central). The programs are a combination of transportation services for the general public, the elderly and/or disabled, persons with low incomes, and TennCare recipients. HRAs also contract with individuals and private businesses for transportation services. For the purpose of this audit, individual contracts and contracts with private businesses were not reviewed. See Table 1 for programs by agency.

Tennessee Department of Transportation

All eight HRAs contract with the Tennessee Department of Transportation's (TDOT's) Division of Multimodal Transportation Resources for three programs funded by the U.S. Department of Transportation's Federal Transit Authority (FTA) and are subject to the FTA's requirements, including the Rural Public Transportation Program, the Job Access and Reverse Commute Program, and the New Freedom Program. The Delta, East Tennessee, Northwest Tennessee, and Upper Cumberland HRAs contract with TDOT for the Offender Transit Program.

Rural Public Transportation Program funds are used for operating and capital expenses (such as van purchases) to provide public transportation services in non-urbanized areas.

The Job Access and Reverse Commute Program provides transportation services to connect welfare recipients and low-income persons to employment and support services. Job Access grants are used to fund capital projects and to finance the operating costs of equipment, facilities, and associated support costs related to providing access to jobs.

The New Freedom Program provides transportation to jobs and employment support services for individuals with disabilities.

Through the Offender Transit Program, HRAs provide transportation to job interviews, work, substance abuse treatment sessions, training, or support groups for individuals under probation or parole supervision by the Tennessee Department of Correction.

Tennessee Department of Human Services

Seven of the HRAs contract with the Tennessee Department of Human Services' Division of Vocational Rehabilitation to provide transportation services for individuals with disabilities so that they can maintain employment and independent living.

TennCare Managed Care Organizations

The HRAs contract with the managed care organizations in their geographic service area to provide clients and their escorts transportation to medically necessary services.

Area Agencies on Aging and Disability

Under the Older Americans Act, the Area Agencies on Aging and Disability provide information and assistance to older persons, adults with physical disabilities, caregivers, and professionals within the state. Services include all-purpose transportation for persons age 60 and above.

Table 1
Major Contracted Transportation Programs

Human Resource Agency	Tennessee Department of Transportation	Tennessee Department of Human Services Vocational Rehabilitation	TennCare Managed Care Organizations	Area Agency on Aging and Disability
Delta	X	X	X	X
East Tennessee	X	X	X	
First Tennessee	X	X	X	
Mid-Cumberland	X		X	X
Northwest Tennessee	X	X	X	X
Southeast Tennessee	X	X	X	X
Southwest	X	X	X	X
Upper Cumberland	X	X	X	

Source: HRA Transportation Program Management.

The objectives of our review of the HRAs' transportation programs were to

- determine the agencies' internal controls for accurate reporting of trips and clients by program;
- determine whether van drivers meet the qualification and training requirements specified in the various program grant agreements, contracts, and agency driver position descriptions; and
- determine whether the HRAs have implemented complaint procedures for their transportation programs.

Exhibit 2
Upper Cumberland HRA
Interior View of Transportation Van with Complaint Filing Instructions

Source: Upper Cumberland HRA.

We obtained information system data regarding client trips to determine each program's accuracy of reporting client trips. We also reviewed grant agreements and contracts to determine the requirements for van drivers and for complaint procedures. (See Exhibit 2 for an example of agency complaint notification). We interviewed TDOT's Division of Multimodal Resources staff, conducted on-site visits at the HRAs, and interviewed Transportation Program management and staff. To gain an understanding of the van driver requirements, we reviewed the driver position qualifications at each agency. Using data provided by the agencies, we selected a nonstatistical random sample of 80 driver files from a population of 784 drivers employed by the agencies at the time of our on-site visit. See Table 2 for total drivers and number of files reviewed by agency.

Table 2
Driver File Review
As of July 2, 2014

Human Resource Agency	Number of Agency Drivers	Number of Driver Files Reviewed
Delta	34	7
East Tennessee	116	11
First Tennessee	50	5
Mid-Cumberland	131	13
Northwest Tennessee	108	11
Southeast Tennessee	126	12
Southwest	73	7
Upper Cumberland	147	14
Totals	**785**	**80**

Source: HRA Transportation Program management.

Based on our audit procedures, we determined that

- internal controls regarding reporting of the number of client trips appear to be adequate;
- Delta, First Tennessee, Mid-Cumberland, Northwest Tennessee, and Southwest HRAs should improve documentation of contract requirements regarding offering hepatitis B vaccines, pre-employment background checks, drug screens, current driver licenses, and training documentation for van drivers;
- Northwest Tennessee and Southeast Tennessee HRAs should develop written policies and procedures outlining how client grievances are submitted and investigated, as well as steps of the notification process and the appeals process; and
- Delta HRA did not reconcile cash received from public fare riders to expected revenues as listed on the daily trip manifests (this was referred to our office's Financial and Compliance Investigations section, and the results of their review are in Appendix 1).

Finding

1. Personnel files did not contain evidence that van drivers met criteria required by contracts, grant agreements, and agency job descriptions (Repeat Finding)

The human resource agencies (HRAs) are responsible for administering transportation programs for a diverse group of clients and purposes, including client trips to medical services. Grant agreements, contracts, and agency personnel standards require that the agencies maintain verification that van drivers meet certain standards.

Delta, First Tennessee, Mid-Cumberland, Northwest Tennessee, and Southwest HRAs employed van drivers whose files did not contain documentation of the offer of the hepatitis B vaccine, driver training, CPR/first aid training, current driver licenses, drug screens prior to hire, and registry checks for Medicare/Medicaid fraud. See Table 3 for a breakdown of the number of driver files that did not contain required documentation.

Table 3
Human Resource Agency Driver File Review
Number and Type of Information Missing
As of June 30, 2014

Agency	Hepatitis B Vaccine Offered	Driver Training	CPR and First Aid	Driver's License	Background Check	Check for Medicare Medicaid Fraud
Delta				1	1	7
First Tennessee	1					
Mid-Cumberland	1					
Northwest Tennessee	1					
Southwest		1	3			
TOTALS	3	1	3	1	1	7

Occupational Safety and Health Administration Requirements and Hepatitis B Vaccine

The federal Occupational Safety and Health Administration (OSHA) requires employers to offer the hepatitis B vaccination to all workers who have occupational exposure. During on-site file reviews conducted at each HRA, we found three agencies (First Tennessee, Mid-Cumberland, and Northwest Tennessee) that each had one driver whose file lacked documentation of the offer of the hepatitis B vaccine, which is in violation of OSHA regulations. The lack of offering or failure to document offering the vaccine was a finding in the 2007 performance audit of the HRAs. At that time, Delta, First Tennessee, Mid-Cumberland, and Southwest HRAs had not offered or maintained documentation of the offer of the vaccine. Failure to offer these vaccines to employees exposes both the employee and the agency to potentially significant risk.

Driver Requirements and Managed Care Organizations

Managed care organizations require HRAs to ensure that all drivers are at least 21 years old; have a current class D driver's license (regular license required to operate a passenger vehicle); have an F (for hire) endorsement; have passed a national criminal background check; have not been convicted of a criminal offense related to Medicare or Medicaid; and have been trained in defensive driving, first aid, and CPR before they can perform services.

Two drivers' files selected at the Delta HRA did not contain a current Tennessee driver's license. One Delta driver's file did not contain documentation that a national criminal

background check had been conducted prior to providing services. All seven files reviewed at Delta HRA lacked evidence of a check for the driver's conviction of Medicare or Medicaid criminal offenses. One Southwest HRA file did not contain documentation demonstrating that the driver had received defensive driving, first aid, and CPR training. Two additional Southwest files did not contain documentation that the drivers had received first aid and CPR training.

Federal Transit Administration's Drug Screen Requirements

The Federal Transit Administration's (FTA's) requirements for drug and alcohol testing programs are found in Title 49, Part 655, Section 21 of the *Code of Federal Regulations*. Entities receiving FTA financial assistance must have a program that tests in the following circumstances: (1) pre-employment, (2) post-accident, (3) reasonable suspicion, (4) random, and (5) testing after return to duty following a verified positive test or follow-up after returning to duty.

The FTA requires any employee performing a safety-sensitive function who receives a positive drug test result to be removed from performing the function. Employers should drug test the employee prior to their return to a safety-sensitive function.

Our file review did not find any missing drug screen documentation; however, one Delta van driver's file contained a positive drug test, but lacked any documentation that the driver had discontinued performing his safety-sensitive function. A second drug test, conducted eight business days later, returned a negative result.

Recommendation

Human resource agencies should ensure they have implemented a policy of offering hepatitis B vaccines to all transportation program drivers. In addition, they should document that the vaccine was offered and file the documentation appropriately. This could mitigate potentially serious medical and financial risks to both the agency and its employees. The agencies should ensure that all van drivers have the required pre-employment background checks and drug screenings. The agencies should ensure that all van drivers have received appropriate training and that the training is documented.

Management's Comments

Delta Human Resource Agency

We concur with the finding. There was one instance noted where there was lacking documentation of a driver's license and a background check. We will better monitor our agency's New Hire Checklist to ensure that driver's licenses and background checks are in the personnel files. We are also conducting a Medicare/Medicaid fraud check, and each will be placed in the driver's personnel file.

First Tennessee Human Resource Agency

We concur with the finding. There was one instance noted where there was lacking documentation as to whether a driver was offered the hepatitis B vaccination. We will better monitor our agency's New Hire Checklist to ensure the presence of the hepatitis B offer form is in the personnel file.

Mid-Cumberland Human Resource Agency

We concur. Mid-Cumberland's current policy includes offering the hepatitis B vaccines to all transportation drivers. Mid-Cumberland will improve its documentation to assure this policy is correctly documented and maintained in each employee file.

Northwest Tennessee Human Resource Agency

We concur. The audit revealed that this agency did not have documentation that a driver had been offered the hepatitis B vaccine. We have reviewed all drivers' files to ensure that all files are complete and up to date as to driver training, CPR/first aid, background checks, vaccinations, and other documents as required by contract.

Southwest Human Resource Agency

We concur. One of the personnel files reviewed did not contain documentation demonstrating that the driver had received defensive driving, first aid, and CPR training. Two additional files did not contain documentation that the drivers had received first aid and CPR training. Southwest HRA has three employees that are certified in first aid and CPR training and two employees that provide defensive driver training. All new drivers will complete these training activities before they are allowed to drive. In addition, our human resource director will perform a review of all existing driver's personnel files to ensure that all required documentation is present. A checklist will be included to document this review. The review will be completed by December 31, 2014.

Finding

2. Southeast Tennessee Human Resource Agency should adopt written grievance policies and procedures, as required by their transportation contracts with managed care organizations

The Southeast Tennessee Human Resource Agency's (HRA's) transportation programs do not have written client grievance policies and procedures, as required by their contracts with managed care organizations.

Additional agencies were noted for best practices in regard to establishing policies and procedures outlining their client grievance process. Upper Cumberland HRA includes their policy and a client complaint form within the Transportation Program brochure that is made available to the public.

Recommendation

Southeast Tennessee HRA should create written policies regarding the Transportation Program's client grievances. Policies should include how complaints are filed; when clients will be notified of any investigation or results of review; and how clients can appeal the decision.

Management's Comment

Southeast Tennessee Human Resource Agency

We concur. The Southeast Tennessee HRA Transportation Program has developed written policies and procedures for clients to make complaints or grievances. Complaints or grievances can be filed in multiple ways; they will be addressed initially by the local Southeast Tennessee office and escalated to the central office or the agency board as necessary. Complaints and grievances will be handled in a timely manner and will be documented. Contact information will be posted in all transportation vehicles by November 30, 2014.

NUTRITION AND IN-HOME SERVICES PROGRAMS

Eight of the nine human resource agencies (HRAs) offer Nutrition and In-Home Services to elderly and disabled clients (all except Delta). Nutrition programs include either congregate meals served at senior citizen centers or home-delivered meals. The in-home services programs provide assistance with household chores, personal care, and caregiver support. Volunteers in the congregate program help serve meals, and volunteers in the home-delivered meals program both deliver meals to the clients at their homes and provide a client's safety check. Both programs help clients remain independent and in their communities.

These programs are funded through grants or contracts with the Department of Human Services, the Area Agencies on Aging and Disability, and TennCare Home and Community Based Services. All programs require the HRAs to obtain background checks to determine the suitability of individuals for employment or volunteer service in roles requiring direct or indirect contact with service recipients, or direct or indirect responsibility for service recipients.

The checks include a criminal background check based on fingerprints and performed by the Tennessee Bureau of Investigation or a firm licensed to conduct background checks, as well as reviews of online registries such as the Tennessee abuse registry, the Tennessee felony offender registry, the national sex offender registry, and the Tennessee sex offender registry.

The objectives of our review of the background check process were to determine

- the requirements for ensuring the safety of clients receiving services from the Nutrition and In-Home Services programs, and
- whether the HRAs complied with the requirements.

To accomplish these objectives and to gain an understanding of the background check process, we interviewed program staff and agency management and reviewed background check policies; pre-employment procedures; volunteer policies; contract and grant requirements. During our on-site reviews, we spoke to each agency's human resource department and program staff about staff responsibilities related to the hiring process.

We selected a nonstatistical random sample of 57 personnel files from a population of 327 employees and a sample of 26 volunteer files from a population of 3,074 to determine each agency's compliance with policies, procedures, statutes, and standards.

Based on our audit procedures, we determined that

- the HRAs expressed confusion with the Tennessee Commission on Aging and Disability's (TCAD's) direct and indirect care designations and their application to Nutrition Program volunteers (the contracts with the Area Agencies on Aging and Disability require compliance with TCAD standards);
- East Tennessee, Northwest Tennessee, South Central, Southwest, and Upper Cumberland HRAs did not comply with requirements for criminal background checks and/or required registry reviews;
- East Tennessee, First Tennessee, Mid-Cumberland, Northwest Tennessee, South Central, and Southeast Tennessee HRAs use a licensed professional service, and Southwest uses the county criminal records request process to conduct criminal background checks;
- First Tennessee uses a licensed professional service, while the other agencies use administrative staff to conduct the registry checks; and
- the HRAs had adequate complaint policies and procedures for Nutrition and In-Home Services.

Finding

3. East Tennessee, Northwest Tennessee, South Central, Southwest, and Upper Cumberland Human Resource Agencies did not conduct timely criminal background checks and registry reviews, putting client safety at risk; all human resource agencies need clarification of standards for checking the volunteers' backgrounds

To maximize the safety and care of disabled or elderly persons in their homes, human resource agencies (HRAs) are required to obtain a background check on any employee or volunteer who either provides direct care, has direct contact with, or has direct responsibility for service recipients.

The HRAs contract with their local Area Agency on Aging and Disability to fund nutrition programs. The contracts require the HRAs to comply with the standards set by

Tennessee Commission on Aging and Disability (TCAD). TCAD's standards are described in its program and policy manual, Chapter 7, "Nutrition Services Standards," and Chapter 15, "Background Checks." These standards require a local or state law enforcement background check, as well as reviews of the national sex offender registry, Tennessee felony offender registry, and the Tennessee abuse registry, and are based on Section 71-2-111, *Tennessee Code Annotated*, which requires TCAD to have contractors, grantees, and subcontractors verify individual background information for employees and volunteers.

In-home services provided by the HRAs and funded through TennCare contracts are subject to the requirements in the TennCare Contractor Risk Agreement, which requires criminal background checks and includes a review of the Tennessee abuse registry; Tennessee felony offender registry; national and Tennessee sex offender registry; and list of excluded individuals or entities. In-home services provided by the HRAs and funded by a contract with the Department of Human Services are subject to Section 33-2-1202, *Tennessee Code Annotated*, which requires criminal background checks and reviews of the Tennessee abuse registry and sex offender registry.

All agencies categorize homemaker and personal care staff as having direct contact with service recipients. However, agencies differ in "direct" and "indirect" distinctions for Nutrition Program staff and volunteers.

Failure to Comply with Background Check Requirements

During our review of the background check documentation for active staff and volunteers, we discovered five HRAs (East Tennessee, Northwest Tennessee, South Central, Southwest, and Upper Cumberland) failed to either retain adequate support for criminal background checks and/or registry reviews, or to perform criminal background checks and/or registry reviews at all. See Table 4 below.

Table 4
Human Resource Agency
Nutrition and In-Home Services
Background Check File Review Results
As of July 1, 2014

HRA	Results
East Tennessee	For 1 of 8 employees, the registry review was 35 days late.
Northwest Tennessee	For 4 of 4 volunteers, there was no date stamped on the registry reviews, so we were unable to determine when the reviews had been done.
South Central	For 1 of 7 employees, there was no documentation that the felony registry had been reviewed.
Southwest	For 2 of 6 employees, criminal background checks and registry checks were 347 days late.
Upper Cumberland	For 6 of 9 employees, criminal background check and registry reviews were 42 to 742 days late, and 3 of 9 employees did not have registry reviews on file.

Lack of Clear Guidance for Employee and Volunteer Background Checks

Nutrition Program staff at the HRAs expressed confusion about designating volunteers who deliver meals to the home as direct or indirect care providers. TCAD's "Nutrition Services Standards," referenced above, require agencies to "verify criminal history and background information for employees and volunteers who provide direct care." However, the standards indicate that the criminal history check may be waived for volunteers who work in the Nutrition Program, but certain registry reviews must still be performed and documented. According to agency program staff, because volunteers delivering meals to the client's home are also conducting a safety check on the client, the volunteer can be considered to have direct contact. Therefore, some HRAs are conducting both criminal history background checks and reviewing registries for nutrition program volunteers. Southwest HRA asked their Area Agency on Aging and Disability (AAAD) for guidance regarding criminal background checks and registry checks for Nutrition volunteers. In its response, the AAAD did not clarify whether volunteers that deliver meals to the home should be considered "direct care" or "indirect care," but said that Nutrition volunteers are exempt from background checks. Southwest was the only agency to not obtain registry reviews for volunteers because they interpreted the AAAD response to mean that volunteers did not need any type of background check or registry reviews. Upper Cumberland also expressed confusion with the guidance during our site visit.

The lack of clear guidance defining direct contact could result in agencies paying for unnecessary background checks or agencies not doing the type of background checks required by law.

No Background Check Policy for Upper Cumberland HRA Nutrition Program

In order to determine whether HRAs had designed an internal control system compliant with statutes and standards involving employee and volunteer background checks, we examined each HRA's background check policies and procedures. We discovered that Upper Cumberland's personnel policies require background checks for all hires; however, the Nutrition Program's policy did not have requirements above the general personnel requirements, including registry checks for employees and volunteers in the Nutrition Program. Upper Cumberland has a fragmented system of personnel hiring, and miscommunication between the human resources department and the Nutrition Program left all nine employees in our sample with criminal background checks or registry reviews that were either not timely or not performed at all.

Recommendation

Management at East Tennessee, Northwest Tennessee, South Central, Southwest, and Upper Cumberland HRAs should adopt procedures that ensure employees and volunteers have the required background checks. Management of all HRAs should make client safety a priority and ensure that all homemaker and Nutrition Program employees and volunteers have completed background check results on file.

HRAs should collectively seek clarification from the Tennessee Commission on Aging and Disability on the Nutrition Service Standards regarding the classification of direct and indirect care for employees and volunteers.

Upper Cumberland management should develop policies and procedures for background checks in the Nutrition Program to comply with criminal background check and registry review requirements.

Management's Comments

East Tennessee Human Resource Agency

We concur. The Nutrition Program manager was allowed to take forms to an employee to sign to authorize East Tennessee HRA to search all required sites, and the manager was two weeks late returning authorization forms to HR. The employee was transferred from the status as a Title V employee to an East Tennessee employee and was already in the pay system, so she continued to be paid before all reports were completed. She became an East Tennessee employee on April 1, 2013, and her background check was started on April 15, 2013. All other searches were completed on April 15, 2013, the day the form was returned.

To correct this finding, East Tennessee will require all potential employees transferring from the Title V Program to report to the Human Resource Department so all releases are signed and searches are completed before hiring. All potential new hires are required to process in through HR. This procedure has already been put in place.

Northwest Tennessee Human Resource Agency

We concur. During the course of the audit, it was discovered that four Nutrition volunteer files did not display the date stamp as to when the background checks were conducted. Beginning June 30, 2014, the nutrition volunteer verification packet contains background checks that contain a date stamp as to when the background checks were conducted.

South Central Human Resource Agency

We concur with the finding. The agency has instituted a timely background checks and registry reviews program that will fall within the prescribed guidelines for both employees and volunteers. These are in compliance with, and exceed, those required by the Tennessee Commission on Aging and Disabilities' Policy and Procedures in the Nutrition Chapter (Chapter 7, page 34) regarding background checks. All employees and volunteers that have "direct" contact with clients have a Tennessee Criminal History Background Check completed, nor do they have client contact until the report is furnished to the agency and they are officially hired. All employees and volunteers ("direct" or "indirect" contact with clients) do undergo the required national and Tennessee sex offender registry, Tennessee Felony Offender Registry, Tennessee Out of State Probation and Parole Registry, and the Tennessee Abuse Registry, as required. This is done for the benefit of those working in the Homemaker and Protective

Homemaker Services Programs. By staying in compliance in this area, we feel as though our programs are taking the means to provide an employee or volunteer that will enhance the safety of our clients and make the clients feel more comfortable and secure when having contact with the employee or volunteer. South Central has been performing background checks and registry checks on employees and volunteers for the past several years. We will now monitor the files more closely to see that the correct documentation is in each individual file.

Southwest Human Resource Agency

We concur. Southwest HRA failed to provide documentation of timely criminal background checks for volunteers working in the home-delivered meals program. We perform criminal background checks through the county law enforcement agencies and registry reviews to ensure that those volunteers are at lower risk for our clients. We are awaiting a decision from the Tennessee Commission on Aging and Disabilities as to whether this process is sufficient or not. However, we are currently performing a review of all volunteer files to ensure that documentation of criminal background checks and registry reviews are present and performed timely. This review will be completed by December 31, 2014.

Upper Cumberland Human Resource Agency

We concur. The agency has developed policies and procedures for background checks in the Nutrition Program to comply with criminal background checks and registry review requirements. The agency was doing background checks based on Tennessee Commission on Aging and Disability Rules, Chapter 0030-1-6, which states any provider agency subject to this part shall have the option to make more intensive background checks, provided that the agency has established in writing the criteria for such checks. The agency required all employees or volunteers to list prior convictions by any local state, federal, or military court.

Observation

1. The human resource agencies had adequate complaint policies and procedures for Nutrition and In-Home Services, as required

Section 7-5-.02, "Home Delivered Meals," of the Tennessee Commission on Aging and Disability's program and policy manual requires nutrition service providers to have an agency grievance policy, and Section 7-10-.05 requires providers to have procedures in place for handing food-related complaints. In-Home Services' contracts funded through contracts with managed care organizations require providers to have "critical incident reporting procedures" (a critical incident is defined as an actual or alleged event or situation that creates a significant risk to a client). In-home services provided by contract with the Department of Human Services are required to have client appeal procedures.

The objectives of our review were to

- obtain and review complaint policies and procedures;

- determine whether policies and procedures are in compliance with grant or contract requirements; and
- review complaints and resolutions for appropriateness and compliance with policy and procedures.

We interviewed program staff and reviewed complaint policies and procedures to gain an understanding of the complaint process. During the application process, each potential client is made aware of their right to file a grievance or complaint. We reviewed documentation at Mid-Cumberland, Southwest, Northwest Tennessee, and Southeast Tennessee HRAs of 16 critical incidents and complaints filed during 2013, including reports, follow-up reports, resolution documentation, healthcare provider correspondence, client and staff accounts, and other investigation documents.

Agency personnel have set specific deadlines to conduct an investigation and compile a report to ensure timely responsiveness to any concerns. Agencies document the incoming complaints through informal and individual agency tracking systems. Each agency has its own policies and procedures for complaint/grievance processes. We found that agencies required by contract to have a critical incident reporting system had the system in place.

Based on audit procedures, we determined that

- agencies had adequate complaint policies and procedures in accordance with their grant and contract requirements; and
- all appropriate reports, forms, and statements were obtained and filed.

COMMUNITY CORRECTIONS PROGRAM

Tennessee's Community Corrections Program diverts felony offenders from the Tennessee prison system by offering periodic supervision, treatment, and counseling to those offenders assigned to the program through the court system. The goal of the program is to reduce the probability of continued criminal behavior while maintaining the safety of the community and reducing prison overcrowding. Six of the nine human resource agencies (HRAs) provide Community Corrections Programs: East Tennessee, First Tennessee, Mid-Cumberland, Southeast Tennessee, South Central, and Upper Cumberland. The Tennessee Department of Correction (TDOC) administers the program through 19 subrecipients, 6 of which are HRAs. TDOC's oversight includes approving grant recipients each year and providing training and monitoring through periodic technical and on-site audits. On-site audits are typically conducted annually and include an inspection period of between six months and one year.

The objectives of our review of the HRAs' Community Corrections Programs were to

- determine effectiveness of internal controls over program receipts by tracing the agencies' recording of offender fee payments;

- determine if internal controls prevent program staff from independently modifying or deleting offender payment information; and
- determine if complaint policies and procedures are in compliance with contract requirements.

We reviewed the individual HRAs' program contracts and TDOC's program standards. We also interviewed TDOC staff and conducted on-site visits at the HRAs. We interviewed HRA program management and staff, reviewed supervision fees collected, and assessed the effectiveness of each agency's internal controls over fee payments collected from offenders. Using data provided by the HRAs, we selected a non-statistical sample of supervision payments collected between August 1, 2013, and August 31, 2013. We interviewed program management to gain an understanding of the administrative controls for the information systems that are used to track supervised visits, class attendance, and fee payments for offenders. We reviewed the HRAs' policies and procedures regarding complaints and interviewed program management to determine compliance with TDOC contract requirements.

Based on our audit procedures, we determined that

- internal controls are designed to prevent program staff from modifying or deleting offender payment information;
- the HRAs' complaint policies and procedures appear to be adequate;
- East Tennessee HRA does not have adequate internal controls for receipting and depositing offender payments by Community Corrections Program case officers; and
- Southeast Tennessee, Upper Cumberland, Mid-Cumberland, South Central, and East Tennessee HRAs are not complying with TDOC Standard AP5.03, which requires offender payments to be deposited in agency bank accounts within 72 hours after payment is received.

Finding

4. Revenue receipting and depositing duties for the East Tennessee Human Resource Agency's Community Corrections Program are not adequately segregated, increasing the potential for errors and fraud

The East Tennessee Human Resource Agency's (HRA's) Community Corrections Program does not have adequate segregation of duties over the receipt and deposit of offender fees. Offenders pay monthly supervision fees and, if required, restitution payments and community correction payments during face-to-face meetings with their case officers. Case officers receive offender payments, prepare deposit slips, and make bank deposits. Other HRAs have written procedures that require the payments received by officers to be transferred to the agency's accounting office for recording and deposit.

Administering community corrections programs require that HRAs have adequate internal controls in place over the receipt and deposit of offender fee payments. Adequate written procedures, training, and supervisory review and approval are essential to ensure that offender payments are documented, secured, and deposited properly.

Recommendation

We recommend that East Tennessee HRA program managers improve internal controls over receiving, receipting, and depositing offender payments by segregating duties or implementing alternative procedures. We recommend that East Tennessee amend written procedures for case officers collecting offender payments.

Management's Comment

East Tennessee Human Resource Agency

We concur. The Community Corrections Program does segregate duties as much as possible with the staff provided by the contract. Since most counties in East Tennessee's service area have only one officer covering that county, the officer collects the money orders, gives the offender a receipt for those collections, and deposits the money in the local bank. The officer is required to send that deposit log and deposit ticket to the Accounting department, where staff reconciles the amount on the deposit log with the amount on the deposit ticket. When the bank statement is received, collections are again reconciled to the database computer reports, deposit slips, and deposit logs.

To further assist in correcting this, effective October 2014, Community Corrections has begun using an automated database system to record contracts and related receipts. Using passwords and individual log-ons, the software segregates the setup of amounts due from probation clients, the recording of fee collections, and the creation of numerically controlled receipts issued to clients for fees received. All transactions are identified to individuals making the entries. Officers cannot change fee amounts or descriptions. Fee related corrections can only be made by the program manager and are logged and reviewed periodically by internal audit. The accounting staff reconciles the database computer entries to individual bank deposit slips and to bank statements. This database software is being used by East Tennessee's Misdemeanor Probation Program.

Finding

5. Five human resource agencies—South Central, East Tennessee, Southeast Tennessee, Upper Cumberland, and Mid-Cumberland—did not deposit funds in a timely manner

South Central, East Tennessee, Southeast Tennessee, Upper Cumberland and Mid-Cumberland Human Resource Agencies (HRAs) did not timely deposit funds in accordance with TDOC Community Corrections Standard AP5.03, which requires that all "deposits will be done within 72 hours after collection." Although TDOC Community Corrections Program staff stated to us that HRAs may designate the collection date to be when the payment is brought to the main office instead of when the payment is collected by the case officer, the standard does not make this distinction.

Our testwork (using the date the case officer received the payment) of offender payment receipts for the month of August 2013, which includes some payments made in July and some deposits made in September, found the following results:

- South Central: 67 of 94 supervision payments (71%) were deposited outside of the standard's limits by 1-19 days. Five deposits were made 19 days late.
- East Tennessee: 52 of 261 supervision payments (20%) were deposited outside of standard by 1-18 days.
- Southeast Tennessee: 77 of 99 supervision payments (78%) were deposited outside of standard by 1-13 days. Two deposits were 13 days late.
- Upper Cumberland: 24 of 97 supervision payments (25%) were deposited outside of standard by 1-2 days. Two deposits were 2 days late.
- Mid-Cumberland: 146 of 264 supervision payments (53%) were deposited outside of standard by 1-6 days. There were 28 deposits that were 6 days late.

In January 2014, a TDOC monitoring review of South Central HRA found that the agency had not complied with Standard AP5.03. In response, South Central program management designated the main office as the location for county offices to deliver offender payments for deposit. TDOC Community Corrections staff said this is permissible and that the 72 hours' deposit requirement will start at the time of the payment delivery to the main office. Other HRAs—Southeast Tennessee, Upper Cumberland and Mid-Cumberland—have since designated their main office as the location for county offices to deliver payment. All agencies have said this is due to the size of their service areas. This is contrary to the written standard. As part of administering the Community Corrections Program, TDOC and the HRAs must have clearly stated standards regarding timeliness of deposits.

Recommendation

South Central, East Tennessee, Southeast Tennessee, Upper Cumberland, and Mid-Cumberland HRAs should comply with the TDOC standards for timely deposit of offender payments. TDOC should review its standard on timeliness of deposits and determine whether the verbal amending of the written standard on a case-by-case basis is good business practice.

Management's Comments

East Tennessee Human Resource Agency

We concur. The East Tennessee HRA Community Corrections policy has always been to make deposits within 3 working days or 72 hours. We will retrain staff and perform internal audits on deposits to make sure policy is being followed. As noted in Finding 4, the database software also provides management, internal audit, and finance personnel the ability to readily monitor the timeliness of deposits.

Mid-Cumberland Human Resource Agency

We concur. Mid-Cumberland has complied with the central office's "72 hours' rule," consistent with TDOC standards. In September 2014, Mid-Cumberland established local bank accounts to ensure all payments received will be deposited in a financial institution within 72 hours.

South Central Human Resource Agency

We concur with the finding. The Community Corrections Program director and the agency have developed a plan to be in compliance with the TDOC requirement that all "funds will be deposited within 72 hours after collection." The Community Corrections Program Policies and Procedures Manual, Section 6.06, paragraph 3, addresses the procedures to be followed to ensure compliance with this requirement. Paragraph 3 states—"All supervision fee payments collected must be accounted for and receipted in a dedicated receipt book maintained by each Case Officer. All supervision fee payments shall be entered into the ADE data base by Case Officer and original money orders with attached receipt shall be delivered to the Community Corrections central office by hand or deposited on the SCHRA van to be delivered the day following collection from offender. Program Director or designee shall enter fee payments into a dedicated data base for processing, calculating and submitting to the Fiscal Department of SCHRA. The report and deposit generated by the Program Director or designee shall be submitted to the agency receptionist to be counted, verified, and delivered to the Fiscal Department for inclusion in the day's receipts for deposit. Receipts must be processed by 10:00 AM to insure inclusion in the daily deposit. Anything received after 10:00 AM will be included in the following days' deposit. The deposit must be completed within a 72 hour time frame per contract." The policy was fully implemented by the Corrections Program and the agency on July 1, 2014. It is our goal to meet this standard in all aspects of the contract requirement.

Southeast Tennessee Human Resource Agency

We concur. Southeast Tennessee HRA's Community Corrections Program had designated the main Dunlap office as the location where all Community Corrections satellite offices would mail their offender payments, which would then be deposited within three working days of being received in Dunlap. After reviewing the TDOC standard regarding timely depositing, we have made the following changes: Effective November 17, 2014, all offender payments will be deposited within three working days of payment collection. We will utilize local bank branches as opposed to mailing the payments to our main Dunlap office. We have opened an additional bank account in one county to ensure that the staff in the satellite offices have ready access to a bank.

Upper Cumberland Human Resource Agency

We concur. The agency has implemented a policy that requires all cash receipts be deposited no later than 72 hours after being received.

Tennessee Department of Correction

We concur with this finding. TDOC management has extensively reviewed the plans of actions provided by the above agencies and fully supports and agrees with the proposed actions to remedy this issue. We believe these action plans support maintaining the current Community Corrections Standards, without a need for an adjustment. However, we do agree that the standard needs to be clarified. By December 1, 2014, the director of Community Corrections will issue a memorandum to the HRA agencies clarifying the standard. This memorandum will point out that the 72-hour deposit requirement begins at the point the payment is brought to the main site and not when the officer receives payment. TDOC does not allow the verbal amending of any written standards. These standards are reviewed on an annual basis and all changes are made at that time. During the next standards review (July 2015), the standard will be expanded to include an additional time frame (which is not yet determined) that will address the time limit that is required from the point of officer collection to the point it is received at the main site.

MISDEMEANOR PROBATION PROGRAMS

Misdemeanor probation programs provide supervision as an alternative to incarceration for those convicted of a misdemeanor offense in general session and criminal court. An offender whose sentence is less than one year is eligible for the Misdemeanor Probation Program. Human resource agencies (HRAs) administer the program through contracts with county governments.

Offenders meet with their probation officer weekly or monthly, pay a supervision fee, and enroll in rehabilitation treatment programs included in their sentence. The programs receive no state or federal funding; program revenues consist of the offender fees.

The table below lists the four HRAs with misdemeanor probation contracts in Tennessee in 2014. East Tennessee HRA's Misdemeanor Probation Program serves counties that are not in its geographic service area.

Table 5
Misdemeanor Program
Agencies and Counties Served

HRA	Counties Served
Mid-Cumberland	Houston, Stewart, Trousdale, and Williamson
East Tennessee	Hamblen, Hancock, Hawkins, Cocke, Grainger, Jefferson, Sevier, Campbell, Claiborne, Union, Loudon, Meigs, Morgan, Roane, and Monroe
First Tennessee	Johnson, Greene, Unicoi, and Washington
Southeast Tennessee	Bledsoe, Grundy, Marion, Rhea, and Sequatchie

The objectives of our review of the HRAs' misdemeanor probation programs were to

- determine effectiveness of internal controls over fee payments by tracing misdemeanor supervisory fees to agency bank deposits;
- verify the fee remittance process to court clerks' offices as described by the HRAs; and
- determine if HRAs have a process in place for offenders to file grievances.

We reviewed Misdemeanor Probation Program documentation and interviewed program management and staff. During on-site visits, we observed and assessed the effectiveness of internal controls over the fee receipt process and the process for entering offender supervision data. We verified the HRAs' policies for remitting payments to court clerk's offices. With the exception of First Tennessee, we selected a non-statistical sample of supervision payments collected between August 1, 2013, and August 31, 2013, at each agency. Because First Tennessee made policy and procedure changes regarding offender payments in March 2014 and updated its computerized offender data system, we chose a non-statistical sample of current offenders as of June 24, 2014, and traced payments collected for each offender to agency deposits to determine compliance with updated policies and procedures. We reviewed HRA policies and procedures regarding complaints and interviewed program management to determine whether the agencies have a grievance procedure for offenders.

We determined that

- revenue receipting and depositing duties for First Tennessee and Southeast Tennessee HRAs' Misdemeanor Probation Programs are not adequately segregated, increasing the potential for errors and fraud;
- internal controls for First Tennessee's offender data system should be improved to require supervisory approval before offender payments can be modified;

- policies for East Tennessee and Southeast Tennessee should be updated to exclude cash as an acceptable form of payment; and
- Southeast Tennessee HRA lacks guidelines on how offender grievances are handled, investigated, and appealed.

Finding

6. Revenue receipting and depositing duties for the Misdemeanor Probation Programs at the First Tennessee and Southeast Tennessee Human Resource Agencies are not adequately segregated, increasing the potential for errors and fraud

The First Tennessee and Southeast Tennessee Human Resource Agencies' (HRAs') Misdemeanor Probation Programs do not have adequate segregation of duties over the receipt and deposit of offender fees. Case officers receive offender payments, prepare deposit slips, and make bank deposits.

The court system places an offender into a misdemeanor probation program, assigns a case officer, and determines monitoring conditions and frequency of meeting. The case officer meets with the offender as required and monitors all conditions ordered by the courts. The offender pays monthly supervision fees to the case officer during the meetings.

We found that satellite offices at First Tennessee and Southeast Tennessee HRAs allow case officers to receive client payments, create bank deposit slips, and make deposits. This lack of separation of duties in revenue collection increases the opportunity for fraud and abuse. Other HRAs have policies and procedures that separate duties for accepting, depositing, and accounting for offender payments.

First Tennessee and Southeast Tennessee must have adequate internal controls in place to ensure offender payments are documented, secured, and deposited properly.

Recommendation

First Tennessee and Southeast Tennessee HRAs should improve internal controls by segregating duties for receiving, receipting, and depositing offender supervision payments, or should institute alternative control procedures.

Management's Comments

<u>First Tennessee Human Resource Agency</u>

We concur with the finding. As previously noted in the report, we have instituted a cashier position to centralize the receipting process at two of the three locations (Johnson City and Greeneville). In addition, we have taken steps to segregate the revenue reconciliation and

the depository function to separate individuals to further strengthen our internal controls. Furthermore, a security camera system has been installed to monitor the cashier area. However, one location (Mountain City) doesn't have the revenue volume at the current time to support the additional staffing costs to allow for better segregation of duties.

Southeast Tennessee Human Resource Agency

We concur. Effective November 17, 2014, the case officer who collects the offender payments and issues the receipt will not be the same person who prepares the deposit. We will use a second staff person in the local office to prepare and make the deposit. Copies of the payment receipts and deposits will be forwarded to our main Dunlap office, where a third staff person will perform additional documentation regarding offender payments and depositing. Additional staff in the accounting department will reconcile and verify the deposit records.

Finding

7. First Tennessee Human Resource Agency's Misdemeanor Probation Program information system allows modification of offender payment data by program staff without supervisor approval

First Tennessee Human Resource Agency's (HRA's) Misdemeanor Probation Program does not have adequate internal controls over supervisory approval of offender payment modifications. The program uses a computer information system to track offender data, including payments and contacts between case officers and offenders. In response to a material weakness reported in the fiscal year 2013 financial audit, program management established a cashier position to accept offender payments and enter the payment data into the offender tracking information system. Program management also updated policies and procedures to describe types of acceptable payment (credit cards, money orders, and cashiers' checks) and unacceptable payment (cash). During our on-site review, we found the cashier has the ability to modify offender payment information once it has been entered. For example, if an offender makes a supervision fee payment and is given a receipt demonstrating the payment, the cashier has the authority to modify the payment data after the fact, without a supervisor's approval.

Recommendation

First Tennessee HRA should implement administrative controls over the Misdemeanor Probation Program's offender payment data by requiring a supervisor's approval of any modifications. We recommend that First Tennessee develop written procedures for cashiers to notify program management when an error is made while entering offender payment information and require management to correct the error.

Management's Comment

First Tennessee Human Resource Agency

We concur. We agree that the cashier position should not have access to modify payments. We immediately modified our database access so that supervisors are the only individuals that can modify payment information. This was an oversight in the design of system access for the database and resulted in a potential weakness, which we acknowledge.

Finding

8. East Tennessee, Mid-Cumberland, and Southeast Tennessee Human Resource Agencies should amend the Misdemeanor Probation Program's policies and not allow offenders to make payments in cash

As we observed during our on-site review, East Tennessee, Mid-Cumberland, and Southeast Tennessee Human Resource Agencies (HRAs) accept cash for offender payments. Cash is an inherently risky form of payment. Without strong internal controls and segregation of duties, fraud could occur. A 2009 investigative audit conducted by the Comptroller of the Treasury found that an East Tennessee case officer misappropriated offender cash payments.

Recommendation

We recommend that East Tennessee, Mid-Cumberland, and Southeast Tennessee HRAs no longer accept cash for supervision fee payments and update their policies and procedures accordingly.

Management's Comments

East Tennessee Human Resource Agency

We concur. Effective February 1, 2015, East Tennessee HRA will no longer accept cash as payment for probation fees. Initially, all payments will be made by money order. East Tennessee will also investigate technology to facilitate payment by other methods (e.g., credit cards, debit cards, etc.). A February implementation date will permit East Tennessee to inform and train its officers and clients of the policy change.

Mid-Cumberland Human Resource Agency

We concur. Mid-Cumberland's current policy does not allow cash payments from offenders. Mid-Cumberland has retrained and reinforced to staff that payments must be rendered in the form of money orders and that cash shall not to be accepted.

Southeast Tennessee Human Resource Agency

We concur. Effective August 1, 2014, the Southeast Tennessee HRA Misdemeanor Probation Program stopped accepting cash. Offender payments must be made by money order or cashier's check.

Observation

2. Southeast Tennessee Human Resource Agency should adopt written policies and procedures for offender grievances

The Southeast Tennessee Human Resource Agency's (HRA's) Misdemeanor Probation Program does not have written policies and procedures outlining how offenders notify program staff and management regarding grievances. We recommend that Southeast Tennessee HRA create written policies regarding offender grievances, including review of the policy during offender intake, how to file a complaint, when complainants are notified of an investigation or results of review, and how the offender can appeal a decision.

INTERNAL CONTROLS AND BEST PRACTICES

Each human resource agency (HRA) has its own governing board and policy council, and each contracts with an accounting firm for annual financial statements. Each agency has a unique combination of programs it administers; thus, each has a distinct revenue stream and level of expenditures. Each has its own accounting system for managing purchasing and payment transactions. The agencies have adopted procurement, credit card, and accounting policies for tracking and monitoring disbursements. See Appendix 3 for expenditures by HRA.

Disbursements

The objectives of our review of the disbursement process were to obtain an understanding of internal controls over expenditures and to review a sample of expenditures for agency compliance with its policies and procedures for disbursements.

We reviewed fiscal year 2012 and 2013 financial statements for each agency and current policies and procedures on disbursements. To gain an understanding of the internal controls over expenditures and the disbursement process, we interviewed fiscal staff at each agency during on-site reviews. We also examined purchase approval procedures, check processing responsibilities, and signature authority at each agency.

We selected a nonstatistical combined sample of 282 disbursements from a population of 52,797 payments made by all HRAs between July 1, 2013, and December 31, 2013, to determine each agency's compliance with those policies and procedures. Our selections included

inherently risky transactions such as travel reimbursements, credit card purchases, and payments to related entities (other HRAs).

We analyzed the disbursements to ensure that each had adequate supporting documentation, that mathematical calculations were accurate, that supervisory approval was obtained prior to payment, and that the payment was made for a business purpose. We found exceptions as described below.

During our review, certain matters were brought to our attention. These matters were referred to our office's Financial and Compliance Investigations section and will be presented in a separate report.

Incorrect Payee on Checks

The nine HRAs are members of the Tennessee Association of Human Resource Agencies (TAHRA). Officers of TAHRA include management and staff who serve two-year terms. TAHRA meets monthly and also has an annual conference. The meetings allow members to discuss issues affecting the agencies and offer training in program policies and procedures for agency staff. The association's treasurer is an employee of South Central HRA as determined by TAHRA's website, www.ideliverhope.com. In our disbursement review, we found checks payable to South Central for TAHRA expenses.

Invoices for these association-related expenses had South Central's address as the remittance address. We found that the following HRAs had written checks to South Central for TAHRA expense:

- Delta HRA wrote four checks, for a total of $6,820;
- Upper Cumberland HRA wrote four checks, for a total of $600; and
- First Tennessee HRA wrote one check for $250.

We discussed our concerns about these payments with management at Delta, Upper Cumberland, and First Tennessee HRAs, and management agreed to change procedures and payees for future disbursements related to TAHRA.

Lack of Supporting Documentation

First Tennessee HRA did not obtain adequate supporting documentation for 5 of the 26 disbursements selected for testing. Two of the five disbursements for meal expenses, totaling $1,271.41, did not include itemized details of the credit card purchases, preventing a reviewer from determining whether purchases were allowable, reasonable or within policy. The other three disbursements, totaling $7,451.05, did not include any supporting documentation (such as an invoice) to support the amount paid. We discussed this with management during our on-site visit. Management later provided supporting documentation to us for one of the three disbursements and stated that they changed the policies to require supporting documentation and itemized receipts.

Lack of Adherence to Control Structure

The 2013 *State of Tennessee Single Audit Report* included a finding that South Central HRA had inadequate separation of duties in the fiscal office. The director of Fiscal Operations had the authority to write, print, and sign checks without any compensating controls to prevent abuse of check-writing privileges. During our on-site visit to South Central, we found this issue to be corrected. However, we found that the agency circumvented internal controls by permitting a check to be returned to the fiscal office after signing, rather than after being mailed, per agency procedure.

Best Practices

The objectives of our review of best practices were to determine whether the agencies have applied best practices as recommended by the Office of the Comptroller of the Treasury in September 2013. We interviewed management and staff of the HRAs and reviewed Title 13, Chapter 26, *Tennessee Code Annotated*; each agency's board meeting minutes; and agency annual financial reports. We found the following:

- With the exception of Upper Cumberland, none of the HRAs have changed public accounting firms as recommended by the Comptroller of the Treasury. They have had annual financial reports prepared by the same public accounting firm for fiscal years 2010, 2011, 2012, and 2013. Because the agencies have contracts with their firms for a certain number of years, Delta, East Tennessee, Mid-Cumberland, Northwest Tennessee, and Southeast Tennessee HRAs have asked their public accounting firm to replace the lead auditor. East Tennessee, First Tennessee, and South Central have contracts with their firms that will end soon and will accept proposals for audit work.
- As of May 2014, Delta and Northwest Tennessee HRAs had not complied with the requirements in Section 13-26-110, *Tennessee Code Annotated* (effective July 1, 2013), that certain board members and employees be bonded. This is discussed in the finding below.
- All of the HRAs have established audit committees.
- South Central HRA has adopted bylaws allowing board members to vote by proxy, although statute prohibits proxy voting. This is discussed in the finding below.

Finding

9. Delta and Northwest Tennessee Human Resource Agencies have not complied with the statute requiring bonding for certain board members and employees

Effective July 1, 2013, Section 13-26-110, *Tennessee Code Annotated*, requires "any board member, policy council member, employee, officer, or any authorized person of a human resource agency who receives public funds, has authority to make expenditures from public funds, or has access to any public funds" to be bonded. The minimum amount of the bond is based on the agency's revenues.

As of May 2014, Delta and Northwest Tennessee Human Resource Agencies (HRAs) had not complied with the requirements in Section 13-26-110, *Tennessee Code Annotated*. Northwest Tennessee HRA was in the process of acquiring the bonds, but was researching its concerns about the bond amount and accounting for separate HRA revenues and Northwest Tennessee Development District revenues because the two agencies share some administrative staff and board members.

Recommendation

Delta and Northwest Tennessee HRAs should comply with the requirements in Section 13-26-110, *Tennessee Code Annotated*, and ensure that board members and employees are bonded.

Management's Comments

Delta Human Resource Agency

We concur with the finding. We have contacted our insurance company and as of today we have in place the necessary documents to have certain board members and employees bonded on or before December 15, 2014.

Northwest Tennessee Human Resource Agency

We concur. The Northwest Tennessee HRA is unique because it shares administrative personal with the Northwest Tennessee Development District (NWTDD). The key positions of the Northwest Tennessee HRA have been bonded under the NWTDD crime policy (Fidelity & Deposit policy number CCP0029122 07). Northwest Tennessee was in communication with State of Tennessee officials discussing the cost efficiency and redundancy of having the same positions bonded under both agencies during the time of the audit. As of November 13, 2014, Northwest Tennessee has obtained bonding in accordance with Section 13-26-110, *Tennessee Code Annotated.*

Finding

10. South Central Human Resource Agency has adopted bylaws allowing board members to vote by proxy, which is prohibited by the human resource agency statute

Included in the Human Resources Agency Act (HRA) of 1973, Section 13-26-103(b), *Tennessee Code Annotated*, is the restriction, "No votes may be cast by proxy. Only duly appointed members of the board may vote." We reviewed governing board, policy council, and executive committee meeting minutes for 2011, 2012, and 2013. During that period, there were

seven meetings where members of these groups voted by proxy. The South Central HRA board adopted bylaws for its policy council that permit proxy voting with the member's written designation filed with the board secretary.

Section 13-26-103(a), *Tennessee Code Annotated*, describes the membership of the governing boards of each HRA as the (1) mayor of each county within the district; (2) mayor of each municipality within the district; (3) chief executive officer of any metropolitan government within the district; (4) one representative from a local agency in each county who is knowledgeable of and deals with the problems concerning HRAs and is appointed by the county mayor or chair; and (5) one state senator and one state representative whose senatorial or representative districts lie wholly or partly within the development district.

Section 13-26-103(d), *Tennessee Code Annotated*, states that the governing board should appoint and determine the authority of a policy council to act for it, over and above what is specified in Section 13-26-104, which describes the powers of the policy council as

- adopting bylaws;
- appointing persons to senior staff positions;
- determining major personnel, fiscal, and program policies;
- approving overall program plans and priorities; and
- assuring compliance with conditions of and approving proposals for financial assistance under this chapter, subject to ratification by the governing board.

The policy council is authorized to act for the board and is in a position to formulate and recommend policies governing the HRA. The actions of the policy council are subject to ratification by the executive committee. The board members on the policy council and the executive committee are acting for the board. According to Attorney General Opinion 77-239, it is public policy that voting on public matters is a non-delegable duty, absent specific statutory authority. Also, based on Attorney General Opinion 79-521, the legislative intent of Section 13-26-103(b), *Tennessee Code Annotated*, is to require the board members to personally serve and cast their votes. Board members that are on the executive committee and those that are on the policy council are not allowed to, and should not, vote by proxy.

Recommendation

South Central HRA board members should not vote by proxy and should change policy council bylaws that allow proxy voting.

Management's Comment

South Central Human Resource Agency

We concur with the finding. South Central HRA has it on the agenda for the upcoming governing board, policy council, and executive committee meeting that will convene on Thursday, November 20, 2014, to amend the bylaws of said agency by deleting this bylaw in its entirety.

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

The Low Income Home Energy Assistance Program (LIHEAP) is a block grant funded by the U.S. Department of Health and Human Services' Administration for Children and Families. The program assists low-income households with their home energy needs, particularly those households with a higher proportion of household income paid for energy and for households with older individuals, individuals with disabilities, and young children. While the federal government establishes overall guidelines, each grantee operates its own program.

Tennessee's LIHEAP is administered by the Tennessee Housing Development Authority (THDA) through 19 subrecipients, 6 of which are human resource agencies. THDA became program administrator on July 1, 2013; the Department of Human Services was the previous administrator. THDA submits an annual state plan, with program policies and procedures, to the Administration for Children and Families. Each LIHEAP subrecipient submits, for THDA approval, an operational plan narrating how the subrecipient will conduct outreach activities, take applications, determine eligibility, pay benefits, and resolve complaints. THDA provides the subrecipients with training, updates on any changes in federal requirements for the program, and monitoring. THDA also reviews grant reimbursement submissions. Tennessee's fiscal year 2014 LIHEAP allocation is $58 million. Contracts with the HRAs totaled $9.8 million.

The objectives of our review of each agency's LIHEAP were to

- determine if 2014 LIHEAP operational plan benefit criteria were applied correctly and consistently; and
- determine whether agencies followed complaint policies and procedures described in their 2014 LIHEAP operational plans.

We reviewed THDA's 2014 LIHEAP detailed model plan, the agencies' 2014 LIHEAP operational plans, LIHEAP rules, and training presentations to gain an understanding of the policies and procedures used to administer benefits and resolve complaints. We interviewed THDA staff and agency program management and staff; conducted site visits at the agencies; reviewed energy vendor agreements; and reviewed applicant files to assess controls and gain an understanding of the application and payment process. Using data provided by the agencies, we selected a nonstatistical random sample of 205 applicant files from a population of 13,226 LIHEAP disbursements between October 1, 2013, and December 31, 2013, to determine

compliance with policies and procedures for verifying applicant eligibility, documentation, and amount of payment.

Based on our audit procedures, we determined that the agencies' staffs need additional training to ensure that applicant data is accurate and that eligibility requirements are applied consistently, as discussed in the finding below.

Finding

11. Delta, East Tennessee, Southeast Tennessee, and Upper Cumberland Human Resource Agencies need to ensure accuracy of applicant data and apply eligibility standards consistently

The human resource agencies (HRAs) must have adequate controls in place to ensure that LIHEAP applicants are eligible and receive the appropriate benefit amounts. Adequate written procedures, training, and documented supervisory review and approval are essential to ensure that applicant information and support are sufficient to determine eligibility in compliance with the applicable regulations.

HRA staff in the county and central offices process and approve applications by reviewing applicant-submitted information and ensuring applicants have provided appropriate support for household income and energy bills. If all eligibility requirements are met, HRA staff enters information into the computer program that assigns priority points, ranks applications, and generates the benefits payment. The priority system and benefit amounts, established by THDA, are uniform for all LIHEAP subrecipients. Applicant households receive points based on income, energy burden, and household vulnerable members. (See Tables 6 through 9.) The purpose of the priority system is to ensure the neediest households are served first. HRAs have agreements with energy vendors and make LIHEAP payments to those vendors on behalf of applicants. The LIHEAP offices in all HRAs maintain hard copies of LIHEAP applicant files, including the signed application, income documentation, and energy bills. HRAs also use the Department of Human Services' ACCENT system to confirm household income and social security numbers for applicants and/or household members receiving assistance through that department.

Table 6
Low Income Home Energy Assistance Program
Priority Point System – FY 2014
Income Based on Family Size (35-Point Maximum)

% of Federal Poverty Guidelines	Points Awarded
0-50%	35
51-75%	30
76-100%	25
101-125%	20
125-150%	15

Table 7
Energy Burden (20-Point Maximum)

% of Income Used for Home Energy Cost	Points Awarded
14% or higher	20
9-13%	15
4-8%	10
3% or lower	5

Table 8
Vulnerable Household Members (50-Point Maximum)

Household with:	Points Awarded
*Elderly (70 years or older)	15
*Elderly (60-69 years)	10
Disabled	10
Child under 6 years old	10
Adult Protective Services Referral	10
6 or more persons	5

Table 9
Benefit Levels

Total Points	Benefit Amount
0-50	$300 $150 if client lives in public housing and only pays utility "overage"
55-75	$450 $225 if client lives in public housing and only pays utility "overage"
80-105	$600 $300 if client lives in public housing and only pays utility "overage"

Using data entered by program staff, the computer software calculates the applicants' federal poverty percentages (income guidelines issued by the U.S. Department of Health and Human Services, adjusted for family size and geographic location and used to determine eligibility) and the energy burden using the data entered by program staff. Therefore, it is crucial that HRA staff enters applicants' income and energy cost information accurately. Our file review found the following errors:

- one applicant's federal poverty percentage and energy burden were not calculated correctly because Delta HRA staff did not include all income;
- one applicant's household included a disabled member, but East Tennessee HRA staff did not give the household points for the disabled member;
- two applicants' energy burdens were not calculated correctly because the Upper Cumberland HRA staff did not enter the correct energy bill amount; and

- one applicant's poverty percentage was not calculated correctly because the Upper Cumberland HRA staff did not enter the correct income amount.

We found other concerns that pointed out a need for the agencies to be consistent in their treatment of applicants. Delta HRA included the cost of security lights in the energy burden calculation for three applicants, but did not include it for another applicant. Other HRAs did not include security lights cost in the calculation. We did not find a policy from the administrator (THDA) addressing whether lights should be included or not. Southeast Tennessee HRA used average energy bill amounts more than any other HRA. Although averages are permissible at the applicant's request, they could result in a higher energy burden as opposed to using a recent bill. Similarly, Southeast Tennessee HRA used a budget bill amount to compute energy burden rather than a recent energy bill amount. Finally, Southeast Tennessee HRA included some applicants' round-up amounts in the energy burden calculation, but did not for one applicant. (At the customer's request, energy providers "round up" the bill to the next whole dollar amount and use proceeds to help customers in need pay their utility bill.)

Changes to any of the cases noted above would not have altered the applicant's benefit. However, when HRA staff enters income and energy bill amounts incorrectly, the computer system could award the incorrect number of priority points, which could result in an incorrect ranking.

These concerns have been ongoing and were not addressed by the previous program administrator (the Department of Human Services). The current administrator, THDA, responded that they are considering policies for security lights and use of energy bill average.

Supervisory Review

In June 2013, the Department of Human Services issued LIHEAP memorandum 13-05, which requires supervisors at the subrecipient agencies (HRAs) to review a random sample of applications and case files. The memorandum does not, however, give instructions on how to select files or how many files to review.

We found that some HRAs reviewed 100% of applications, some reviewed 5 to 10 files periodically, and some had not reviewed any applications or case files during the current program year. The 2013 Single Audit recommended that the program administrator provide subrecipients with consistent guidance for both calculating applicants' energy burdens accurately and sampling applications and files. THDA's August 2014 review of East Tennessee's LIHEAP found that the supervisory review process lacked proper documentation and written procedures. THDA issued guidance, effective July 1, 2014, requiring subrecipients to review at least 10% of applications quarterly and to maintain certain documentation supporting the review.

Recommendation

Delta, East Tennessee, Southeast Tennessee, and Upper Cumberland HRAs should improve their review of applicant documentation and data entry to ensure benefits and priority points are properly awarded to applicants. We recommend that the HRAs seek guidance from THDA about including costs for certain items listed on energy bills (e.g., round-up amounts and security lights) in the energy burden calculation. We recommend that HRA management ensure that their LIHEAP programs comply with the guidance issued by THDA for supervisory review requirements.

Management's Comments

Delta Human Resource Agency

We concur with the finding. THDA has now issued a policy to only include the cost of energy used. This eliminates the cost of security lights. We will review our application process more closely to ensure all workers comply.

East Tennessee Human Resource Agency

We concur. To ensure accuracy of applicant data, all caseworkers performing input activities are required to compare the data summary sheet generated by the software with the information provided by the client. This review ensures that the eligibility standards are consistently followed because families will receive the total "points" for which they qualify. This will result in the most needy clients receiving available services. Ongoing in-hour training emphasizes the importance of current data entry for all clients.

To further ensure effective quality control, the agency intends to follow THDA's directive on maintaining supervisory review of files. At least 10% of all applications will be reviewed on a quarterly basis with a focus on data entry. In addition, another 10% will be reviewed semi-annually on a separate set of randomly selected files. A spreadsheet will be maintained to track supervisory review of files. The quarterly review will begin in December 2014.

Southeast Tennessee Human Resource Agency

We concur. Effective October 1, 2014, the Southeast Tennessee HRA's LIHEAP program uses only the energy usage and TVA fuel charge or availability charge (when itemized) reported on the most recent energy bill to calculate energy burden.

Upper Cumberland Human Resource Agency

We concur. The agency has received guidance from THDA on which costs to include from energy bills to be used in the energy burden calculation. THDA has also provided guidance for supervisory review requirements.

LIHEAP Fair Hearing Procedures

The LIHEAP plan submitted to the U.S. Department of Health and Human Services' Administration for Children and Families requires THDA to describe (1) its fair hearing procedures for households whose applications for assistance are "denied or are not acted on in a timely manner," and (2) when it informs applicants of their fair hearing rights. All six of the HRAs include a statement in the LIHEAP application, above the signature of the applicant, that states the applicant has been informed of the appeals process.

THDA's plan set these minimum fair hearing requirements for each LIHEAP subrecipient:

- a hearing request must be written, on a form provided by the agency, with specific information about the error made in denying or not acting with reasonable promptness;
- copies of the completed form must be given to the individual requesting the hearing, to THDA, and to the agency; and
- a request for a hearing must be filed within 30 days of the denial of assistance or within 30 days following a claim that has not been acted on; the agency must hold a hearing, in accordance with the agency's policies and procedures, within a reasonable time from the date of a proper request for a hearing and provide written notice of the results of the hearing to both the individual who requested the hearing and THDA.

No hearing is required if the denial is due to LIHEAP funds no longer being available to the agency.

We determined that the six HRAs' complaint processes, as described in their 2014 LIHEAP operational plans submitted to THDA, meet THDA's requirements. According to LIHEAP staff, all complaints received were from applicants not approved because funds were no longer available, and those complaints are not subject to the hearing process.

SUMMER FOOD SERVICE PROGRAM

The Summer Food Service Program (SFSP) is funded by the U.S. Department of Agriculture and administered by the Tennessee Department of Human Services (DHS). East Tennessee and Southwest Human Resource Agencies (HRAs) are sponsors for the program. Sponsors develop a SFSP for children similar to school nutrition programs. Feeding sites are locations where sponsors serve program meals and may be located in schools, churches, housing projects, parks, neighborhood centers, summer day camps, and similar locations. Sites are eligible to participate in the SFSP if each site draws attendance from areas in which at least half the residing children are eligible for free or reduced-priced meals under the school nutrition programs.

As an SFSP sponsor, East Tennessee and Southwest HRAs are required to have procedures in place to collect and maintain site eligibility documentation, training documentation for site supervisors and monitors, and documentation for daily meal count by meal service type in order to support the claim for reimbursement. Meals are reimbursed on a per-meal basis.

Summer Food Service Program Lunch

Source: Southwest HRA.

Staff records the number of meals served daily. The sponsor trains a site supervisor for each feeding site and provides the supervisor with the required forms. Site supervisors and food contractors verify and agree on, with signed delivery receipts, the number of meals delivered to the site each day. (East Tennessee uses a two-part meal delivery slip which can later be used for comparison purposes.) Throughout the day, site supervisors record the amount of meals served to children by type of meal (breakfast, snack, lunch, and dinner).

Each site must be observed by an HRA employee (monitor) during the first week of operation and again within the first four weeks of operation.

DHS reimburses sponsors based on the number of meals served, and sponsors are responsible for maintaining documentation that supports meal counts on the reimbursement claim. These claims must reflect only meals that meet program requirements and were served to eligible children during the claim period.

DHS monitored both the Southwest and the East Tennessee Summer Food Service Programs. The most recent review for Southwest, dated November 2012, was for the program

period of June 2012. DHS reviewed 22 of 223 Southwest HRA sites and found 13 of the 22 sites had incorrect meal counts. A total of 656 meals were over-reported, resulting in Southwest refunding $1,612.50 to DHS. The East Tennessee review is dated November 2013 for the period of July 2013 and includes 9 of 83 sites. That review found that 2 of the 9 sites over-reported total meal counts by 57, resulting in East Tennessee refunding $194.52 to DHS.

The objective of our review was to determine each HRA's internal control structure for providing an accurate meal count.

We interviewed program management at Southwest and East Tennessee HRAs; conducted site visits; observed program staff reviewing and verifying meal counts; cross-checked meal count documents signed by the site supervisor with recap sheets compiled by program staff; and traced recap sheet totals to invoices to assess controls and gain an understanding of the methods used to verify an accurate meal count. We used data and documentation from July 2013, provided by the HRAs, for our review.

Finding

12. The process used to determine meal counts for the Summer Food Service Program is manual and cumbersome and includes excessive paperwork

Both East Tennessee and Southwest Human Resource Agencies (HRAs) have processes to determine meal counts for the Summer Food Service Program (SFSP). However, the recordkeeping process is labor-intensive, cumbersome, and includes a volume of paperwork. Although both HRAs cross-check the site supervisor's meal counts with the food vendor invoice, the process needs further internal controls to provide reasonable assurance of accurate meal counts.

Each sponsor's staff manually tabulates meal counts and transfers the summarized counts to documents used to request reimbursement. Errors are often made during this manual process. During our review, we found forms signed by the site supervisor with original numbers marked out and changed. When we asked about the changes, it was difficult to determine whether the changes were made before or after the site supervisor signed the form. Therefore, we could not determine whether the correction is accurate or why the correction was made. To decrease errors, the HRAs should establish additional self-checks, such as a periodic random selection of sites or meal service days for reverification of meal counts (similar to that of the DHS monitors).

The lack of technology for documenting meals received, meal counts, and cross-checking could lead to overbilling (as found by DHS monitors) and is an inefficient use of employee time. The agencies should investigate the use of technology at feeding sites to reduce the volume of paperwork manually tabulated and to increase the accuracy of the meal counts submitted for reimbursement.

Recommendation

We recommend that Southwest and East Tennessee HRAs establish additional cross-checks and internal controls for SFSP meal counts in their summer food service programs and investigate using technology instead of manual tabulations to provide accurate data for reimbursement requests.

Management's Comments

Southwest Human Resource Agency

We concur. The process of obtaining daily meal counts from the sites is very cumbersome. Those sites are managed by volunteers and often the meals served are reported to Southwest HRA with numerous errors. We often return the daily meal summary reports to the site when large reporting errors occur so that they can be corrected. Southwest HRA staff reviews the mathematical errors and makes corrections. During the current year, all corrections made by the Southwest staff are initialed by the person making the correction. We also implemented a new process requiring the vendor to submit individual delivery tickets for each site. With this procedure, we can easily reconcile the number of meals received to the number of meals served. Once the numbers are reconciled, they are entered on a spreadsheet to help correct addition errors before the reports are filed with DHS. We will continue to look for better ways to automate the process.

East Tennessee Human Resource Agency

We concur. The meal count process for the Summer Food Service Program is very tedious and time consuming. East Tennessee HRA is looking into the possibility of putting into place an online reporting system for the food vendors that we contract with each summer. We will also investigate the availability of technology for Summer Food feeding sites. Staff will poll the current feeding sites to determine if they would have access to online reporting if a system were put into place. Reporting forms and procedures being used are recommended by Department of Human Services. East Tennessee staff will review processes and forms to determine if any steps could be saved. East Tennessee's plan is to work toward having online technology accessible to all feeding sites by the beginning of the 2015 Summer Food Service Program.

WORKFORCE INVESTMENT ACT PROGRAMS

Workforce Investment Act (WIA) programs prepare workers for jobs by providing employment and training services through a network of One-Stop Career Centers. The WIA Adult and Dislocated Worker Program provides training services to help jobseekers achieve gainful employment. The adult component focuses on low-skilled, low-income workers, whereas the dislocated worker component supports the reemployment of workers unemployed due to layoffs. The youth program provides employment and educational services to eligible

low-income youth, ages 14 to 21, who face barriers to employment. The youth program serves in-school as well as out-of-school youth; youth with disabilities and low literacy rates; and youth who may require additional assistance to complete an educational program, acquire an industry-recognized credential, or enter employment. When a program participant completes an activity (e.g., training), management is required to update its records to document that the participant completed the activity and is no longer receiving services funded by the WIA program.

Mid-Cumberland (youth program only), East Tennessee, Southwest, and Upper Cumberland HRAs have WIA programs. The Metropolitan Government of Nashville and Davidson County provided grant funding to Mid-Cumberland HRA, while the Department of Labor and Workforce Development provided grants to the remaining agencies.

Case Management

HRA program staff each managed caseloads of several clients with varying needs and used the enhanced Consolidated Management Activity and Tracking System to track and document significant events throughout the stages of a case.

The objectives of our review of the case management process were to determine

- each agency's compliance with client program eligibility requirements,
- how the agency documented case management, and
- whether clients submitted supporting documentation in accordance with program requirements.

We interviewed WIA staff of the Department of Labor and Workforce Development regarding compliance with grant requirements. We interviewed WIA program staff at each of the agencies and reviewed contracts, grants, and program policies and procedures to gain an understanding of the case management process. We obtained an understanding of the process used by case managers to assess each client and prepare their Individual Service Strategy, which includes short-term benchmarks to complete during the program. We selected a nonstatistical random sample of 28 client files from a population of 1,897 clients from program year 2014 in the Adult and Dislocated Workers Programs, and 10 files from a population of 182 youth program graduate files in program year 2012 to determine compliance with policies and procedures. We tested the client files to

- ensure performance measurements established in Individual Service Strategies were completed and followed up;
- determine whether eligibility requirements were met, including compliance with age requirements for student applicants;
- ensure the applicant possessed at least one barrier to employment as required by contract; and
- determine whether sufficient supporting documentation was obtained to support the HRA's eligibility determination.

Based on audit procedures, we determined that

- performance measurements established in Individual Service Strategies were completed and followed up;
- eligibility requirements were met, including compliance with age requirements for student applicants;
- the applicant possessed at least one barrier to employment, as required by contract; and
- sufficient supporting documentation was obtained to support the eligibility determination made by the HRA.

Southwest HRA overspent the WIA award by nearly $173,000 for the program year ended June 30, 2012, which was reported as questioned costs in the *State of Tennessee 2012 Single Audit Report*. Southwest has requested a repayment plan from the U.S. Department of Labor. Also, the Department of Labor and Workforce Development informed us that both the East Tennessee and Southwest HRAs have improved their program performance after the department recommended sanctions for both in 2009.

Complaints

Under the WIA, career center partners, service providers, participants, and any interested parties affected by either the local workforce system or a local workforce investment area all have the right to file a grievance or complaint.

The objectives of our review were to

- obtain and review complaint policies and procedures;
- determine whether the complaint policies and procedures are in compliance with grant and contract requirements; and
- review complaints for compliance with policies and procedures.

We interviewed program staff; obtained and reviewed complaint policies and procedures; gained an understanding of the program requirements for taking and resolving complaints; and asked program staff for a list of complaints.

We found that during the application process, clients are made aware of their right to file a grievance or complaint, as required by the department. We reviewed client files with signed affidavits that the WIA grievance procedures had been explained to them.

Based on our audit procedures, we determined that the HRAs have complaint policies and procedures required by the WIA program and are informing clients of the grievance policies and procedures. We also found that none of the HRAs had received written complaints for the WIA program.

APPENDICES

APPENDIX 1
Investigative Findings

Delta Human Resource Agency
Review of Findings and Recommendations
For the Period July 1, 2013 to December 31, 2013

We performed an investigation of selected records of Delta Human Resource Agency (Delta HRA) for the period July 1, 2013, through December 31, 2013, after comptroller auditors discovered discrepancies during a review of collections. Our investigation revealed the following discrepancies:

- Anticipated collections were $6,427 less than related deposits.
- We noted internal control deficiencies in collecting, receipting, and depositing of rider fares.

The investigative findings and recommendations are presented below. These findings and recommendations have been reviewed with management to provide an opportunity for their response.

Background

The Delta Human Resource Agency (Delta HRA) was created on December 18, 1989, and chartered as a not-for-profit agency on January 18, 1990. Delta HRA serves the economically disadvantaged, elderly and handicapped persons in the counties of Tipton, Lauderdale, Fayette, and in rural Shelby with the Rural Transportation program.

The transportation program generates revenue through general public fare riders who pay cash for each van ride. These general public riders make reservations for van pickup by calling the agency and scheduling a time and location for pickup. The agency transportation computer system generates a manifest each day for drivers that includes rider pickup locations, drop off points, and fare amounts to be collected by the driver from each rider. Rider fares vary among riders based on their residency, additional stops, destinations (crossing county lines), and various programs and subsidies received by Delta HRA that reduce rider fares.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 **ANTICIPATED FARES COLLECTED WERE $6,427 LESS THAN RELATED DEPOSITS**

The agency failed to compare the fare that riders were anticipated to pay with the actual bank deposits related to those collections. As a result, the agency could not account for a $6,427 discrepancy in fares collected over a six month period.

We examined procedures, driver logs, accounting records, and interviewed drivers, riders, dispatchers, and clerical staff involved in the process of collecting, receipting, recording, and depositing of fares. Drivers collect fares from riders, but do not issue receipts; therefore, fares could be collected by drivers that are unaccounted. There were 588 riders served by Delta HRA during the period examined. Due to the agency's failure to reconcile anticipated collections with actual related deposits, the following discrepancies were noted:

Delta Human Resource Agency
Discrepancies in Fares Anticipated and Fares Actually Collected and Deposited
July 2013 - December 2013

Rider Collections	Number of Riders		Amount
Riders who paid more than expected	60	$	711.33
Riders who paid the amount expected	336		0.00
Riders who paid less than expected	192		(7,138.45)
Total anticipated but not collected	588	$	(6,427.12)

RECOMMENDATION

Delta HRA management should develop policies and procedures to assure cash collections are accurately recorded and compared with expected collections. Specific responsibility and accountability should be established for each step in the cash collection process.

MANAGEMENT RESPONSE

We concur with the finding. Our agency has put in place the following: the Transportation Coordinator will run a general public fare report from the

Routematch software to show what the driver's anticipated fare collection should be versus actual collection for daily scheduled routes. Drivers will turn in fares daily at each county office. A designated staff will collect fares from secured lock boxes and bring to the central office for processing. A designated staff person will count and receipt fares daily and turn into the executive secretary for deposit.

FINDING 2 **INTERNAL CONTROL DEFICIENCIES WERE NOTED IN COLLECTING, RECEIPTING, AND DEPOSITING OF FARES**

Delta HRA had internal control deficiencies in collecting, receipting, and depositing of rider fares in the transportation program. We examined driver logs, accounting records, banks statements, and interviewed drivers, riders, dispatchers, clerical staff and others involved in the process of recording and depositing fares from riders. Drivers do not issue receipts to riders upon collection of fares. Riders we spoke with advised that drivers told them to bring their own receipt book if they needed a receipt.

Drivers enter fares collected from riders into an onboard electronic keypad. They also record cancelations, no-shows, pickup time, and drop off time on driver logs. Drivers put their collections in a drop-box and do not receive a receipt. Dispatchers from each county gather the collections made by drivers, summarize those collections, and turn in the collections to the financial administrative assistant for deposit. We noted the following internal control deficiencies regarding this process:

A. Drivers collect fares from riders, but do not issue receipts; therefore, fares could be collected by drivers that are unaccounted.

B. Receipts were not issued to drivers after fare collections were placed into the area drop-boxes, and the area drop-boxes were unsecure.

Unsecure drop-box in Lauderdale County

C. Some collections by drivers were not turned over promptly for deposit. Based on our analysis some collections were not deposited for up to three weeks. The delay in depositing increases the risk of fraud and misappropriation.

D. Driver logs did provide a total amount of money collected; however, some driver logs did not identify the rider or riders from whom the money was collected. In addition, the expected collection amount from an individual rider was not regularly compared with the actual collection amount from that rider.

RECOMMENDATION

Delta HRA management should develop policies and procedures to safeguard cash collected by drivers. Receipts should be issued anytime cash is transferred from one individual to another. Drop-boxes should be secure. Deposit should be made promptly. Management should assign specific responsible staff, independent of the cash collection process, to assure cash collections are accurately recorded and compared with expected collections. Accountability should be established for each step in the cash collection process.

MANAGEMENT RESPONSE

We concur with the finding. Drivers will now issue receipts to clients. Copies of receipts will be issued to drivers by office staff when money is received. Our agency has retained secure lock boxes that will be installed internally at each county office. Routematch software has been updated to indicate amounts to be collected and from whom. Reports are being run and compared to money collected.

APPENDIX 2
Title VI and Other Information

Title VI of the Civil Rights Act of 1964 states that "no person in the United States shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance."

The objectives of our review of Title VI were to determine if the human resource agencies (HRAs) had a Title VI plan including complaint procedures and forms, and if the agencies had pending complaints related to Title VI.

We obtained and reviewed the HRAs' Title VI implementation plans. During our on-site reviews, we met with each agency's Title VI coordinator and/or human resource director.

Based on our review of Title VI documentation and interviews, we found that

- the agencies had revised their plans since the prior audit, with the exception of Delta HRA, whose plan is dated July 2005;
- Northwest Tennessee HRA's plan is a notebook that summarizes Title VI requirements, but the notebook does not contain a written Title VI plan; and
- East Tennessee and Upper Cumberland HRAs each have one pending Title VI complaint.

We recommend that

- Delta HRA should revise their July 2005 Title VI plan; and
- Northwest Tennessee HRA, using the summarized information in their Title VI notebook, should complete a written Title VI plan for the agency.

Human Resource Agencies
Policy Council Members by Gender and Ethnicity
As of June 30, 2014

	Gender			Ethnicity				
HRA	**Male**	**Female**		**Asian**	**Black**	**Hispanic**	**White**	**Other**
Delta	6	3			2		7	
East Tennessee	21	11					32	
First Tennessee	26	4			1		29	
Mid-Cumberland	18	12			2		28	
Northwest Tennessee	11	1			1		11	
South Central	18	12			5		25	
Southeast Tennessee	15	4			1		18	
Southwest	19	8			12		15	
Upper Cumberland	26	6					32	
TOTALS	160	61			24		197	

Human Resource Agencies
Employees by Gender and Ethnicity
As of June 30, 2014

	Gender			Ethnicity				
HRA	**Male**	**Female**		**Asian**	**Black**	**Hispanic**	**White**	**Other**
Delta	28	32			39		21	
East Tennessee	136	308			36	2	403	3
First Tennessee	84	98		1	5	2	172	2
Mid-Cumberland	112	228		2	65	2	268	3
Northwest Tennessee	73	192			91	1	173	
South Central	30	272		1	40	13	245	3
Southeast Tennessee	94	118			24	2	186	
Southwest	83	381			198	2	263	1
Upper Cumberland	213	355			14	2	526	26
TOTALS	853	1,984		4	512	26	2,257	38

APPENDIX 3
Statement of Expenditures

Human Resource Agencies
Federal and State Grant Expenditures by Agency
Fiscal Year Ended June 30, 2013

HRA	Amount
Delta	$3,102,578
East Tennessee	29,187,272
First Tennessee	6,706,958
Mid-Cumberland	7,366,151
Northwest Tennessee	4,171,024
South Central Human	15,476,615
Southeast Tennessee	10,509,087
Southwest	14,559,108
Upper Cumberland	$15,020,799

Source: HRAs' annual financial statements as of June 30, 2013.

APPENDIX 4
State of Tennessee Single Audit Findings Related to Human Resource Agencies
For the Fiscal Year Ended June 30, 2013

Finding Number	Page Number	Finding	HRAs Referenced
2013-021	111-118	As noted in the prior audit, the Department of Human Services did not ensure the subrecipients followed federal regulations for the Low Income Home Energy Assistance Program, resulting in increased risk of fraud, waste, abuse, and noncompliance.	South Central and East Tennessee
2013-035	184-188	As noted in the prior three audits, staff in the Division of Multimodal Transportation Resources failed to adequately review subrecipients' reimbursement requests and paid subrecipients for unallowable costs with funds from the Formula Grants for Other Than Urbanized Areas Program, resulting in federal questioned costs of $46,167 and state questioned costs of $23,083.	First Tennessee, Northwest Tennessee, Southwest, Mid-Cumberland, and Southeast Tennessee

APPENDIX 5
Human Resource Agency
Findings and Observations Matrix by Program

	Agency			Delta	East TN	First TN	Mid-Cumberland	Northwest TN	South Central	Southeast TN	Southwest	Upper Cumberland
	Finding											
Program	**Topic**	**Number**	**Page**									
Transportation	Personnel files did not contain evidence that van drivers met criteria.	1	8	√		√	√	√			√	
	Agency should adopt written policies and procedures for client grievances.	2	11							√		
Nutrition and In-Home Services	Agencies did not conduct timely background checks and registry reviews.	3	13		√			√	√		√	√

Human Resource Agency
Findings and Observations Matrix by Program

	Agency			Delta	East TN	First TN	Mid-Cumberland	Northwest TN	South Central	Southeast TN	Southwest	Upper Cumberland
	Finding											
Program	**Topic**	**Number**	**Page**									
Community Corrections	Revenue receipting and depositing duties not adequately segregated.	4	19		√							
	Deposits not timely.	5	21		√		√		√	√		√
Misdemeanor Probation	Revenue receipting and depositing duties not adequately segregated.	6	25			√				√		
	Circumvented internal controls over program information system.	7	26			√						
	Offenders should not pay cash.	8	27		√		√			√		

Human Resource Agency
Findings and Observations Matrix by Program

	Agency			Delta	East TN	First TN	Mid-Cumberland	Northwest TN	South Central	Southeast TN	Southwest	Upper Cumberland
	Finding											
Program	**Topic**	**Number**	**Page**									
Internal Controls	Agencies did not comply with TCA bonding requirements.	9	30	√				√				
	Proxy voting prohibited by statute.	10	31						√			
LIHEAP	Client data should be reviewed for accuracy.	11	34	√	√					√		√
Summer Food	Paperwork is manual, cumbersome, and excessive.	12	40		√						√	
	Observation											
Program	**Topic**	**Number**	**Page**									
Nutrition and In-Home Services	Agencies had the required complaint policies and procedures.	1	17		√	√	√	√	√	√	√	√
Misdemeanor Probation	Needs written grievance policies and procedures.	2	28							√		