STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

TENNESSEE COMMUNITY SERVICES AGENCY

Performance Audit Report

September 2016

Justin P. Wilson, Comptroller

Division of State Audit
Performance and Compliance Section

DEBORAH V. LOVELESS, CPA, CGFM, CGMA
Director

KANDI B. THOMAS, CPA, CFE, CGFM, CGMA
Assistant Director

SCARLET Z. SNEED, CPA, CFE, CGFM, CGMA
Audit Manager

Robert Harness
Jimmy Stewart
In-Charge Auditors

Robert L. Fox, CFE
Scott J. Hanni, CFE
Taylor Hatfield
Jafar Ware
Scott Wolfe
Staff Auditors

Amy Brack
Editor

Amanda Adams
Assistant Editor

Comptroller of the Treasury, Division of State Audit
Suite 1500, James K. Polk State Office Building
505 Deaderick Street
Nashville, TN 37243-1402
(615) 401-7897

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402

PHONE (615) 401-7897
FAX (615) 532-2765

September 2, 2016

The Honorable Ron Ramsey
Speaker of the Senate
The Honorable Beth Harwell
Speaker of the House of Representatives
The Honorable Mike Bell, Chair
Senate Committee on Government Operations
The Honorable Jeremy Faison, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Mr. Thomas D. McWherter
Executive Director
Tennessee Community Services Agency
1604 West Reelfoot Avenue, Suite A
Union City, Tennessee 38261
and
Ms. Gwendolyn D. Wright
Board of Directors Chair
3668 Masonwood Lane
Memphis, TN 38116-4010

Ladies and Gentlemen:

We have conducted a performance audit of selected programs and activities of the Tennessee Community Services Agency for the period July 1, 2013, through April 30, 2016. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. Management of the Tennessee Community Services Agency has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

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

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA
Director

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16/196

State of Tennessee

Audit Highlights

Comptroller of the Treasury | Division of State Audit

Performance Audit
Tennessee Community Services Agency
September 2016

AUDIT SCOPE

We have audited the Tennessee Community Services Agency for the period July 1, 2013, through April 30, 2016. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of administration, the Adult Probation Program, the At Home Support Services Program, the Court Support Services Program, the Independent Support Coordination Services Program, and the Senior Community Service Employment Program. Management of the Tennessee Community Services Agency is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

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 our 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.

CONCLUSIONS

AUDIT FINDINGS

Losses have weakened the Tennessee Community Services Agency's financial condition, creating concern over the agency's financial sustainability (page 11).

The Tennessee Community Services Agency did not properly obtain background checks and perform registry checks of employees as required (page 15).

The Tennessee Community Services Agency did not provide adequate internal controls in four specific areas (page 19).

The Tennessee Community Services Agency did not comply with state and federal laws and regulations for various required reporting (page 19).

The Cookeville Site Director acted without authority and exposed the agency to increased risks of fraud, waste, and abuse in the Cumberland County Recovery Court program (page 35).

The Tennessee Community Services Agency's Independent Support Coordination Services program did not follow all program regulations (page 43).

OBSERVATIONS

The following topics did not warrant a finding but are included in this report because of their effect on the operations of the Tennessee Community Services Agency and the citizens of Tennessee: the Tennessee Community Services Agency's travel claim process needs improvement (page 22); the Scott County Probation program did not maintain an up-to-date policy manual, did not file violations of probation timely, and did not maintain an official receipt book (page 25); the At Home Support Services program suffered scheduling and billing issues, which caused some clients to not receive all services in their plan of care and caused the agency to not receive reimbursements it was due (page 30); and the Tennessee Community Services Agency did not ensure the Senior Community Service Employment Program staff always followed contractual and federal requirements (page 48).

Performance Audit
Tennessee Community Services Agency

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Performance Audit
Tennessee Community Services Agency

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Tennessee Community Services Agency was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-238, the Tennessee Community Services Agency is scheduled to terminate June 30, 2017. 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 Tennessee Community Services Agency should be continued, restructured, or terminated.

ORGANIZATION AND STATUTORY RESPONSIBILITIES

The Tennessee Community Services Agency (TNCSA) is authorized under Title 37 Chapter 5, Part 3, *Tennessee Code Annotated*, as a "political subdivision and instrumentality of the state," to perform "essential public functions" and promote "the well-being of the citizens of the state." TNCSA's mission is to serve citizens in need; the agency's guiding philosophy is to help find solutions to meet Tennessee's needs through the coordination of services to individuals, families, and communities; and the agency's goal is to identify gaps in services within communities across the state and assist communities in meeting those needs.

TNCSA does not receive direct appropriations from the state but is an authorized state vendor. Although the state does not provide appropriations to the agency, the Department of Finance and Administration has monitoring oversight for the agency. The agency's operations are funded through various contracts with the federal, state, and local governments and private organizations.

TNCSA is governed by a board of directors appointed by the Governor and representing each grand division of the state. In addition, the Department of Finance and Administration has the authority to appoint one designee to serve on the agency's board of directors.

The Executive Director is responsible for general oversight, management, and direction of the statewide entity. TNCSA Site Directors are responsible for the regional offices in Chattanooga, Cookeville, Jackson, Johnson City, Knoxville, and Memphis. As of April 30, 2016, TNCSA administered the following programs:[1]

[1] Maps are only provided for those programs that TNCSA does not operate statewide. More information for each of the programs selected for detailed audit will be provided in the Objectives, Methodologies, and Conclusions section.

Adult Probation

The agency's Adult Probation program provides misdemeanor probation services through a contract with Scott County in East Tennessee for those convicted of misdemeanor offenses in General Sessions court. The agency is responsible for monitoring offender activities, collecting any required fees, and assisting probationers in securing community resources such as community service work, employment, counseling, job skills training, and housing assistance. The probation office is located in Huntsville, Tenn., and is under the direct oversight of the agency's Knoxville office.

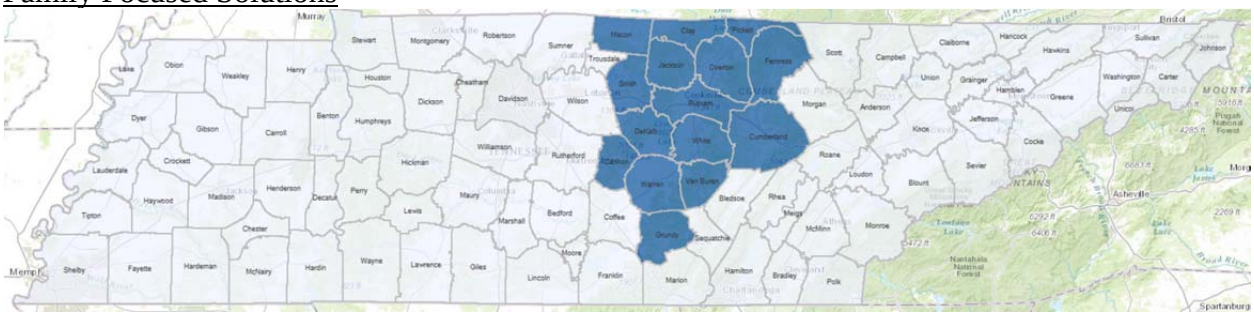
At Home Support Services

The At Home Support Services program serves elderly residents (60+ years old) and disabled adults of all ages for Sullivan, Washington, Carter, and Unicoi Counties. This program provides homemaker, respite and personal assistant services and is administered by TNCSA through its Johnson City regional office.

Court Support Services

TNCSA contracts separately with Cumberland and White Counties to provide support services for the court systems. TNCSA administers the substance abuse programs for the Cumberland County Recovery Court and the White County Juvenile Drug Court to assist the offenders with treatment for their substance abuse problems while providing an alternative to incarceration. The White County Juvenile Drug Court also serves participants from Van Buren County court system. TNCSA's Cookeville office provides oversight to both drug courts.

Family Focused Solutions



TNCSA contracts with the Tennessee Department of Human Services to administer the Family Focused Solutions program in the following counties: Cannon, Clay, Cumberland, Dekalb, Fentress, Grundy, Jackson, Macon, Overton, Pickett, Putnam, Smith, VanBuren, Warren, and White. This program provides intervention and counseling to families enrolled in the Department of Human Services' Families First Program.

Independent Support Coordination Services

TNCSA contracts with the Tennessee Department of Intellectual and Developmental Disabilities (DIDD) and the Tennessee Department of Finance and Administration, Division of Healthcare Finance and Administration's Bureau of TennCare, to provide Independent Support Coordinators for clients of DIDD. TNCSA provides this service on a statewide basis, and its Chattanooga, Cookeville, and Jackson offices provide oversight for the program.

Monitoring and Advocacy

TNCSA contracts with the Tennessee Department of Finance and Administration, Division of Healthcare Finance and Administration's Bureau of TennCare, to provide advocacy services for children in state custody. TNCSA staff in this program monitor health services that are prescribed for children that are in TennCare-funded placements while in the care of the Department of Children's Services. TNCSA provides this service on a statewide basis, and its Jackson office provides oversight of the program.

Resource Parent Advocacy and Mentoring

TNCSA contracts with the Tennessee Department of Children's Services to administer the Resource Parent Advocacy and Mentoring programs. The Advocacy program uses trained foster parents to advocate on behalf of other foster parents, answer questions, or assist with

concerns that a foster parent may have. Mentors provide emotional support and acquaint new foster parents with the services that are available to them in their region. Mentors also help new foster parents understand the foster care system and how to best work in partnership with the Department of Children's Services. TNCSA provides these services on a statewide basis, and its Knoxville office provides oversight of the program.

Senior Community Service Employment Program

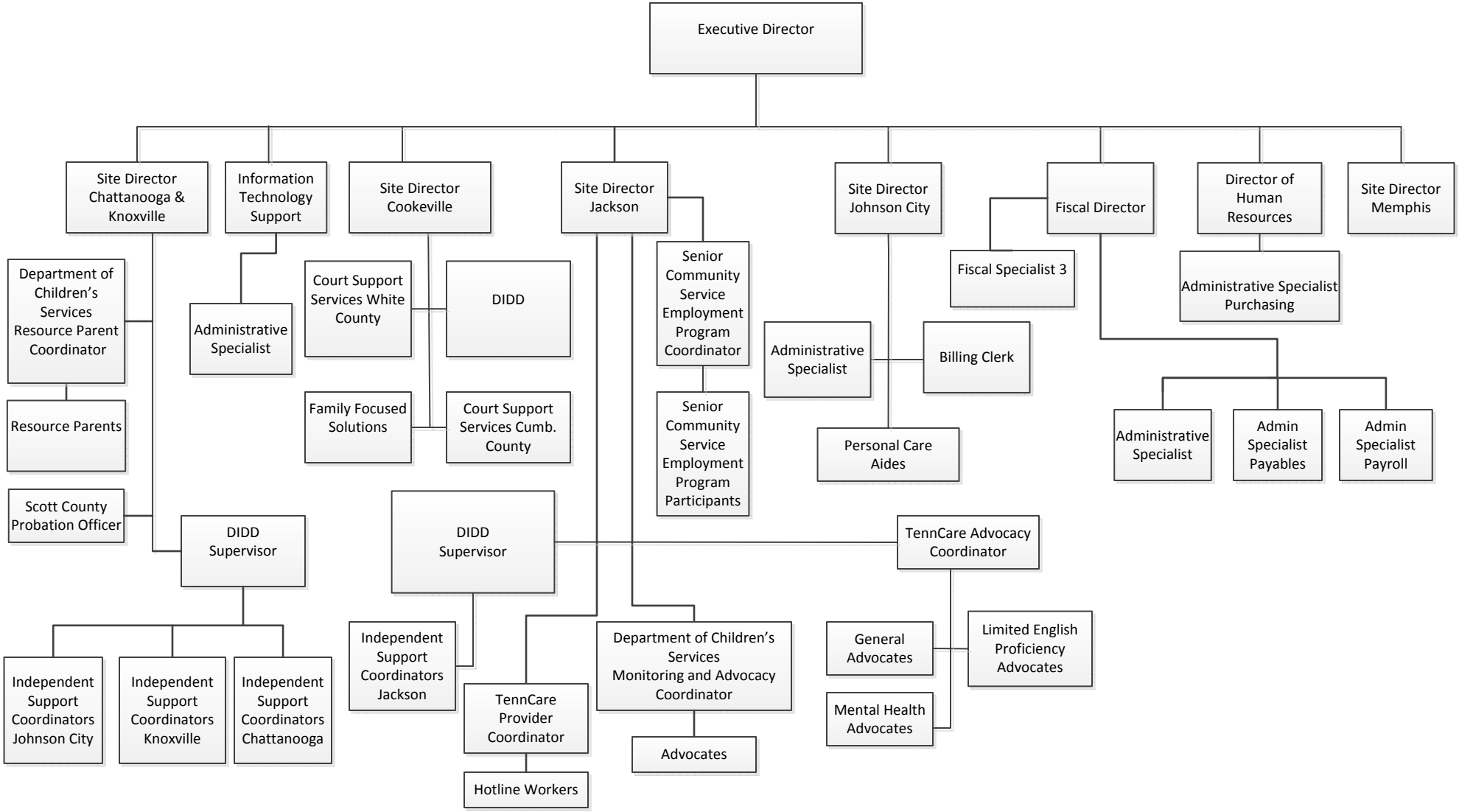
TNCSA contracts with the Tennessee Department of Labor and Workforce Development to administer the Senior Community Service Employment Program (SCSEP) in the following counties: Cheatham, Dyer, Henry, Houston, Humphreys, Montgomery, Obion, Stewart, and Weakley. SCSEP is an employment training program for low-income, unemployed individuals ages 55 and older.

TennCare Advocacy and Provider Services Programs

TNCSA contracts with the Tennessee Department of Finance and Administration, Division of Healthcare Finance and Administration's Bureau of TennCare, to administer the Advocacy and Provider Services programs. The TennCare Advocacy program is designed to provide outreach projects for the Bureau of TennCare and to assist Tennesseans with information on how to obtain, use, and keep TennCare benefits. The TennCare Provider Services program serves as a single point of contact for members and medical providers with requests for verification of member eligibility; medical claims payment status; and general inquiries pertaining to TennCare services, programs, and coordination of services with other state and federal agencies. TNCSA operates a call center to provide these services on a statewide basis, and the call center is operated in the agency's Jackson office.

An organization chart of the Tennessee Community Services Agency is on the following page.

Tennessee Community Services Agency
Organizational Chart
April 30, 2016



Source: Tennessee Community Services Agency.

AUDIT SCOPE

We have audited the Tennessee Community Services Agency for the period July 1, 2013, through April 30, 2016. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of Administration, the Adult Probation Program, the At Home Support Services Program, the Court Support Services Program (Drug Courts), the Independent Support Coordination Services program, and the Senior Community Service Employment Program. Management of the Tennessee Community Services Agency is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

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We conducted our 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.

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 recommendation in the prior audit report. TNCSA's prior audit report, dated October 2013, included five findings. The Tennessee Community Services Agency filed its report with the Comptroller of the Treasury in August 2016. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Tennessee Community Services Agency has corrected the previous audit findings concerning

- the agency's failure to implement proper controls to ensure the staff operated the Employment Solutions program according to federal or state regulations;
- the agency's failure to operate the Department of Children's Services' Home Study Writers program in accordance with contractual guidelines;
- the agency's failure to operate the City of Memphis' Housing Crisis Hotline program in accordance with contractual guidelines; and
- the agency's failure to meet contractual performance targets for the EarnBenefits Supplemental Nutrition Assistance Program Outreach Initiative.

PARTIALLY RESOLVED AUDIT FINDING

The prior audit report also contained a finding concerning the Senior Community Service Employment Program. This finding is not fully resolved and is discussed in Observation 4 (page 48) in this report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

ADMINISTRATION

Background and Objectives

The Tennessee Community Services Agency (TNCSA) central management team, including the Executive Director, Fiscal Director, and Director of Human Resources, are stationed in the main headquarters located in Union City, Tenn. The agency's Information Technology Director works from the Jackson regional office. Top management is responsible for providing oversight to six regional offices that administer both statewide and region specific programs for Tennessee's citizens. In addition to the oversight provided by the leadership team in Union City, top management also relies on regional Site Directors to ensure management's controls are in place and that all employees comply with federal, state, and internal rules, regulations, contracts, and grants. Our overall objective was to determine whether top management provided sufficient oversight and guidance to ensure the agency's program and fiscal operations were effective to ensure the agency's mission was achieved.

Our specific objectives in reviewing the agency's administration were to determine whether agency management

- maintained its fiscal operations in a financially sustainable manner and that the agency can continue for the foreseeable future;
- ensured staff responsible for hiring of employees maintained sufficient personnel records, including documentation of required background checks and related searches as applicable, and other required personnel forms;

- had proper procedures in place to ensure payroll was allocated to the appropriate grant fund;
- had proper procedures in place to ensure all travel claims were paid according to contract and grant requirements;
- had proper policies and procedures in place to identify and prevent conflicts of interest of board members, employees, and volunteers;
- submitted timely any reports required by statute to the Governor and the Department of Finance and Administration; and
- followed information system best practices and controls.

Methodology – Financial Sustainability

In order to determine the agency's financial status, we obtained the agency's unaudited financial statements from fiscal years 2013 through 2016. We performed analytical procedures of selected financial information from the financial statements, including an analysis of net revenue and losses to determine if and when the agency's fund balance may possibly be depleted, which programs experienced net gains or net losses, and whether the agency's administrative costs (including top management salaries) appeared excessive or unreasonable. We also obtained an understanding of the agency's risk assessment process and management's strategic plan in relation to its risk management to determine if management was active in the agency's financial management and planning. We also interviewed management to determine their opinion of the agency's financial position in relation to the results of our financial analysis, and to obtain management's plans for the agency's future.

Methodology – Hiring Practices

In order to determine if management ensured staff responsible for hiring employees followed proper procedures and maintained sufficient documentation, we performed a walkthrough of the hiring process. We interviewed the agency's Director of Human Resources, reviewed the agency's personnel policies and procedures manual, and reviewed employee personnel files and the forms that the agency used to complete the files. We also interviewed the Director of Human Resources, examined program manuals, and examined all contracts in effect during our audit period to identify staff and volunteers for which the agency was required to conduct background checks, to perform required registry searches, and to verify licensure of potential new hires, as applicable.

We learned that three current agency programs – At Home Support Services, Independent Support Coordination Services, and Resource Parent Advocacy/Mentorship – require staff or volunteers to undergo background checks or registry searches. We also learned that the Independent Support Coordination Services program staff are required to possess certain degrees and/or experience in a similar job to be eligible for employment. We then tested complete populations or selected nonstatistical samples of employees to determine if the agency followed its internal policies when hiring new employees. We reviewed documentation of background checks, registry searches, and education/experience. For the At Home Support Services

program, we selected a nonstatistical random sample of 40 program employees out of a total of 136 employed during our audit period. For the Independent Support Coordination Services program, we selected all 29 staff members employed with the agency during our audit period. For the Resource Parent Advocacy and Mentorship programs, we selected all 24 staff and volunteers with the agency during our audit period.

In order to determine if the agency included all necessary forms in the employees' personnel files, we obtained the population of individuals employed by the agency during our audit period and selected a nonstatistical random sample of 40 employees out of 306 employed and examined their personnel files. We also selected the personnel files for the Executive Director, Fiscal Director, and Director of Human Resources and added them to our testwork since they are members of top management.

Methodology – Payroll Allocation

To determine if payroll was allocated to the proper grant funds we conducted interviews with fiscal staff and obtained documentation to support the payroll allocation rates for employees. We also examined contracts to determine what percentage each contract allowed the agency to draw down for indirect costs. We then haphazardly selected invoices for the month of March 2016 to determine if the salaries that the agency charged to each grant were for employees assigned to that particular grant program, or had a portion of their salary allocated to the grant based on the cost allocation spreadsheet we obtained. We also recalculated the indirect cost percentage to determine if it was within the allowed range specified in the grant contracts.

Methodology – Travel Claims

To determine if travel claims were processed properly, we interviewed the Fiscal Director, reviewed the agency's personnel policies and procedures manual, and reviewed submitted and approved travel claims. We then obtained a list of approved travel claims filed during the period July 2, 2013, through March 31, 2016, and selected a nonstatistical random sample of 40 travel claims to determine if staff followed applicable policies and procedures.

Methodology – Conflict of Interest

To determine if management had proper policies and procedures in place to identify and prevent conflicts of interest of board members, employees, and volunteers, we interviewed the Director of Human Resources, examined the agency's policies and procedures manual, and viewed examples of conflict of interest disclosure forms. We learned that the agency required all employees and board members to annually sign and submit a conflict of interest disclosure form. In order to determine if the agency followed its policies regarding the submission of the forms, we obtained the population of all individuals employed by the agency during our audit period. We then selected a nonstatistical random sample of 40 employees out of 306 employed during the audit period and examined their conflict of interest disclosure forms. In addition, because of their positions we selected to include in our testwork the forms of the Executive Director, Fiscal Director, and Director of Human Resources. We also examined each board member's conflict of interest disclosure forms.

Methodology – Submission of Reports

To determine if the agency submitted all reports required, we examined *Tennessee Code Annotated* and identified the requirement in Title 37, Chapter 5, Part 312, that the agency submit an annual report to the Governor and Commissioner of the Department of Finance and Administration. According to statute, management should detail money received and expended, statistics on persons served, and any other information deemed relevant. We then requested these reports along with documentation of submission to the Governor's office and Department of Finance and Administration. We also contacted staff in the Governor's office to verify submission.

Methodology – Information Systems Best Practices and Controls

To determine if management followed industry best practices and had proper controls over its information systems, we compared management's internal control activities to assess adherence to information systems industry best practices.

Conclusions

Based on our procedures performed, we determined that

- TNCSA has suffered financial losses that have resulted in a decline of the agency's fund balance which could jeopardize the agency's ability to remain financially viable (finding 1);
- agency management had received federal grant funds for which they had not obtained a required audit (finding 4);
- management did not ensure that all required background checks and registry searches were properly completed (finding 2), but all other information was complete with only minor exceptions;
- management had proper procedures in place to ensure payroll was allocated to the appropriate grant fund, but management had not submitted an updated cost allocation plan to the Department of Finance and Administration as required (finding 4);
- management did not follow its policies and procedures regarding travel claims (observation 3);
- management had procedures in place for employees to identify conflicts of interest; however, without top management's knowledge, one employee conducted unauthorized business activities with a non-profit organization with which she was closely related (see finding 5);
- management had not submitted reports as required by *Tennessee Code Annotated* (see finding 4); and
- management did not follow industry best practices for its systems controls (see finding 3).

Finding 1 – Losses have weakened the Tennessee Community Services Agency's financial condition, creating concern over the agency's financial sustainability

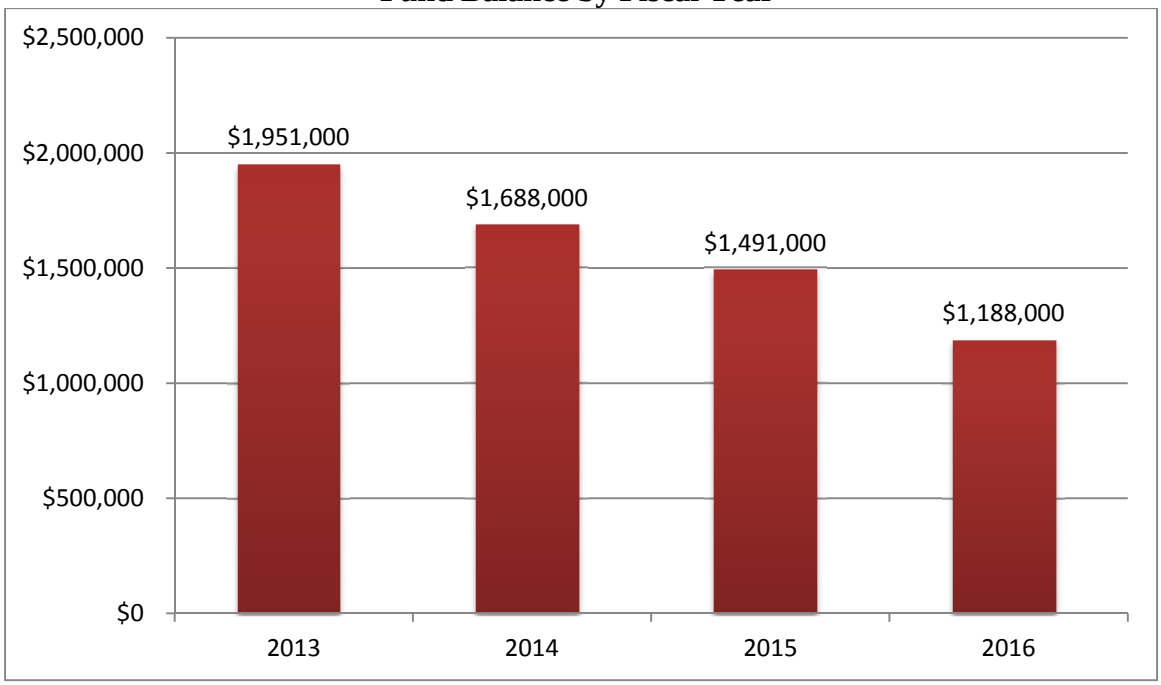
Background, Condition, and Cause

The Tennessee Community Services Agency (TNCSA) is a political subdivision and instrumentality of the state. The agency does not receive state appropriations; rather, the agency's operations are funded through various contracts with state, local government, and nonprofit organizations. As such, the agency must ensure its own financial sustainability.

Fund Balance

Generally, an agency's fund balance represents resources available for spending by a governing body for an intended purpose. In analyzing the agency's financial condition, we noted that the agency's fund balance has declined from $1,951,000 in fiscal year 2013 to $1,188,000 in fiscal year 2016. See Chart 1 below:

Chart 1
Fund Balance by Fiscal Year[2]



Source: Information in chart for 2013 through 2015 was obtained from the state's Comprehensive Annual Financial Report. Information in chart for 2016 was provided by the Tennessee Community Services Agency.

Program Revenues (Losses)

To obtain more information about the cause of the decline, we analyzed the agency's unaudited financial statements for fiscal years 2013, 2014, 2015, and 2016. Based on our

[2] Amounts are rounded to the nearest thousand.

review, the agency experienced net losses in many of its programs each fiscal year. See Table 1 for a summary of the agency's net revenues and losses by program.

Table 1
Net Revenue (Loss) by Program and Fiscal Year (Unaudited)

Program	2013	2014	2015	2016
Administration[(a)]	$112,958	($132,587)	($118,451)	($205,864)
Americorps PASS[#]	($10,762)	($267)	-	-
At Home Support Services	($67,962)	($50,840)	($61,466)	($90,147)
Community Services Programs - Scott County	$15,215	($2,554)	$22,365	$4,147
Court Support Services	($4,300)	$1,546	$0	$0
DCS Home Study[#]	($744)	-	-	-
DCS Monitoring and Advocacy	($81)	$0	$0	$0
DCS Resource Parent Advocacy and Mentoring	-	$0	$0	$0
Emergency Housing Partnership[#]	($33)	($13,529)	$0	($475)
Employment Solutions[#]	$559,985	-	-	-
Family Focused Solutions	$0	$0	$0	($1,428)
Independent Support Coordination	($74,697)	($64,364)	($39,356)	($1,638)
Memphis Strong Families Initiative[#]	($3)	($10)	$0	($7,415)
Senior Community Service Employment Program	$0	$0	$0	$0
TennCare Advocacy	($1,130)	$0	$0	$0
TennCare Provider	($242)	$0	$0	$0
Transportation Programs[#]	($3,041)	-	-	-
Total by Fiscal Year	**$525,162**	**($262,605)**	**($196,907)**	**($302,820)**

*Source: Net Revenue/Loss as Listed on the Agency's Statements of Revenues and Expenses
[(a)] Administrative costs
TNCSA no longer administers this program.
- This program was not in operation during this fiscal year.

We discussed the agency's program losses with the Executive Director. He explained that revenues for some programs have been volatile and that the agency has used the fund balance to cover net losses. The Executive Director noted that the At Home Support Services program has consistently incurred losses due to a reduction in clients and a lower reimbursement rate. He stated that, while revenues for this program have declined, expenses have not declined

proportionately. He disclosed that management had discussed discontinuing the program due to consistent net losses but determined that it was more important to provide services, in this area where there are few service providers, than to cease operations.

The Executive Director further explained that, over the years, the agency has lost revenue due the loss of programs. He cited the loss of contracts with the Department of Children's Services in 2009, TennCare in 2010, and Structured Employment Economic Development Corporation in 2013 as factors contributing to the agency's declining fund balance.

Administrative Costs

The Executive Director informed us that the primary reason for the agency's declining fund balance was due to administrative costs. We analyzed the agency's unaudited financial statements to obtain more information. Based on our review, we determined that the agency was unable to fund administrative costs with program revenues for the three most recent fiscal years requiring management to use the fund balance to cover the difference. This contributed to the agency's overall total costs exceeding total revenues in each of those years. The Executive Director explained that the agency allocates as much program revenue to cover administration costs as allowed by the agency's contracts. He further stated that some positions such as Site Directors are carried on the administrative budget and must be funded through the agency's fund balance. When we discussed the matter of staff with the Executive Director, he explained that management has decreased these costs as much as possible and that the agency has too few people to get the work done or reduce costs further.

We reviewed payroll documentation contained in the agency's personnel files to confirm the Executive Director's assertion. Based on our review, we found that management had reduced administrative and program salaries by 10% in 2010 in an effort to reduce costs. That same year, management reduced the percentage of agency contributions to health insurance from 80% to 70%, also in an effort to save costs. We were informed that the salaries were returned to the prior level by 2015 for most employees; however, the 70% employer contribution for health insurance remains in place. Staff compensation and salary activities since 2010 included a longevity bonus in 2012 and a 2% across-the-board pay raise in 2014. According to the Executive Director, the 2% across-the-board pay raise in 2014 was the first and only of its kind since the statewide merger in 2008. The board of directors approved the longevity bonus, the across-the-board pay raise for all staff, and the salary reinstatement for the Executive Director. The Executive Director approved the salary reinstatements for all other employees.

The Executive Director explained that he reinstated salaries to former levels because the salaries had been reduced long enough (since 2010) and the reductions were not fair. The Executive Director asserted that he had asked his people to sacrifice for the agency; since they had done so, it was time to reinstate the salaries. Moreover, he asserted that the 2% raises were provided to boost morale and ensure staff retention. According to the Executive Director, he and the board are aware of the agency's declining fund balance and remain optimistic that the agency's financial condition will change in the future through the acquisition of new sources of revenue.

Current Status of New Revenue Sources

According the agency's Executive Director, TNCSA secured a three year grant contract with the Department of Health to serve traumatic brain injury patients in Shelby County that began July 1, 2016. The contract has a value of $82,500 each year which includes a 15% administrative fee to allocate to the administrative costs. According to the Executive Director, there is an anticipated expansion of the TennCare Provider program call center contract. This expansion should begin with approximately five positions working in a call center setting providing level one technical support to clients needing assistance with issues such as password reset, system access, etc. These five positions are expected add an additional $258,750 to the budget and include a 15% administrative fee for allocation to administrative costs. According to the Executive Director, with this addition, fund balance necessary to cover any remaining administrative costs would be less than $80,000.

Additionally, the Executive Director has informed us that the agency now has a strategic plan in place for the first time, which includes a focus on structured growth. According to the Executive Director, this is a three-year plan that focuses on adding programs that fit into the mission of the agency in a way that allows financial stability to be maintained while growing steadily and always looking for new opportunities.

We obtained this information from the Executive Director subsequent to our audit fieldwork and thus have not audited the information. We are providing the information to supplement the results of our financial analysis.

Effect

Based on the Executive Director's projections, the agency would still need to utilize the fund balance to cover all costs even after receiving the new contracts referenced above. An organization which has to cover its costs through its fund balance is at risk of depleting its fund balance and creating cash flow concerns.

The Executive Director agreed that the agency's financial condition was problematic and the agency would begin experiencing cash flow problems if the fund balance fell below $1,000,000. Based on the average decrease in fund balance during fiscal years 2014 through 2016 ($254,000), without taking into account the new revenue sources, we estimated that the agency's fund balance will fall below this level during fiscal year 2017. At this rate, TNCSA cannot continue to absorb losses through its fund balance indefinitely creating a going concern issue for the agency.

Recommendation

The Executive Director should take immediate action to prevent further decline in the agency's fund balance. Specifically, management should continue to secure new sources of revenue sufficient to offset the agency's administrative expenses and program losses. Alternatively, the Executive Director should work to prevent losses in each of the agency's

programs by reducing administrative expenses and ensuring that its program revenues are sufficient to cover the direct program costs.

Management's Comment

We concur. Assuming that nothing changes, the agency is on a path that will eventually exhaust agency fund balance. However, we believe positive change is on the horizon for TNCSA. If you look backwards in our history for eight years, we were just at the beginning of our statewide merger. Those were difficult years of transition for TNCSA. Looking back eight years before the merger, you find that there were twelve Community Services Agencies that were thriving. These were the glory days for the CSAs. Things change. The way the CSA has been used by the different administrations has changed over time. Management stands by the decisions made in the past concerning compensation issues for the staff of TNCSA. We do not believe that a 2 percent salary increase over eight years is excessive. It works out to be ¼ of one percent per year over the eight-year span. Our management team has spent much of the last year working to develop a strategic plan, and one of our goals is revenue growth. The strategic plan will guide us for the next three years, and we believe TNCSA will soon be on a path that will sustain the agency well into the future. In the immediate future, we will analyze every dollar spent to make sure it is the most effective use of the monies. We will also analyze each position in our Plan of Operation to ensure it is a necessary position for effective operations.

Finding 2 – The Tennessee Community Services Agency did not properly obtain background checks and perform registry checks of employees as required

Background and Condition

We reviewed TNCSA's contracts with other entities to determine whether the contracts required agency management to obtain background checks or perform registry searches before hiring or assigning employees to work with vulnerable individuals within the programs. TNCSA contracted with the Volunteer State Health Plan (VSHP) BlueCare Network to provide At Home Support Services to the elderly and with the Department of Intellectual and Developmental Disabilities (DIDD) to provide Independent Support Coordination Services for individuals with developmental disabilities. We found that both contracts required TNCSA to conduct background checks and search the sex offender registries before allowing its employees to work with citizens served by these two programs. Based on testwork performed, we found that TNCSA management did not perform the required checks and searches before employees were hired or allowed to interact with these vulnerable individuals.

We tested a sample of 40 out of 136 At Home Support Services employees, and all 29 individuals employed in the Independent Support Coordination Services programs from July 1, 2013, through April 30, 2016. We noted the following deficiencies in background and registry checks of TNCSA employees:

At Home Support Services

We found that management had not ensured that staff properly searched the Tennessee Bureau of Investigation (TBI) Sex Offender Registry or the U.S. Department of Justices' National Sex Offender Public Website (NSOPW) for staff that have direct contact with elderly citizens served by this program.

- For 40 out of 40 personal care aides (100%), staff did not perform a search of the NSOPW. Employees tested were hired within our audit period and prior to our audit period.
- For 40 out of 40 personal care aides (100%), staff did not properly perform a search of the TBI Sex Offender Registry.
    - For 39 personal care aides, staff performed searches of the TBI Sex Offender Registry with search criteria that was too specific, increasing the risk for non-detection. All searches performed included the applicants last known county of residence. If an applicant was on the registry under a different county of residence, the person would not be found in any of the searches performed by staff. Employees tested were hired within our audit period and prior to our audit period.
    - For the remaining one employee, staff could not locate documentation of a search performed of the TBI Sex Offender Registry. This employee was hired during our audit period.

Independent Support Coordination Services

We also found that management had not ensured staff properly searched the TBI Sex Offender Registry or performed TBI background checks for employees in the Independent Support Coordination Services program in the following manner:

- For 2 of 29 employees (7%), management hired them prior to receiving the results of their fingerprint background checks by TBI. Both of these employees were hired during our audit period.
- For 9 out of 29 employees (31%), staff performed searches of the TBI Sexual Offender Registry that were too specific. The searches performed included the applicants' last known county of residence. Employees tested were hired within our audit period and prior to our audit period.

We searched the registries and did not identify that any of the tested employees in either program were listed on the registries.

Criteria

The At Home Support Services program is designed such that TNCSA employees perform services in conjunction with Managed Care Organizations. As a result, personal care aides could provide services related to each Managed Care Organization and must meet criteria prescribed by each Managed Care Organization. According to the VSHP BlueCare Contract, Section 4.13 Background Checks, TNCSA was required to perform the following:

> 4.13 Background Checks. The Provider shall conduct background checks on its employees, subcontractors, and agents, prior to rendering services, in accordance with state law and TennCare policy. Provider shall ensure its employees, subcontractors, and agents pass a background check, including but not limited to, criminal background check (including fingerprinting), verification that the employee, subcontractor or agent's name does not appear on the State abuse registry, verification that the employee, subcontractor or agent's name does not appear on the State and national sexual offender registries and licensure verification, as applicable.

Similarly, TNCSA's Independent Support Coordination Services program as contracted through the Department of Intellectual and Developmental Disabilities (DIDD) requires providers (in this case TNCSA) to conduct background checks and sexual offender registry checks of its employees. The DIDD Provider Manual policy 5.2.c states,

> In accordance with requirements established in both Title 33 of the T.C.A. [Tennessee Code Annotated] and the approved waiver, each provider must have a process for ensuring that statewide criminal background checks are performed for each employee, volunteer or subcontractor (or subcontractor employee) prior to employing a person who will have direct contact with or direct responsibility for people using services.

In addition, policy 5.3 of the Provider Manual states that,

> the provider must have in place written policies covering . . . subjects . . . [including] [m]aintaining personnel records for staff and sub-contractors, including evidence of timely completion of required checks . . . e.g., background checks . . . [and] the Sexual Offender Registry…

Cause

According to the Director of Human Resources, employees were not given specific instructions on exactly how to perform registry searches. Based on discussion with the Director, management failed to identify that the contract with VSHP required TNCSA to verify that a potential employee's name does not appear on the sexual offender registry. Since bringing this requirement to management's attention, the Director told us that TNCSA created a checklist for performing background checks for all At Home Support Services programs. The Director

asserted that the TBI fingerprint background check that the agency conducts should identify anyone convicted of a sexual offense.

In addition, the Director believed the employee(s) performing the registry searches may have thought the search would yield more accurate results if the employee provided more detailed search criteria. Related to the two employees whom TNCSA hired prior to receiving background check results, the Director stated that it was an oversight.

Effect

If the agency does not ensure that all required background and registry checks are performed as required, the agency increases the risk of potentially employing an individual who poses a danger to the clients and is not in compliance with contract obligations.

Recommendation

The Director of Human Resources should ensure staff perform the search of the Tennessee Bureau of Investigation's Sex Offender Registry in a manner that will yield any possible results from the entire registry. The Director of Human Resources should also ensure staff perform this search and background checks for all employees prior to permitting the employees contact with clients.

TNCSA should continue using the recently created checklist to ensure that staff meet all background checks and requirements to ensure compliance with regulations of the At Home Support Services and Independent Support Coordination Services programs.

Management's Comment

We concur. TNCSA, however, feels its due diligence was done by ensuring all employees received a comprehensive FBI/TBI check through the fingerprinting process. On-line registries are dependent upon the convicted criminal voluntarily registering and updating their information. So, while checking the registries as required by our contractors, we may have used criteria deemed too specific to illicit thorough results, the aggregate background check itself, which includes fingerprinting, was indeed thorough.

We have since changed our procedure on how we check registries. The first and last name only are used on registries that include the name. The county is no longer used in addition to the name. Staff who conduct registry checks have been trained on this new process and we now have a checklist in place to make sure all registries, including the National Sex Offender Registry, are checked. The annual review of contracts will also be added as a control for catching changes to the contract language in the future.

Finding 3 – The Tennessee Community Services Agency did not provide adequate internal controls in four specific areas

The Tennessee Community Services Agency did not design and monitor internal controls in four specific areas. Ineffective implementation of internal controls increases the likelihood of errors, data loss, and inability to continue operations. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the agency with detailed information regarding the specific conditions we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

Recommendation

The Tennessee Community Services Agency should ensure that these controls are remedied by the prompt development and consistent implementation of internal controls in these areas. Management should implement effective internal controls to ensure compliance with applicable requirements; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

Management's Comment

We concur. Management has taken or is in the process of taking steps to correct deficiencies identified. Agency risk assessment will be expanded to include items cited in this finding.

Finding 4 – The Tennessee Community Services Agency did not comply with state and federal laws and regulations for various required reporting

Condition and Criteria

As an entity created by the state legislature to serve a public purpose by improving and promoting the well-being of the citizens of the state, the Tennessee Community Services Agency (TNCSA) receives public money through partnerships with government agencies to administer programs. In doing so, TNCSA bears the responsibility to comply with various reporting requirements including both state and federal laws and regulations.

TNCSA's management failed to comply with the following requirements:

- Section 37-5-312, *Tennessee Code Annotated*, states, "(a) Each board shall make an annual report to the governor and to the commissioner. (b) This report shall contain an accounting for all money received and expended, statistics on persons served during the year, recommendations and such other matters as the board deems pertinent." Part 304(3) states '"Commissioner"'means the commissioner of finance and administration, or the commissioner's designee, unless otherwise stated in this part."

  Based on our inquiry with TNCSA management and staff in the Governor's office, TNCSA did not submit the annual reports for fiscal years 2014 or 2015 as required.

Although the agency prepared the required reports for each of those years and shared those reports with the board of directors which includes the Assistant Commissioner of the Department of Finance and Administration, agency management did not formally submit either report to the Department of Finance and Administration's Commissioner or to the Governor's office.

- The Department of Finance and Administration's Policy 3, *Uniform Reporting Requirements and Cost Allocation Plans for Subrecipients of Federal and State Grant Monies*, states "This policy statement calls for the development of efficient and effective cost allocation plans and methods of cost determination, under the supervision of the cognizant state agency as determined by the Department of Finance and Administration."

  The agency's most recent submission of a cost allocation plan occurred in 2011 for applicable programs in the 2011 fiscal year. That plan was approved by the Department of Finance and Administration, with the approval letter stating that the plan was approved for fiscal year 2011, and that a plan for fiscal year 2012 should be developed. We found, however, that TNCSA management did not develop its 2012 plan or any plan since 2011. The 2011 plan is not currently applicable since it included cost allocations for programs that are no longer in existence at the agency.

- According to Title 2, *Code of Federal Regulations*, Section 200.501(a), "non-Federal entities that expend $750,000 [$500,000 for fiscal years that began prior to December 26, 2014] or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of these parts." Further, 45 CFR 75.508, "*Auditee responsibilities*," states, "The auditee must: (a) Procure or otherwise arrange for the audit required by this part in accordance with §75.509, and ensure it is properly performed and submitted when due in accordance with §75.512."

  TNCSA is defined by Section 37-5-304, *Tennessee Code Annotated* as a "political subdivision and instrumentality of the State." The agency is also considered to be a component unit of the state and, as such, its financial activities are included in the state's Comprehensive Annual Financial Report each year. As a component unit of the state, any funding received from state sources is not considered when determining if the agency requires a Single Audit. However, federal funding received from non-state sources such as cities, counties, and non-profit organizations will subject the agency to a Single Audit if the aggregate amount of federal funding received from all non-state sources exceeds $500,000 or more in a fiscal year ($750,000 for fiscal years beginning after December 26, 2014).

  Based on a review of program expenditures provided by TNCSA's fiscal director, the agency expended over $500,000 in federal grant funds obtained from non-state sources in both fiscal years 2014 and 2015. Specifically, a non-profit organization provided the TNCSA with one federal grant in particular – Child Abuse and Neglect Discretionary Activities (CFR 93.670) which included total funding of over $500,000 during both years. TNCSA did not obtain an audit for these federal funds as required.

Additionally, the risk of management failing to obtain required federal audits was not addressed in the agency's risk assessment.

Cause

Based on inquiry with the Executive Director, while acknowledging that staff should have submitted required reports, the Director also stated that the agency did not submit an annual report for fiscal years 2014 and 2015 because the individual at the Department of Finance and Administration that previously worked with TNCSA retired, and no one had recently requested these reports.

Based on inquiry with the Fiscal Director, TNCSA created a cost allocation plan in 2011 because a grantor, the Community Alliance for the Homeless, requested it to do so. The Fiscal Director stated the agency had not done so since because the cost allocation rate in that plan – 31.5% - exceeded the amount of indirect cost that it is allowed to receive based on their contract agreements with their grantors (normally 15% maximum). Therefore, management felt that updated allocated cost plans were not necessary.

According to the Fiscal Director, management was not aware that the agency met the threshold for obtaining a single audit for federal programs.

Effect

When TNCSA management does not submit required reports to the state, those charged with governance and oversight cannot effectively monitor the activities of the agency. In addition, accounting and statistical information provides users with information used to make decisions. Decision makers cannot make informed decisions unless they are provided needed information.

Without an approved cost allocation plan from its cognizant agency, TNCSA cannot ensure proper allocation of grant funds and that costs charged to grants are allowable under state and federal laws and contractual agreements. In addition, the cognizant agency tasked with oversight of TNCSA's cost allocation cannot provide proper oversight.

Failure to obtain an audit required under the Single Audit Act prevents the federal grantors from obtaining reasonable assurance that the agency's financial statements are free from material misstatement and that the entity complied with applicable laws, regulations, and provisions of grants or contracts. The agency is also at risk of the federal agency withholding funds and issuing sanctions.

Recommendation

The Executive Director should ensure that the Tennessee Community Services Agency submits an annual report to the Governor's office and the Commissioner of the Department of Finance and Administration.

The Executive Director and Fiscal Director should work with the Department of Finance and Administration to determine the Tennessee Community Services Agency's cognizant agency, and then ensure that a current cost allocation plan is developed and submitted to the cognizant agency for approval.

The Executive Director should ensure that the agency obtains an audit of its federal funding when necessary, in accordance with the requirements established by U.S. Office of Management and Budget.

Management's Comment

We concur. Management failed to submit the agency's Annual Report to the Department of Finance and Administration and the Governor's Office. The reports were completed; they simply were not submitted. Management will ensure that current year reports as well as past reports are submitted this year.

The Executive Director will work with Finance and Administration to determine TNCSA's cognizant agency. It is currently listed as the Department of Labor and Workforce Development. TNCSA management believes this to be an error due to the fact that the agency only has one contract with this department, and it is not the agency's largest contractor. Management believes Finance and Administration to be its cognizant agency, and we will submit an updated Cost Allocation Plan to the cognizant agency annually.

The agency will work with the Comptroller's Office to determine if and when the agency needs to have a single audit in accordance with the requirements established by the U.S. Office of Management and Budget.

Observation 1 – The Tennessee Community Services Agency's travel claim process needs improvement

Tennessee Community Services Agency (TNCSA) staff often travel when performing their assigned duties. For example, independent support coordinators and personal care aides travel daily in order to provide care for clients in their homes or other places in the community. In addition, TNCSA's management regularly travels between the agency's headquarters and six regional offices throughout the state. According to the Fiscal Director, the agency follows the Department of Finance and Administration's Policy 8, *Comprehensive Travel Regulations*.

Based on inquiry with TNCSA management, TNCSA requires employees who claim over 20 vicinity miles per day to include point to point addresses on their travel claim so that their supervisors and fiscal staff can review the claim for accuracy. TNCSA does not, however, have this rule documented in its policies and procedures. Best practices indicate that policies such as this should be documented. The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* section OV2.04 defines control activities as, "The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system . . ." Moreover, Principle 12.03 states,

> Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.

We selected a nonstatistical random sample of 40 employee travel claims to determine if management followed its policies and procedures for reimbursement of travel costs and that employees adhered to the Department of Finance and Administration's Policy 8, *Comprehensive Travel Regulations* and TNCSA's internal guidelines. Based on testwork performed, we noted that 2 of 40 claims tested (5%) revealed that employees did not follow travel policy. One employee submitted a claim that included vicinity mileage over 20 miles but did not provide sufficient detail of travel to specific locations. Another employee's claim included a request for point-to-point mileage reimbursement, but we found that the point-to-point calculation was excessive. When a claim included point-to-point mileage, we tested the claims accuracy by determining how the state's Edison software system would calculate the mileage. We found that for this claim, the employee claimed 60 miles, while Edison listed the same point-to-point as only 46 miles, resulting in an overpayment approximately $6.50, based on reimbursement of $.47 per mile. We determined the employee calculated the mileage based on a publication called *The Official Highway Mileage Guide*, which was published by the Tennessee Public Service Commission in 1995, according to the guide. Current state mileage calculations differ from the older publication.

According to the Fiscal Director, TNCSA does not have access to Edison but has requested that the Department of Finance and Administration send an updated guide. According to the Fiscal Director the department told her it no longer published hard copies. TNCSA and the Department of Finance and Administration should work together to determine how to provide TNCSA with an updated point-to-point mileage guide. As more time passes, there will be additional new or altered highways, leading to inaccuracies between the current mileage calculation used by the state and the mileage guide used by TNCSA.

ADULT PROBATION PROGRAM

TNCSA contracts with Scott County to provide a probation office for those convicted of misdemeanor offenses in General Sessions court. As an alternative to incarceration, misdemeanor offenders are placed under supervision at one of three levels, depending on their specific offenses and the level of supervision needed. TNCSA monitors offender activities, collects any required fees, and assists probationers in securing community resources such as community service work, employment, counseling, job skills training, and housing assistance.

Offenders are placed on probation at one of three levels, determined by the judge, and the judge may change this level based on compliance with the program or if the probationer receives additional misdemeanor charges. The main differences in the levels are in the frequency which

probationers are required to report to the probation officer and the monthly probation fees the probationer is required to pay. The level of probation also dictates the timeline for the probation officer to report probationers who fail to comply with fees and/or reporting requirements. When a probation violation occurs the probation officer must file with the court the violation of probation. See Table 2 below.

Table 2
Offender Probation Levels

Level	Monthly Fee	Reporting Required	Probation Officer Files Violation of Probation
I	$15	As requested	When probationer makes no contact or payment in 90 days
II	$25	Two times per month	When probationer makes no contact or payment in 60 days
III	$35	Three times per month	When probationer makes no contact or payment in 30 days

The probation officer receives fee payments from probationers in the form of money orders. Upon receiving a money order, the probation officer prepares receipts and records the payment in the probationer's file. Daily, the probation officer prepares the deposit slip, photocopies the money orders, and obtains a receipt from the bank deposit. Weekly, the probation officer scans the copies of the money orders, deposit slips, and copies of the receipts and submits them to the Administrative Specialist of Payroll. Monthly, the probation officer generates a statistical report of probationer and fee collection statistics and sends the report to the Site Director, Administrative Specialist of Payroll, and the Fiscal Director.

From these statistical reports, TNCSA calculates and remits 25% of total fee collections as required by the contract to Scott County Government on a monthly basis.

The objectives of our review of the Scott County Probation program were to determine whether the agency:

- remitted compensation to Scott County Government of 25% of probation fees collected;
- had adequate controls over the cash receipting process; and
- staff ensured clients followed all requirements in any probation order and changes to the order set forth by the court system and filed the violation of probation orders as required when necessary.

To gain an understanding of the Scott County Probation program, we reviewed the annual contract with Scott County Government and the TNCSA *Session Probation Manual*. In addition, we performed a walkthrough of the probation program and services and interviewed program and court staff. We calculated 25% of monthly collections during fiscal years 2014 and 2015 based on TNCSA's monthly statistical reports of collections and compared our results to amounts billed in invoices from Scott County Government, check stubs, and bank statements.

We obtained the population of 1,638 individuals in the probation program at some point during the audit period, July 1, 2013, through April 30, 2016, and selected a nonstatistical random sample of 40 probationers to test compliance with the probation orders. We reviewed these 40 client files for the presence of the probation order and documentation of compliance with probation orders.

We reviewed the Probationer Payment Log, Monthly Contact Documentation Form, and violations of probation to determine if the probation officer filed violations of probation timely, based on collections from probationers and probationer reporting requirements. From these selected probationers, we also selected the first payment during the audit period and traced the payment to the related receipt and the sum of receipts in the same deposit to the applicable deposit slip and bank statement to ensure staff receipted, recorded and deposited fees. Since not all 40 selected probationers submitted probation fees during our audit period, we continued the random selection of probationers until we reached 40 randomly selected fees collected to test.

Based on our procedures performed, we determined that TNCSA:

- properly calculated and remitted fees to Scott County based on monthly collection reports;
- did not have a sufficient receipt book for fee collection (see Observation 2);
- collected, receipted, recorded, and deposited fees;
- did not maintain an up-to-date Probation Manual (see Observation 2); and
- did not ensure staff always filed for violation of probation timely based on non-compliance for reporting or paying fees (see Observation 2).

Observation 2 – The Scott County Probation program did not maintain an up-to-date policy manual, did not file violations of probation timely, and did not maintain an official receipt book

Based on walkthroughs and testwork performed, TNCSA management did not update the program's Probation Manual, did not ensure the probation officer reported to the county court when probationers violated terms of probation, and did not use officially prescribed receipt books when collecting probationary fees. We noted the following deficiencies:

Procedures Manual

We noted that the TNCSA *Sessions Probation Manual*, which was last revised in 2009, referenced forms which would not normally be part of TNCSA's probationers' files. In addition, the *Sessions Probation Manual* did not fully describe the intake process and other procedures which are currently performed by probation officers, including critical processes for cash receipting and for review of probationers' files to determine potential violations of probation terms.

Violations of Probation Not Reported to Scott County Court

Based on testwork performed, we found that the probation officer did not file a violation of probation timely with Scott County for 19 probationers when those probationers failed to contact the probation officer as required or when the probationers failed to pay required probation fees.

Specifically, we found that the probation officer did not file a violation of probation timely for 17 out of 40 probationers (43%) that did not make probation fee payments within the timeframe allowed, based on probation level. In addition, 5 out of 40 probationers (13%) did not report as required for their level and the probation officer did not file a violation of probation timely with the court; these five probationers included three mentioned above for which the probation officer did not timely file for violation of probation based on fees.

Receipts for Fees

We found that management used receipt books to record the payment of fees that did not meet standards for receipt books set forth by Section 9-2-104 *Tennessee Code Annotated* and the Tennessee Comptroller of the Treasury. The receipt books were generic books that could be purchased at retailers and did not specifically identify the entity issuing the receipt.

Update of Policies and Procedures

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* section OV2.04 defines control activities as, "The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system. . ." Additionally, Principle 12.03 states,

> Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.

Principle 12.05 then states,

> Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. Changes may occur in personnel, operational processes, or information technology. Regulators; legislators; and in the federal environment, the Office of Management and Budget and the Department of the Treasury may

also change either an entity's objectives or how an entity is to achieve an objective. Management considers these changes in its periodic review.

Probation Officer Reporting of Violations to Probation Terms

According to this TNCSA *Sessions Probation Manual*, the probationers must report to the probation officer and pay fees based on probation level in the following manner:

- Level 1 – $15 per month; report as requested
- Level 2 – $25 per month; report two times per month
- Level 3 – $35 per month; report three times per month

According to the Site Director, the probation officer should generally file a violation of probation in the following circumstances:

- Level 1 – Probationer makes no contact or payment in 90 days
- Level 2 – Probationer makes no contact or payment in 60 days
- Level 3 – Probationer makes no contact or payment in 30 days

Proper Receipt Books

Regarding the receipts used in Scott County for fee collection, *Tennessee Code Annotated* section 9-2-104, states, "The receipts shall be in a well-bound book, or on a form approved by the comptroller of the treasury, and shall be prenumbered consecutively." The Comptroller's Office *Internal Control and Compliance Manual* states, "Avoid using a manual receipt book. If a manual receipt book is utilized, it must be an official receipt book." The *Clerk & Master Internal Controls Checklist* provided on the Comptroller's Office Local Government Audit website (http://www.comptroller.tn.gov/la/InternalControl.asp) states, "…If a manual receipt book is utilized, it must be bound, include the Official's Title, and be prenumbered. (Receipt books that can be purchased at local stores such as Walmart should not be utilized.)"

The Site Director stated that the agency had planned on updating the manual but had not done at the time of the audit. As a result of the outdated manual probation officers did not have an established policy or procedure for reviewing probationers' files and reporting probation violations to the county court. Neither the manual, nor TNCSA policies, addressed the requirement for an official receipt book.

In December 2015 the agency implemented new protocol requiring the probation officer to report probationers' non-compliance according to the circumstances listed above. Prior to then, the probation officer used their discretion in determining when to report violations of probation.

Failure to maintain an updated probation manual increases the risk that all required procedures will not be followed, increasing the risk for contract non-compliance and increasing the time any subsequent probation officer needs to learn the job. When the probation officer fails to properly alert the court of probationers' violations of probation the court cannot take appropriate action against the probationers. In addition, the probation officer increases the risk of failing to collect required probationary fees or to remain in contact with probationers. Without using proper receipt books, management increases the risk that employees can fraudulently alter receipts.

The Site Director should review and update the Scott County *Sessions Probation Manual* to reflect current procedures including the cash receipting process and monitoring procedures to ensure compliance with contract terms. The TNCSA Fiscal Director should ensure this cash receipting process includes the use of proper receipts as required by the Office of the Comptroller of the Treasury. The Site Director should ensure the probation officer properly tracks probationer status and timely files violations of probation with the county court when probationers fail to report to the probation officer or make probation payments as required.

AT HOME SUPPORT SERVICES PROGRAM

TNCSA, a service-level provider under both the Choices in Long-term Care (Choices) program and the Options for Community Living (Options) program, contracts with Managed Care Organizations in the state's TennCare Program and with the First Tennessee Area Agency on Aging and Disability (FTAAAD) to administer the At Home Support Services (AHSS) program. The AHSS program serves elderly residents aged 60 and older enrolled in the Options program, 65 and older enrolled in the Choices program,) and any disabled adults by providing homemaker, respite, and personal assistance services. The goal of the program is to keep elderly and disabled recipients in their own homes while providing them with a safe, clean, and nurturing environment. TNCSA hires personal care aides on a part-time basis to provide these services to eligible recipients based on each recipient's authorization form and plan of care. At the end of the visit, the personal care aides complete a visit record documenting the time of arrival, services provided, and the time of completion of services. The recipient then signs the visit record. TNCSA submits a request for reimbursement based on the fee for the particular service provided, as specified in the contracts. During our audit period, TNCSA's Johnson City office provided this program to recipients in Carter, Sullivan, Unicoi, and Washington counties.

The Choices Program is administered through the state's Department of Finance and Administration's Division of Health Care Finance and Administration which administers the federal Medicaid Home and Community Based Services (HCBS) waiver. The Choices program operates through three Managed Care Organizations (MCOs): Blue Cross/Blue Shield via Volunteer State Health Plan's BlueCare Network, UnitedHealthcare of the River Valley Inc., and AMERIGROUP Tennessee Inc. to provide program services to Tennessee's citizens. The Division of Health Care Finance and Administration's staff are responsible for determining a Choices applicant's eligibility under the Home and Community Based Services waiver. The MCOs are responsible for arranging and providing services to eligible recipients. These MCOs have contracted with TNCSA to provide the direct services to recipients in the northeast region.

The Tennessee Commission on Aging and Disability (TCAD) administers the Options for Community Living Program. This program has two funding streams: a state funded portion and federally funded portion via the Older American Act (OAA). TCAD contracts directly with FTAAAD for the state-funded portion and also acts as a pass-through entity to First Tennessee of federal OAA funds. TCAD determines recipients' eligibility under the program. FTAAAD subcontracts with TNCSA to provide the direct services to recipients.

The objectives of our review of the AHSS program were to determine whether TNCSA

- followed contractual and federal guidelines to provide authorized services to recipients;
- ensured that only those authorized to sign the recipients' visit record form did so;
- ensured that recipients received all services required in the original plan of care and any subsequent changes to the plan;
- had proper internal controls in place to ensure cash collected for services was handled appropriately; and
- staff only billed for reimbursement of services as authorized in the contracts.

To gain an understanding of the program's key requirements, we reviewed all contracts in effect during our audit period, reviewed any policy and procedure manuals pertaining to the program, and interviewed key personnel. To gain an understanding of the procedures the agency uses to meet the requirements and objectives of the program, we performed a walkthrough of the administrative and billing process by interviewing key personnel, obtaining examples of forms used by the agency, reviewing client files, and observing a staff member submit a billing reimbursement request.

We then randomly selected a sample of months during our scope to determine if TNCSA program staff provided authorized services and fiscal staff properly billed for services as authorized by contract. We obtained populations of AHSS recipients served by the agency during the period July 1, 2013 through March 31, 2016. The agency provided lists categorized by contract. We then combined the lists and numbered the recipients. We selected a nonstatistical random sample of 60 recipients. For each of the recipients selected, we then randomly selected a month for which to test the recipient's services provided and billed for by the agency[3]. We then examined documentation including signed visit records and billing invoices and compared this to the recipients' service authorization forms and plans of care to determine if TNCSA had provided the authorized services and properly billed for services provided. We examined documentation including bank statements to determine if TNCSA had received the proper amount of reimbursements. We also examined visit records supporting billing requests for the month selected to determine if they were properly signed by the recipient or the recipient's authorized representative.

[3] If the recipient had not yet entered the program at the time of the month selected, we chose the first month they entered the program. If the recipient was no longer a part of the program during the month selected, we chose the final month that they were in the program.

In addition, we wanted to obtain an understanding of the recipients' satisfaction with the services provided by the agency, in order to assist us in determining if clients were receiving all services in their plan of care. During our review of the contracts and walkthrough of procedures, we learned that FTAAAD's provider manual requires the agency to conduct surveys with recipients in the Options program. It is TNCSA's practice to conduct these surveys with all AHSS recipients. Therefore, for each separate recipient mentioned above, we also examined surveys conducted during the period July 1, 2013, through March 31, 2016 to determine if the recipients were satisfied.

Based on our procedures performed, we determined that TNCSA

- did not always follow all contractual and federal guidelines in regards to providing and billing for services (see Observation 3);
- ensured that only those authorized signed any documents related to the client;
- did not always ensure recipients received all services required in the plan of care and any subsequent changes to the plan, and although the large majority of recipients responded to TNCSA's surveys that they were satisfied TNCSA could better document any corrective action to negative survey responses (see Observation 3);
- did not receive any cash for services provided as part of the AHSS program; and
- did not always properly bill for services performed, and did not receive reimbursement for all services performed (see Observation 3).

Observation 3 – The At Home Support Services program suffered scheduling and billing issues, which caused some clients to not receive all services in their plan of care and caused the agency to not receive reimbursements it was due

TNCSA provides homemaker, respite, and personal assistance services to eligible recipients through the At Home Support Services program. We identified the following deficiencies regarding TNCSA's provision of services and billing for services under the Choices and Options programs:

Services Not Provided to Clients

We noted that for 3 of 60 recipient months tested (5%), TNCSA did not provide the services that were scheduled for one day during the recipients' selected months. Based on discussion with program staff, the personal aides scheduled to make the visits had conflicts and could not conduct the visit. Because of late notice, TNCSA was unable to schedule another personal care aide in time. While this only occurred for a single visit for each of the three months noted, these were hours that the recipient was entitled to receive and for which the agency could have received reimbursement had the service visits been performed.

When performing testwork on the 60 recipient months, we also examined the recipients' quality assurance surveys conducted by program staff. Since 9 recipients in our sample had

more than one service month selected, we tested a total of 51 separate recipients. We found that based on these surveys, overall recipient satisfaction with the TNCSA services was high. Of the 51 separate recipients, 8 responded with negative answers or comments. In following up with TNCSA staff, we did note that for 7 of 8 negative responses (88%) the program staff did not document that they had taken follow-up action to address or correct the recipients' issues even though staff told us that had taken action to address the recipients' concerns. Based on further discussion with staff, staff stated that they document the resolution of "critical incidents" and that none of the 7 issues were critical incidents. After discussion regarding this, the Site Director of the Johnson City office stated that the office was revising the survey form to provide a place to document follow-up action for all recipients' survey concerns.

Billing Deficiencies

TNCSA is required by its contracts with the MCOs to use an online system to submit its reimbursement billing requests for the Choices portion of the program. The recipients have electronic tablets placed in their homes by the MCOs. Upon arriving at a recipient's home the TNCSA personal care aide signs in before providing the authorized services. The aide also signs out after services are provided and before leaving the residence. United Healthcare and AMERIGROUP use a billing application called HealthStar, while BlueCare uses an application called Sandata. The MCOs also enter the recipient's plan of care into the electronic system. TNCSA's billing coordinator located in the Johnson City office regularly logs into these systems and reviews the claims for services that have been provided and are ready to be claimed for reimbursement. The billing coordinator also obtains related paper visit records turned in by the personal care aides and may compare the paper records to the system records before submitting the reimbursement request. The billing coordinator then submits the claims for reimbursement to the MCOs.

Based on our interviews and the walkthrough we conducted, we learned of a problem with BlueCare's Sandata system that has resulted in BlueCare failing to reimburse TNCSA for all service visits performed. Specifically, we found that BlueCare enters information into its Sandata system for each recipient/client including the day and time that the personal care aide is supposed to arrive at the recipient's home and when the aide should log into the system, perform the services, and log out of the system. This is known as a "scheduled event." Once a personal care aide logs in and out of the system during the pre-approved scheduled time frame, the system then designates that scheduled event as "ready to bill." The TNCSA billing coordinator uses the system to filter the claims designated as ready to bill. The billing coordinator then submits these claims electronically through the system and prints a copy of the invoice to send to TNCSA's fiscal staff in the Union City headquarters.

Based on our interview with the billing coordinator, if BlueCare alters a recipient's authorization information in the Sandata system, such as updating the system for future visits, the system overwrites the recipient's most recent scheduled event. If a previously scheduled event has not yet been submitted as a reimbursement request, this "updating" action essentially voids that previous event even though the personal care aide properly logged in and out of the system as scheduled, and the event had been properly designated as ready to bill. Because TNCSA

cannot enter this information into Sandata, the billing coordinator is unable to request reimbursement for services provided without approval and assistance from BlueCare.

We reviewed emails in which the billing coordinator had attempted to contact someone at BlueCare to resolve unbilled service visits for a particular recipient. We then performed a query of the system using parameters provided by the billing coordinator to identify events in which the personal care aide had logged in and out as scheduled, but were not properly designated as ready to bill. Based on our search we identified unbilled service visits totaling $2,037 related to service visits made by TNCSA personal aides from May 2015 to March 2016. The billing coordinator has been unable to bill BlueCare and recover the costs. In some cases, unbilled visits were over 300 days past due, based on the normal claim reimbursement turnaround time.

We also determined in our interviews that, although the billing coordinator discussed individual unbilled visits with TNCSA's Fiscal Director, the Fiscal Director has not yet initiated a thorough review to determine the extent of this billing issue or pursue resolution of amounts owed to TNCSA by BlueCare. Any outstanding debts to TNCSA should also be tracked in the accounting system and recorded as an accounts receivable and reported on the financial statements at fiscal year-end. Due to the overall losses the At Home Support Services program has suffered in recent years (see Finding 1), it is important that TNCSA takes all possible action to receive reimbursement for all services performed.

We also noted other exceptions during our sample testwork of 60 recipient billing months:

- For 2 of 60 recipient months tested (3%), all contractually allowed services provided by the agency's personal care aides during the month were not billed for reimbursement. These unbilled services were not related to the billing system issue mentioned above but were oversights totaling $264.

- For 3 of 58 recipient months tested (5%), TNCSA staff could not provide the supporting recipient/client visit record for all billed services for the month. We only tested 58 months because recipients in our sample did not receive services during two of the selected months we tested thus there were no client visit records to examine.

COURT SUPPORT SERVICES PROGRAM

TNCSA contracts separately with White County and Cumberland County to provide support services to the Drug Courts in each county and to assist the counties in administering the Department of Mental Health and Substance Abuse Services' grant funds. The White County Juvenile Drug Court and Cumberland County Recovery Court programs assist individuals with treatment of their substance abuse problems, while providing an alternative to incarceration. Under the contracts, TNCSA staff act as case managers to the individuals by coordinating substance abuse treatment and other support services and by monitoring the individuals' compliance with program requirements. TNCSA staff request reimbursement for expenditures

from the two counties based on the contract terms. The Cookeville Site Director is responsible for oversight of both drug court programs.

Court Support Services Programs as Described by Management

White County Juvenile Drug Court

The Department of Mental Health and Substance Abuse Services provides grants to White County, which contracts with TNCSA to administer the Juvenile Drug Court of White and Van Buren Counties. The Drug Court provides services to individuals with substance abuse problems between the ages of 13 and 18 in both of these counties. Participants remain on probation while in the Drug Court program, but are not required to pay any fees to participate in the drug court program as they would for routine probation. Individuals charged with violent crimes are not allowed to participate in the Drug Court program. The program requires the participants to progress through four phases over the course of 6 to 18 months, with most participants taking 6 to 9 months to complete the program according to the Case Manager. Each phase has various requirements such as complying with a curfew and passing drug tests.

The program's Case Manager is based in the TNCSA office in Cookeville and is responsible for working with drug offenders to ensure they achieve sobriety. The Case Manager administers drug tests to the participants and monitors the participants' required treatment, curfew, behavior, and school performance. The Drug Court team, including the judge or the Youth Services Officer, meets monthly prior to the Drug Court to discuss participants and evaluate their progress.

Cumberland County Recovery Court

The Cumberland County Recovery Court program provides services to adult misdemeanor offenders with substance abuse problems in Cumberland County. Individuals with prior or pending violent or sexual offenses are not allowed to participate in the Drug Court. The program lasts at least one year and consists of four phases with various requirements such as employment and length of time clean of substances. Participants are required to pay a monthly fee as well as a fee for failed drug tests[4]. The General Sessions Court Judge over the Drug Court appointed a sitting judge to preside over the Cumberland County Recovery Court. The drug court team, including the sitting judge, meets prior to the semi-monthly Drug Courts to discuss participants and their progress.

In addition to TNCSA's Cookeville office, the agency also maintains an office in the Cumberland County Sheriff's Office where staff provides services to Cumberland County's participant drug offenders. The Program Coordinator is responsible for working with participants to ensure they achieve sobriety. Specifically, the Program Coordinator performs drug tests of participants and monitors overall compliance with the program.

[4] We determined that these fees were not officially authorized by contract or court order (see finding 5).

Objectives

The objectives of our review of the Court Support Services were to determine whether the agency

- obtained reimbursement for services as authorized under contracts;
- had sufficient internal controls over the cash receipting process; and
- ensured participants followed all requirements specified by the drug court.

Methodology

To gain an understanding of the TNCSA's Court Support Services programs located in White and Cumberland Counties, we reviewed applicable contracts, *Tennessee Code Annotated*, and policies and procedures of the Court Support Services programs in Cumberland County and White County. We performed walkthroughs of the processes by interviewing key staff and obtaining and reviewing documentation related to each of the programs, including cash collection procedures. We obtained a population of 78 individuals who participated in the Drug Courts at some point during the audit period (July 1, 2013, through April 30, 2016). We selected a random, nonstatistical sample of 25 individuals and reviewed their files to test for compliance with court ordered participation. In addition, we obtained a population of 1,018 expenditures of the Drug Court programs during the period July 1, 2013 through March 31, 2016, and we selected a random, nonstatistical sample of 25 expenditures, totaling $6,026 to test the accuracy and allowability of the expenditure by reviewing supporting documentation.

Conclusions

Based on our procedures performed, we determined that

- TNCSA obtained reimbursement for services as authorized under contracts;
- the Cookeville Site Director established a Court Support Services policy to collect fees from participants in the Cumberland County Recovery Court program without any apparent authorization to do so, and did not establish sufficient internal controls over the cash receipting process which resulted in unauthorized use of collected fees (see finding 5);
- under the direction of the Cookeville Site Director, the Cumberland County Recovery Court program staff transferred the unauthorized funds collected to a non-profit entity without any written agreement to do so, and TNCSA top management was unaware that the Site Director was collecting cash for drug court participants (see finding 5);
- the Cookeville Site Director served on the steering committee of the non-profit organization and conducted unauthorized business with the non-profit while employed full-time by the TNCSA, thus creating a conflict of interest and increasing the risk of fraud, waste, and abuse for the TNCSA (see finding 5); and

- TNCSA ensured participants followed all requirements in the plan set forth by the court system, with the exception of one client for whom the drug court staff did not ensure they obtained the participant's court order or other applicable referral to participate in the program (see finding 5).

Finding 5 – The Cookeville Site Director acted without authority and exposed the agency to increased risks of fraud, waste, and abuse in the Cumberland County Recovery Court program

Condition

Based on our review of the Cumberland County Recovery Court program, we noted several weaknesses. Specifically, we noted the following:

Lack of a Formal Agreement, Written Authorization, and Knowledge of Top Management

As of January 1, 2015, and under the direction of the Cookeville Site Director, the Drug Court began requiring new participants to sign a form agreeing to pay fees of $60 per month and $50 per failed drug test. TNCSA staff collected these fees and deposited the funds into the bank account of a non-profit organization.

Prior to our visit to the Cumberland County Recovery Court office, we inquired of the Cookeville Site Director as to whether the TNCSA staff collected fees from participants. The Site Director told us that the Drug Court did not collect monies but that another non-profit organization collected fees from the Drug Court participants. During our walkthrough, however, the Program Coordinator explained that the Drug Court staff actually did collect the fees from program participants and deposited the funds to the bank account of the non-profit.

To determine the relationship between the TNCSA and the non-profit we asked if TNCSA had a formal contract with the non-profit. We confirmed that the TNCSA Drug Court did not have a formal contract with the entity. Based on our interviews we also determined that the Cookeville Site Director was serving on the Steering Committee of the non-profit entity.

We also determined through our discussions with the Site Director that she was involved in the creation of the non-profit and also served on its Board of Directors. She also told us that she removed herself from the board when the TNCSA staff began collecting fees from participants. The Site Director also said she "…did provide administrative support to help them stay functional."

To establish the TNCSA's authority to collect fees, we interviewed staff and reviewed the contracts and court orders. We found that the TNCSA had no legal authorization from the Cumberland County Court system (such as a court order), from the contract with Cumberland County, or from the TNCSA Executive Director to collect Drug Court fees to offset costs of the TNCSA or any other agency, such as the non-profit organization.

We also sought to obtain further information for TNCSA top leadership, but we found that the Executive Director and Fiscal Director were also unaware of the relationship between the Drug Court staff and the non-profit organization, they were unaware that Drug Court staff had been collecting fees and depositing the funds in another organization's bank account, and they were unaware that the Cookeville Site Director had a conflict of interest with the organization.

Lack of Internal Controls Over Cash Collections

After we determined that the Drug Court staff collected fees, we expanded our testwork to review the cash collection process. We noted weaknesses in the cash collection and receipting procedures used by the Drug Court. Drug Court participants paid their monthly fees using cash or check. Both the Program Coordinator and a staff member collected the fees and prepared receipts which indicated which employee received the fee. According to the Program Coordinator, the receiving employee gave one of the triplicate copies to the participant and retained the other two copies in the receipt book. We noted the following weaknesses in the process:

- Both staff members used a single unlocked location inside the Drug Court office to store the cash collected.
- Staff did not deposit funds received within 3 days as required by statute. While multiple receipts were often included in one deposit, we calculated an average of 11 days between the first collection associated with a deposit until that deposit was made by the Program Coordinator, with 14 out of 18 deposits (78%) made after more than 3 days. According to the Program Coordinator, since fees were not collected on a set schedule, she only made deposits when she thought to check the storage location for funds.
- Drug Court staff did not reconcile receipts, deposit slips, and bank statements to ensure the accuracy of the deposits. Because the staff did not deposit the fees into the TNCSA bank account, they also did not record any revenue transactions on the TNCSA accounting system. We also determined that the non-profit organization did not perform any reconciliations of fees collected and deposited into its bank accounts. According to the Program Coordinator, the judge's office received the bank statements related to this non-profit's account, and the court clerk held the bank statements for the non-profit treasurer. According to the TNCSA Program Coordinator, there were occasions when the court clerk would give the statements to the Program Coordinator to deliver to the non-profit's treasurer. Once we brought this to top TNCSA management's attention, the Fiscal Director visited the Drug Court and learned that the bank statements were forwarded from the judge's office to the TNCSA Program Coordinator.
- We also found that the receipt books used by Drug Court staff were generic books for which duplicates could easily be purchased, since receipts did not have the entity name printed on them as required by state law and Office of the Comptroller of the Treasury policy.

Improper Use of Funds Collected

In our analysis of the receipt and deposit documentation, we noted the following differences in the receipts and deposits:

- On two occasions, the Program Coordinator indicated she withheld cash totaling $49.50 from the deposit to use for other program or for non-profit organization related purposes. However, the Program Coordinator could not provide documentation of the final use of the funds or that she acted with approval from any TNCSA or non-profit official to withhold the funds.
- We found that two deposits actually exceeded documented receipts by $170. Apparently, according to the Program Coordinator, she received payments from attendees of a conference hosted by the non-profit and included them in the deposit. The Program Coordinator did not maintain any documentation for the additional funds collected.
- We also found additional differences (totaling $25) where receipts exceeded the deposits documented by the Program Coordinator. The Program Coordinator could not explain the difference or why the funds were not deposited.
- We found one additional deposit that exceeded receipts by $696. According to the Program Coordinator the non-profit organization had given a TNCSA contractor a cash advance and this excess funds in the deposit resulted from repayment of the cash advance. We inquired further and we were informed that this TNCSA contractor had received a cash advance earlier in the year which had not yet been repaid to the non-profit. The Cookeville Site Director and Program Coordinator approved these two cash advances totaling $1,146 to the contractor. This contractor had since been hired as a part-time TNCSA employee of the Drug Court. Once TNCSA upper management discovered this outstanding payment, TNCSA instructed the employee to repay the cash advance to non-profit, and the employee did so.

In addition, we found other evidence of improper transactions between TNCSA and the non-profit organization suggesting the relationship created a conflict of interest for both the TNCSA and the non-profit. Specifically, we noted receipts for the sale of books which had been originally purchased for the Drug Court program. According to the Cookeville Site Director, these books were purchased with ". . . state recovery court grant funds that are managed by TNCSA." The Program Director, however, deposited funds from the sale of these books into the non-profit's account. According to the Site Director, these funds ". . .were put into this account because they will be used to purchase additional books when they are needed."

The Drug Court selling these books suggests the Drug Court did not actually need the books for program purposes and used funds improperly in purchasing them. According to the contract between TNCSA and Cumberland County for the Cumberland County Recovery Court, "The Contractor shall be compensated based upon . . . [t]he actual cost of implementing the program . . . as defined in the scope of services. . . ." The scope of services included "A.4 Coordinate for all drug testing supplies and services and other program supplies as needed."

Failure to Collect Fees Required in Drug Court Policy or Necessary Court Documentation

As stated earlier, the Drug Court's policy (even though the policy was not known and approved by top TNCSA management) required participants to pay a fee of $60 per month while receiving services in the program and to pay an additional $50 for failed drug screens. According to the Program Coordinator, however, the Drug Court staff had not yet enforced the failed drug test fee. Based on testwork performed for both of the agencies' Drug Courts, Cumberland County and White County, we found that the Cumberland County Recovery Court did not collect these failed drug test fees from one out of the five participants in our sample that, according to policy, should have been required to pay fees (20%). For this same participant, representing 1 of 25 participants (4%) in our sample, we also noted that the Drug Court staff had not obtained a court order or other referral for the individual to participant in the program. The Cookeville Site Director indicated that the Drug Court staff and court staff made a mistake in the intake process by not obtaining a court order and commented that the Drug Court staff did not have the legal power of the court. The Site Director also stated the drug court team determined the fee for failed drug screens was unreasonable and would only be charged when a participant challenged the positive result and the Drug Court had to have the lab verify the result.

Even though the Cookeville Site Director did not obtain approval from top management to develop fee policy or to collect fees in the Cumberland County Recovery Court, she did create the Cumberland County Recovery Court Fee Policies which required participants to pay a $50 fee for failed drug screens but then did not fully enforce those policies. The policy instructs participants that,

> There will be no charge for admitting to use prior to taking a drug screen. . . If you deny use following a positive drug screen, the test will be sent to the lab for confirmation. If the lab test comes back negative there will be no charge. If the lab test confirms the positive drug screen you will pay the cost of the screen plus the $50 fee.

<u>Criteria</u>

Lack of a Formal Agreement, Written Authorization, and Knowledge of Top Management

The United States Government Accountability Office *Standards for Internal Control in the Federal Government* (Green Book) Principle 10, states, "Management should design control activities to achieve objectives and respond to risks." This section also provides the following examples of control activities applicable to the weakness we observed in the Drug Court:

> *Proper execution of transactions*
>
> Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.

Lack of Internal Controls Over Cash Collections and Improper Use of Funds Collected

The United States Government Accountability Office *Standards for Internal Control in the Federal Government* (Green Book) Principle 10, states, "Management should design control activities to achieve objectives and respond to risks." This section also provides the following examples of control activities applicable to the weaknesses we observed in the Drug Court:

> *Physical control over vulnerable assets*
>
> Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.
>
> *Segregation of duties*
>
> Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.
>
> *Proper execution of transactions*
>
> Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.
>
> *Appropriate documentation of transactions and internal control*
>
> Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

This principle also includes attribute 10.14 regarding segregation of duties, which states, "If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process." While the Cumberland County Recovery Court office has limited staff, TNCSA must still have proper controls.

Section 5-8-207(a)(1), *Tennessee Code Annotated*, requires county officials to deposit public funds to the official bank account within three days of collection. We used this criteria as best practice for the TNCSA Drug Court staff given the fact the Drug Court operated under contract with the county. In addition, the TNCSA policies and procedures manual states,

> Monies collected by the Agency will be promptly receipted and must be routinely scheduled for deposit at minimum of twice weekly. However, if the total amount collected exceeds $250.00 at any time prior to the scheduled date of deposit, such monies must be deposited within one business day of receipt.

According to Section 9-2-104, *Tennessee Code Annotated*, "The receipts shall be in a well-bound book, or on a form approved by the comptroller of the treasury, and shall be prenumbered consecutively." The Comptroller's Office Internal Control and Compliance Manual instructs, "Avoid using a manual receipt book. If a manual receipt book is utilized, it must be an official receipt book." The Clerk & Master Internal Controls Checklist provided on the Comptroller's Office Local Government Audit website (http://www.comptroller.tn.gov/la/InternalControl.asp) states, "If a manual receipt book is utilized, it must be bound, include the Official's Title, and be prenumbered. (Receipt books that can be purchased at local stores such as Walmart should not be utilized.)"

Failure to Collect Fees Required in Drug Court Policy or Necessary Court Documentation

Cumberland County Recovery Court Fee Policies requires participants to pay a $50 fee for failed drug screens. The policy instructs participants that,

> There will be no charge for admitting to use prior to taking a drug screen. . . If you deny use following a positive drug screen, the test will be sent to the lab for confirmation. If the lab test comes back negative there will be no charge. If the lab test confirms the positive drug screen you will pay the cost of the screen plus the $50 fee.

Cause

The Cookeville Site Director stated that the staff did not follow any policies regarding cash procedures. The Site Director added that she should have involved the TNCSA Fiscal Director in the process from the beginning but that the possibility did not occur to her. The Site Director explained that TNCSA was a contractor with Cumberland County, and she stated she at times had difficulty determining when the Drug Court was accountable to TNCSA and when it was accountable to Cumberland County. The Fiscal Director stated that there was a breakdown in communication among the TNCSA staff regarding the collection of fees and the procedures involved in that action. The Site Director stated that the insufficient controls were a result of a lack or disruption of the organization of the board of the non-profit and that the board was not functioning the way it should. She stated that the non-profit did not have a strong board and was not fully operational at the initiation of this fee collection.

Regarding the participant in our sample that did not pay the fee required by policy for failing a drug test, and for whom the agency did not maintain a court order, the Site Director indicated that the Drug Court staff and court staff made a mistake in the intake process by not obtaining a court order and commented that the Drug Court staff did not have the legal power of the court. The Site Director also stated the drug court team determined the fee for failed drug

screens was unreasonable and would only be charged when a participant challenged the positive result and the Drug Court had to have the lab verify the result.

Effect

By operating without top management authorization, the TNCSA-operated Drug Court staff exposed TNCSA to increased risk of improper operations, as well as, fraud, waste, and abuse. Without sufficient controls, TNCSA increases the risk of monies being misused or stolen. In addition, TNCSA increases the risk of misused or stolen funds by using insufficient receipt books that could be fraudulently altered. TNCSA increases its liability when it collects funds on behalf of another organization without a written agreement to do so. Additionally, without explicit authorization from the County Court system for the Drug Court to collect fees from participants the TNCSA may be subject to court sanctions. Finally, when employees have conflicts of interest which create inappropriate business relationships, the agency is exposed to improper business operations and to risks of fraud, waste, and abuse.

Recommendation

The Executive Director of TNCSA, along with the Fiscal Director and Site Director, should ensure TNCSA has written agreements for operations performed in conjunction with other entities and official receipts for the collection of funds in the Drug Court. The Site Director, as authorized by top management, should implement proper controls over cash collection, recording, deposit, withdrawal, and use.

Given that the Cookeville Site Director had a conflict of interest with the non-profit organization, we requested that our Financial and Compliance Investigations Unit review records related to the Court Support Services program for both the TNCSA and the non-profit organization. The review is on-going and we will report the results of our review in a separate report.

Management's Comment

We concur. In this instance we had an employee, who is no longer with the agency, act without authority. Our Cookeville Site Director was a member of our Management Team and was trusted to not only follow policy but to see that policy is enforced at their particular site. When someone at this level of authority acts outside of policy and it goes undetected, damage to the agency is obviously done.

We have taken steps to ensure that proper relationships exist between the CSA and the Court Services Program in Cumberland County as well as the nonprofit organization. Contracts will be put in place with one or both groups if determined appropriate. Proper cash receipt controls for accepting payments from clients are in the process of being put into place with checks and balances to ensure proper handling of monies. Pre-printed official receipt books have already been ordered for agency-wide use.

Additionally, Site Directors will become part of the agency risk assessment in a much larger way. This will aid the Executive Director in making decisions and looking for potential problem areas within the site directors group.

As with all findings, this finding begins and ends with the Executive Director. If proper checks and balances had been established by the Executive Director, it is possible that none of this would have ever happened in the first place. Also the Executive Director needs to spend more time training Site Directors in matters of Policy and Procedures. A plan is in place to begin that training starting with the September 7, 2016, staff meeting, and this training will continue throughout the year.

INDEPENDENT SUPPORT COORDINATION SERVICES PROGRAM

TNCSA contracts with the Tennessee Department of Intellectual and Developmental Disabilities (DIDD) and the Tennessee Department of Finance and Administration, Division of Healthcare Finance and Administration's Bureau of TennCare, to provide independent support coordinators for recipients of DIDD. Once DIDD determines an individual is eligible for Independent Support Coordination Services, the individual selects the agency that will coordinate their services. The agency selected then assigns an independent support coordinator (ISC) to act as their Case Manager. As a provider of ISC case management services, TNCSA is responsible for

- the development and continued update of the recipient's individual support plan (a plan tailored to the individual's needs and meant to ensure the individual maintains a good quality of life and meets personally identified goals);
- coordination of services specified in the recipient's individual support plan;
- ongoing contact with the recipient including monthly face-to-face visits; and
- continued monitoring and oversight of the services provided to the recipient based on the independent support plan, including the resolution of any problems encountered with the individual support plan.

TNCSA's regional offices in Chattanooga, Cookeville, and Jackson administer the program.

The objectives of our review of the ISC program were to determine whether the agency

- prepared the independent support plans in accordance with DIDD guidelines;
- adequately monitored providers to ensure that services were provided in accordance with the recipient's independent support plans, or approved changes to those plans; and
- properly billed for services rendered in accordance with contract and program requirements.

To gain an understanding of the program's key requirements we reviewed the contracts in effect during our audit period, the *Tennessee Department of Intellectual and Developmental Disabilities Provider Manual* (DIDD Provider Manual), and a chart of DIDD training requirements. To gain an understanding of management's process to meet the contracts' requirements, we interviewed key personnel and obtained examples of forms used by the agency. We obtained the population of all individuals that received ISC services during the period from July 1, 2013, through March 31, 2016, and we selected a nonstatistical random sample of 40 ISC recipients from a population of 394 recipients. We reviewed the recipients' case files for documentation relating to the following: the planning phase of developing the individual support plan, the independent support plan and any other required forms, monthly reviews completed by the provider, and face-to-face meetings with the recipients and ISC staff.

In order to determine if the independent support coordinators were properly trained to develop individual support plans and to provide monitoring services to the recipients, we examined the personnel files of all 29 independent support coordinators employed by the agency from July 1, 2013, through April 30, 2016, and compared documentation of training received to that required by DIDD.

In order to determine if TNCSA correctly billed for services provided, we created a numbered list of every month during our audit period (July 2013 through April 2016) and randomly selected 40 separate months. We then matched that list of months to the list of 40 recipients selected above. For each recipient, we reviewed documentation to determine if TNCSA billed the correct amount for the applicable month.

Based on our procedures performed, we determined that TNCSA

- did not always prepare the independent support plan in accordance with DIDD guidelines (see finding 6);
- adequately monitored providers to ensure that services were provided in accordance with the recipient's independent support plans, or approved changes to those plans; and
- properly billed for services rendered in accordance with contract and program requirements.

Finding 6 – The Tennessee Community Services Agency's Independent Support Coordination Services program did not follow all program regulations

Condition

Based on the results of our sample testwork to determine if the coordinators properly developed the independent support plans and maintained other required forms and our review of all training records for Independent Support Coordinators and we noted the following issues:

- Independent support coordinators did not maintain all necessary information as evidence that they had properly completed the independent support plans for 7 of 40 recipients' files (18%) tested. The DIDD Provider Manual states that an independent support plan expires after 365 days and must be updated before it expires. This means that the independent support coordinator must obtain all required information annually to ensure the plan is accurately updated. We examined the independent support plans that were in effect during our audit period, and found that for 6 of the 7 files noted above, TNCSA had failed to obtain the recipients' medical records for one or more years. TNCSA provided documentation showing they had requested the records from the recipients' providers, but the providers had failed to submit them. We found that for the one remaining file the independent support coordinator did not maintain a Pre-Admission Evaluation (PAE) form which serves as a plan of care until the initial independent support plan is developed. We did note that this file contained an independent support plan.
- For 2 of 40 files tested (5%), independent support coordinators did not obtain or maintain completed forms as required by the DIDD Provider Manual: Freedom of Choice form, Complaint Resolution and Appeals Process form, and Recipients Rights and Responsibilities form.
- Management did not ensure that 1 of 29 employees received all of their required training within the first 30 days of employment. The required training included Universal Precautions (required by the Occupational Safety and Health Administration), Title VI (required by federal law), and Health Insurance Portability and Accountability (HIPPA).

Criteria

The DIDD Provider Manual, section 3.7, states: "When a person is enrolled in services, the initial ISP must be developed within sixty (60) calendar days from the date of enrollment…. The initial ISP can be used for a period of 365 days from the effective date of the ISP. During that time period, changes in the ISP may be accomplished through ISP amendments. The ISP is considered expired after 365 days from the effective date and must be updated before it expires."

Section 3.6 states, "Several different assessment processes, performed by various individuals (i.e., a clinical assessment performed by an occupational therapist or nurse), contribute to the development of the ISP including but not limited to those that appear in **Table 3.6-1** below." Table 3.6-1 lists the following: "Dental, health, and mental health records as applicable, as well as physician orders and physical examinations."

Section 4.6.b states: "The ISC is required to provide information and education to the person, guardian/conservator, and/or family regarding: . . . Rights and responsibilities of people using services. . . . Resolution processes, including reporting abuse/neglect/exploitation, provider conflict resolution, DIDD and TennCare complaint resolution processes, and appeals processes."

Section 4.6.c states: "Freedom of Choice is a phrase used in federal regulations pertaining to Medicaid waiver programs. 'Freedom of Choice' refers to the person's right to choose

services provided in an ICF/IID [Intermediate Care Facilities for Individuals with Intellectual Disabilities] or in a Medicaid HCBS waiver. Federal Medicaid law requires that this choice be given initially when a person seeks services. The person's choice between ICF/IID and waiver services is to be documented on the Freedom of Choice Form, and this form needs to be available for inspection."

Section 6.5.a states: "Phase I or Pre-Service Training for All Staff. Staff must complete this initial training before working alone with a person served. This training must be completed within thirty (30) days from date of hire." The DIDD's *Training Requirements for Provider Staff Categories* provides a list of each of the types of training and timelines required by DIDD.

Cause

TNCSA's program supervisors stated that the missing medical records had been requested from the recipients' providers, but the providers had not provided the records. Program supervisors provided us with documentation showing they had requested these records from the recipients' providers. Management told us that they have communicated with DIDD that they are sometimes unable to get medical records from the providers and will continue to request the records from the providers and also consider alerting DIDD to specific providers that fail to send the documents to TNCSA.

TNCSA program supervisors were not sure why the other forms, such as the PAE and Freedom of Choice forms were missing from some of the files.

The Cookeville Site Director stated that there was some miscommunication regarding the employee's lack of training. The Site Director stated she thought all required classes had been scheduled, but they had not.

Effect

The medical records and PAE are necessary tools in developing the recipient's independent support plan. Without this information, TNCSA's independent support coordinators cannot be sure that the independent support plan accurately reflects the needs of the recipient, including all necessary medical care.

Forms such as the Freedom of Choice form, Complaint Resolution and Appeals Process form, and Recipients Rights and Responsibilities form, serve to provide information of legal rights to the recipients and their conservators.

Management provides training to employees to ensure the protection of rights for both the recipients and the staff and to mitigate any unnecessary risks to the recipients or the agency.

Recommendation

TNCSA should continue to request and encourage all providers to submit required documentation for the development and update of the independent support plan. TNCSA should

notify DIDD if a provider does not provide this information as required, and retain documentation as evidence of its due diligence to comply with program requirements.

TNCSA should ensure that all required forms are properly obtained and maintained in the recipient's file. TNCSA should ensure all program staff completes the required training within the required time frame and program staff should maintain documentation showing their completion of training.

Additionally, TNCSA should address the risk that all information required to be part of the recipients' records may not be obtained or maintained and the risk that staff may not receive required training in the agency's risk assessment. Management should also ensure the risks are appropriately mitigated with effective controls.

Management's Comment

We concur in part: We agree that forms such as the Freedom of Choice form, Complaint Resolution and Appeals Process form and Recipients Rights and Responsibilities form should always be in the client files. We also agree that management failed to schedule the one employee in all of the training modules. A checklist for each employee going through training will be developed to ensure all training modules are completed in a timely manner.

However, we do not concur with the part of the finding holding us responsible for having information that is out of our control. While we can request this information from the provider, we cannot force the provider to send us the information in a timely manner. The information from the medical records is shared during the Circle of Support meetings at which the planning for the ISP is conducted. Therefore, this information not being received by the ISC does not in any way interfere with services provided to the recipient. Circle of Support meetings are required for the development of the ISP and all members must approve the plan. Additionally, the Comptroller's Office's suggestion that we seek the assistance of DIDD in getting this information could be productive in theory; however, we work closely with these providers and strive to maintain good working relationships with them. We endeavor to preserve good working relationships that could be easily strained with frequent complaints to DIDD at every occurrence of vendor noncompliance. DIDD performs a Quality Assurance Review annually. During this review DIDD verifies only that we document the request for the information from the provider. DIDD accepts this documentation of the provider request as meeting the requirement of the participant file.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

TNCSA contracts with the Tennessee Department of Labor and Workforce Development (LWD) to administer the Senior Community Service Employment Program (SCSEP). LWD receives the SCSEP grant, a federal employment training program for low-income, unemployed, individuals aged 55 and older from the U.S. Department of Labor. In general, the program provides subsidized, part-time work experience for a limited time (maximum of 48 months) through community service activities so that these individuals can obtain skills necessary for

permanent employment. Participants are placed with a governmental or other non-profit organization to perform work and are paid minimum wage for hours worked. To administer the federal grant, LWD contracts with subrecipients throughout the state to administer the program, including TNCSA. TNCSA provides these services in the following counties: Cheatham, Dyer, Henry, Houston, Humphreys, Montgomery, Obion, Stewart, and Weakley. Although TNCSA's Jackson office Site Director has oversight of the program, TNCSA's SCSEP Coordinator administers the program from the agency's Union City office. The SCSEP Coordinator is responsible for determining eligibility, preparing participants' individual employment plans, and performing periodic assessments of the participants' eligibility and progress.

The prior audit disclosed a finding that TNCSA's SCSEP Coordinator failed to operate the program according to federal and contractual guidelines. Specifically, the prior finding noted that

- management and staff did not always perform participant assessments or prepare required individual employment plans, which are both required by federal guidelines;
- management and staff did not ensure participants' files agreed with information in SCSEP Performance and Results Quality Performance Reporting (SPARQ) computer system; and
- the SCSEP Coordinator did not spend the minimum amount of hours at career centers required by LWD.

Therefore, after determining that TNCSA continued to administer the program throughout our audit period, our objectives included determining whether the agency corrected those conditions and specifically to determine whether

- the agency followed the contractual and federal requirements, ensured that funds paid to participants for job training were appropriately supported, and ensured that the SCSEP participants' information on file with the agency agreed with the SPARQ system; and
- management included the risks of not fulfilling its responsibility in its annual risk assessment, as recommended in the prior finding.

To gain an understanding of the program's key requirements, we reviewed the contracts in effect during our audit period, the *Code of Federal Regulations*, Part 4 of the Office of Management and Budget's *Circular A-133 Compliance Supplement*, and the Tennessee Department of Labor and Workforce Development's *SCSEP Participant Handbook*. To gain an understanding of the process for compliance with contractual and federal requirements, we conducted a walkthrough which included interviewing key personnel, reviewing participant files in both paper form and on the SPARQ system, and obtaining examples of relevant forms used by the agency.

We obtained the population of all individuals that were participants in SCSEP from July 1, 2013, through March 31, 2016. We tested the entire population of 44 participants enrolled at some point during this period. We examined both the participants' records in their paper files

and in the SPARQ computer system, in order to determine if the agency followed the contractual and federal requirements and if the information on file in the agency's paper files matched the information in SPARQ. To determine if funds paid to participants for job training were appropriately supported, we created a numbered list of every month during the same period and randomly selected 44 separate months. We then matched that list of months to the list of 44 participants. For each participant, we reviewed documentation to determine if TNCSA paid the participant the correct amount for hours worked during the test month. We inquired from the Site Director if the risk of noncompliance with contractual and federal requirements noted had been addressed in the agency's risk assessment.

Based on our procedures performed, we determined that

- while some issues noted in the prior finding had been corrected, program management still did not follow all contractual and federal requirements and did not ensure that the participants' information on file agreed to information the agency entered into SPARQ (see Observation 4); and
- management had not included the risks of noncompliance in relation to this program into the agency's risk assessment, as recommended in the prior finding (see Observation 4).

Observation 4 – The Tennessee Community Services Agency did not ensure the Senior Community Service Employment Program staff always followed contractual and federal requirements

Based on our follow-up of the prior audit finding we found that based on our examination of all 44 participant records, the prior audit finding issue regarding the SCSEP Coordinator's responsibility to perform required participant assessments or prepare required individual employment plans had been corrected as we found no errors in the testwork. We also noted that the previous requirement in the contract between TNCSA and the LWD that the SCSEP Coordinator spend a minimum set number of hours per week in LWD's career centers was no longer a requirement in the contract (covering fiscal year 2016).

Based on comparison of all 44 participants' paper files to information in SPARQ, we determined that the SCSEP Coordinator still did not always update SPARQ with accurate data. Specifically, we found the paper files did not agree with SPARQ:

- 3 of 44 participants' program application date as shown in the paper file (7%) did not agree with the program application date in SPARQ;
- 2 of 44 participants' exit status in their paper file (5%) did not agree to the status in SPARQ;
- 7 of 44 participants' most recent completion date of the individual employment plan in their paper file (16%) did not agree to the date in SPARQ; and

- 4 of 36 participants' most recent income verification date in the paper file (11%) did not agree to the date in SPARQ.

Code of Federal Regulations 641.879 (b) states, ". . . each SCSEP recipient must submit updated data on participants (including data on demographic characteristics and data regarding the performance measures), host agencies, and employers in an electronic format specified by the Department." *Federal Register*, Volume 75, Number 169, states ". . . SPARQ is the vehicle by which all grantees must report information on participants, host agencies, and employers, including demographic and performance information. . . ."

We also noted other areas where the SCSEP Coordinator did not follow federal requirements:

- For 4 of 44 participants (9%), the coordinator could not provide documentation showing that the placement entity where the participant worked was a public agency or private non-profit exempt from taxation. This issue involved three separate placement entities (one entity had 2 SCSEP participants assigned there). According to CFR 641.140, "Host agency means a public agency or a private nonprofit organization exempt from taxation under §501(c)(3) of the Internal Revenue Code of 1986 which provides a training work site and supervision for one or more participants."
- For 1 of 44 participants (2%), the program management could not provide documentation to verify income for all family members in the household. According to the CFR §641.500, ". . . a family with an income that is not more than 125 percent of the family income levels prepared by the Department of Health and Human Services and approved by OMB (Federal poverty guidelines) is eligible to participate in the SCSEP."
- For 1 of 44 participants (2%), program management could not provide documentation to verify residency status for the participant at the time initial eligibility was established. This participant provided identification issued by another state upon entry into the program and during the first assessment. LWD's *SCSEP Participant Handbook* states, "At the time of enrollment, an applicant must be a resident of the county or counties authorized to be served by Tennessee Community Services Agency."

Additionally, we determined that program management and staff were unaware of the LWD requirement for all participants to register with LWD's One Stop Career Center as specified in the SCSEP Participant Handbook. For 28 of 44 participants (64%), management could not provide documentation to support that participants had registered with the One Stop Career Center. According to TNCSA's Site Director, there may have been miscommunication regarding this requirement, due to the turnover at the SCSEP Coordinator position.

APPENDICES

APPENDIX 1
Title VI Information

(This information is unaudited.)

Title VI of the Civil Rights Act of 1964 states that "No person in the United States shall, on the ground 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 Tennessee Human Rights Commission (THRC) issues a report, *Tennessee Human Rights Commission Title VI Compliance Program* (available on its website), that details agencies' federal dollars received, Title VI and other human rights related complaints received, whether the agencies' Title VI implementation plans were filed timely, and any THRC findings taken on an agency. According to the THRC's fiscal year 2015 report, the Tennessee Community Services Agency filed its annual implementation plan on September 30, 2015. During the reporting period, the THRC received no complaints regarding the agency. Additionally, the THRC issued no findings on its review of the agency's implementation plan.

See the next page for the Tennessee Community Service Agency's staff member ethnicity and gender demographics.

Tennessee Community Services Agency
Staff and Volunteer Gender and Ethnicity by Job Position
As of August 2016

Title	Gender		Ethnicity					
	Male	*Female*	*American Indian*	*Asian*	*Black*	*Hispanic*	*White*	*Other*
Administrative Specialist 1	5	22	0	0	6	0	21	0
Administrative Specialist 2	3	33	0	0	25	0	11	0
Administrative Specialist 3	2	10	0	0	2	2	8	0
Administrative Specialist 4	1	0	0	0	0	0	1	0
Community Services Assistant	1	40	0	0	2	0	37	2
Director	2	5	0	0	0	0	7	0
Executive Director	1	0	0	0	0	0	1	0
Fiscal Specialist 4	0	1	0	0	0	0	1	0
Program Coordinator	1	4	0	0	1	0	4	0
Program Specialist 2	0	3	0	0	0	0	3	0
Program Specialist 3	2	18	0	0	4	0	16	0
Program Specialist 4	0	3	0	0	0	0	3	0
Volunteer – Stipend	2	13	0	0	4	1	10	0
Totals	**20**	**152**	**0**	**0**	**44**	**3**	**123**	**2**

Source: Tennessee Community Services Agency Director of Human Resources.

Tennessee Community Services Agency
Board of Directors Gender and Ethnicity
As of August 2016

Region	Gender		Ethnicity					
	Male	*Female*	*American Indian*	*Asian*	*Black*	*Hispanic*	*White*	*Other*
Governor's Designee	1	0	0	0	0	0	1	0
Grand East	0	1	0	0	0	0	1	0
Grand Middle	0	1	0	0	0	0	1	0
Grand West*	-	-	-	-	-	-	-	-
East	0	1	0	0	0	0	1	0
Mid-Cumberland	0	1	0	0	0	0	1	0
Northeast	1	0	0	0	0	0	1	0
Northwest*	-	-	-	-	-	-	-	-
Shelby Co.	0	1	0	0	1	0	0	0
Southcentral	0	1	0	0	0	0	1	0
Southeast	1	0	0	0	0	0	1	0
Southwest	1	0	0	0	1	0	0	0
Upper Cumberland*	-	-	-	-	-	-	-	-
Totals	**4**	**6**	**0**	**0**	**2**	**0**	**8**	**0**

*These positions are vacant as of June 2016.
Source: Tennessee Community Services Agency Director of Human Resources.

APPENDIX 2
Statement of Activities (Unaudited)[5]
For the Year Ended June 30, 2014

Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental Activities:				
Administration	$ 720,699.03	$ 180,040.82	$ 409,030.19	$ (131,628.02)
Americorps Program	266.53	-	-	(266.53)
At-Home Support Services Program	652,453.80	602,229.00	-	(50,224.80)
Community Services Programs	69,861.66	74,800.36	-	4,938.70
DCS Monitor and Advocacy Program	292,696.26	-	293,697.71	1,001.45
DCS Resource Parent Advocacy & Mentoring Program	182,248.55	-	180,605.92	(1,642.63)
DIDD Programs	942,651.40	-	876,634.56	(66,016.84)
Drug Court Programs	100,709.79	101,561.46	-	851.67
Family Services Counseling Program	89,449.46	-	91,076.33	1,626.87
Emergency Housing Partnership	73,707.57	60,178.30	-	(13,529.27)
Memphis Strong Families Initiative	525,065.09	523,754.24	-	(1,310.85)
Senior Community Services Employment Program	256,280.92	-	256,280.92	-
TennCare Advocacy Call Center Program	407,288.06	-	407,893.81	605.75
TennCare Provider Call Center Program	757,824.34	-	751,914.79	(5,909.55)
OPEB Expense - unallocated	16,379.95	-	-	(16,379.95)
Depreciation - unallocated	24,157.39	-	-	(24,157.39)
Total	$ 5,111,739.81	$ 1,542,564.18	$ 3,267,134.23	$ (302,041.40)

[5] Source: Tennessee Community Services Agency.

General revenues:	
Payment from the State of Tennessee	$ -
Unrestricted investment earnings	696.53
Total general revenues	696.53
Change in net position	(301,344.87)
Net position - July 1	1,666,892.27
Net position - June 30	$ 1,365,547.40

The notes to the financial statements are an integral part of this statement.

Statement of Activities (Unaudited)
For the Year Ended June 30, 2015

		Program Revenues		
Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental Activities:				
Administration	$ 661,051.00	$ 166,141.95	$ 392,446.76	$ (102,462.29)
At-Home Support Services Program	633,024.92	575,309.97	-	(57,714.95)
Community Services Programs	44,996.94	67,459.41	-	22,462.47
DCS Monitor and Advocacy Program	333,381.25	-	332,968.88	(412.37)
DCS Resource Parent Advocacy & Mentoring Program	203,048.32	-	201,507.64	(1,540.68)
DIDD Programs	953,778.97	-	917,445.10	(36,333.87)
Drug Court Programs	101,522.77	99,731.98	-	(1,820.79)
Family Focused Solutions	90,788.40	-	91,537.07	748.67
Emergency Housing Partnership	47,662.80	47,662.80	-	-

Memphis Strong Families Initiative	616,140.85	614,801.02	-	(1,339.83)
Senior Community Services Employment Program	286,633.94	-	286,633.94	-
TennCare Advocacy Call Center Program	436,285.65	-	438,410.11	2,124.46
TennCare Provider Call Center Program	823,705.98	-	819,639.63	(4,066.35)
OPEB Expense - unallocated	2,321.77	-	-	(2,321.77)
Depreciation - unallocated	(96,394.25)	-	-	96,394.25
Pension Expense	(517,985.00)	-	-	517,985.00
OPEB Adjustment prior year	(9,000.00)	-	-	9,000.00
Total	$ 4,610,964.33	$ 1,571,107.13	$ 3,480,589.13	$ 440,731.93

General revenues:		
Payment from the State of Tennessee	$ -	
Unrestricted investment earnings		392.78
Total general revenues	392.78	
Change in net position	441,094.71	
Net position - July 1	1,374,547.40	
Prior period adjustment for pensions	6,054,556.00	
Net position - June 30	$ 7,870,198.11	

The notes to the financial statements are an integral part of this statement.

Tennessee Community Services Agency Statement of Activities
For the Year Ended June 30, 2016

Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental Activities:				
Administration	$ 754,411.24	$ 98,682.64	$ 453,025.60	$ (202,702.99)
At-Home Support Services Program	603,628.23	508,791.13	-	(94,837.10)
Community Services Programs	46,818.56	50,410.35	-	3,591.79
DCS Monitor and Advocacy Program	357,373.20	-	357,049.36	(323.84)
DCS Resource Parent Advocacy & Mentoring Program	189,398.00	-	188,323.17	(1,074.83)
DIDD Programs	987,826.29	-	984,009.88	(3,816.41)
Drug Court Programs	106,855.11	105,425.57	-	(1,429.54)
Family Focused Solutions	91,693.77	-	92,314.00	620.23
Emergency Housing Partnership	5,138.74	4,663.61	-	(475.13)
Memphis Strong Families Initiative	70,722.64	73,700.68	-	2,978.04
Senior Community Services Employment Program	285,872.19	-	285,872.19	-
TennCare Advocacy Call Center Program	473,547.36	-	474,657.89	1,110.53
TennCare Provider Call Center Program	785,767.26	-	783,985.09	(1,782.17)
OPEB Expense - unallocated	122,952.21		- -	(122,952.21)
Depreciation - unallocated	37,056.51		- -	(37,056.51)
Pension Expense	(613,192.00)		- -	613,192.00
OPEB Adjustment prior year	-	-	-	-
Total	$ 4,305,869.31	$ 841,673.98	$ 3,619,237.18	$ 155,041.85

General revenues:	
Payment from the State of Tennessee	$ -
Unrestricted investment earnings	713.28
Total general revenues	713.28
Change in net position	155,755.13
Net position - July 1	7,870,198.11
Prior period adjustment for pensions	-
Net position - June 30	$ 8,025,953.24

The notes to the financial statements are an integral part of this statement.