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Mission Statement
The mission of the Comptroller’s Office is to make government work better.

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November 14, 2023

The Honorable Randy McNally
Speaker of the Senate
The Honorable Cameron Sexton
Speaker of the House of Representatives
The Honorable Kerry Roberts, Chair
Senate Committee on Government Operations
The Honorable John D. Ragan, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable Jim Bryson, Commissioner
Department of Finance and Administration
312 Rosa L. Parks Avenue
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a performance audit of selected programs and activities of the Department of Finance and Administration for the period July 1, 2019, through July 31, 2023. This audit was conducted pursuant to the requirements of the Tennessee Governmental Entity Review Law, Section 4-29-111, Tennessee Code Annotated.

Our audit disclosed one observation in this report. Management of the Department of Finance and Administration has responded to the observation, and we have included the response in the respective section.

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

Sincerely,

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

KJS/hr
23/033
We have audited the Department of Finance and Administration (the department) for the period July 1, 2019, through July 31, 2023. Our audit scope included assessments of program effectiveness, internal controls, and compliance with laws, regulations, policies, procedures, and provisions of contracts in the following areas:

- management’s background check processes to protect children and to safeguard the state’s sensitive data,
- staffing levels within the Division of Accounts’ Centralized Accounting unit,
- management’s efforts to communicate and coordinate with other state entities to ensure satisfaction with Centralized Accounting unit services,
- management’s process to ensure department staff processed invoices within department guidelines,
- management’s monitoring of contracted health insurance carriers’ performance to ensure they effectively administered benefits,
- management’s process for supporting state agencies with their business solutions and IT projects through effective project management, and
- management’s implementation of information systems controls to safeguard state systems and assets.

Scheduled Termination Date: June 30, 2024
Additionally, our audit scope included follow-up on prior audit findings in the following areas:

- management’s efforts to improve Strategic Technology Solutions’ billing process to increase transparency and understandability for end users,
- management’s review of Records Disposition Authorizations and implementation of recommendations from the Records Management Division, and
- management’s efforts to improve internal controls in two specific areas identified as confidential according to Section 10-7-504(i), Tennessee Code Annotated.

The information for these areas can be found in the Prior Audit Findings section on page 4.

Observation

The following topic is included in this report because of its effect on the operations of the Department of Finance and Administration and the citizens of Tennessee:

- Department management should conduct a comprehensive review of existing department personnel for completed background checks, strengthen controls governing background check processes, and ensure all contracted employees have required checks (page 9).
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Introduction

Audit Authority

This performance audit of the Department of Finance and Administration was conducted pursuant to the Tennessee Governmental Entity Review Law, Title 4, Chapter 29, *Tennessee Code Annotated*. Under Section 4-29-244, the department is scheduled to terminate June 30, 2024. 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 department should be continued, restructured, or terminated.

Background

The Tennessee General Assembly established the Department of Finance and Administration (the department) in 1959 to consolidate the financial or monetary matters of state government into one cabinet-level department. The department’s mission is

*Providing sound stewardship of state assets through good business practices and great customer service.*

The department’s Commissioner oversees a staff of approximately 2,100 state employees. The department’s responsibilities involve coordinating state government activities provided through the Divisions of Administration, Benefits Administration, Grant Administration, Fiscal and Management Services, Strategic Technology Solutions, and TennCare Fraud and Abuse Prevention. See Appendix 3 for a description of the department’s operations and organizational chart.

Audit Scope

We have audited the Department of Finance and Administration\(^1\) for the period July 1, 2019, through July 31, 2023. Our audit scope included assessments of program effectiveness, internal controls, and compliance with laws, regulations, policies, procedures, and provisions of contracts in the following areas:

\(^1\) While the Division of TennCare is part of the Department of Finance and Administration’s organization, it operates and is audited as a separate entity; therefore, it is not included in the scope of this audit. We performed the last sunset performance audit of the Division of TennCare in September 2021, and it is scheduled to terminate on June 30, 2025.
• management’s background check processes to protect children and to safeguard the state’s sensitive data,
• staffing levels within the Division of Accounts’ Centralized Accounting unit,
• management’s efforts to communicate and coordinate with other state entities to ensure satisfaction with Centralized Accounting unit services,
• management’s process to ensure department staff processed invoices within department guidelines,
• management’s monitoring of contracted health insurance carriers’ performance to ensure they effectively administered benefits,
• management’s process for supporting state agencies with their business solutions and IT projects through effective project management, and
• management’s implementation of information systems controls to safeguard state systems and assets.

Additionally, our audit scope included follow-up on prior audit findings in the following areas:

• management’s efforts to improve Strategic Technology Solutions’ billing process to increase transparency and understandability for end users,
• management’s review of Records Disposition Authorizations and implementation of recommendations from the Records Management Division, and
• management’s efforts to improve internal controls in two specific areas identified as confidential according to Section 10-7-504(i), Tennessee Code Annotated.

The information for these areas can be found in the Prior Audit Findings section on page 4.

We present more detailed information about our audit objectives, conclusions, and methodologies in Appendix 1 of this report.

We provide further information on the scope of our assessment of internal control significant to our audit objectives in Appendix 2. In compliance with generally accepted government auditing standards, when internal control is significant within the context of our audit objectives, we include in the audit report (1) the scope of our work on internal control and (2) any deficiencies in internal control that are significant within the context of our audit objectives and based upon the audit work we performed.

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. Although our sample results provide reasonable bases for drawing conclusions, the errors identified in these samples cannot be used to make statistically valid projections to the original populations.

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.

*The Department of Finance and Administration’s management is responsible for establishing and maintaining effective internal controls and for complying with applicable laws, regulations, policies, procedures, and provisions of contracts and grant agreements.*

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**Single Audit**

As part of the annual Single Audit of the State of Tennessee, the Comptroller of the Treasury’s Division of State Audit performs a risk assessment and audits certain federal programs administered by state agencies. We review the systems of internal control over federally funded programs and compliance with program regulations. The audit’s objective is to determine the state’s compliance with federal requirements regarding how those funds were used. For the audit period covered by this performance audit, the Department of Finance and Administration’s Office of Criminal Justice Programs, Office of Business and Finance, and Division of Accounts were included in the state’s fiscal year 2019, 2020, 2021, and 2022 Single Audits, as described in Table 1.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Single Audit Findings – Department of Finance and Administration</th>
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<tr>
<td><strong>Federal Program (Division)</strong></td>
<td><strong>Findings by Fiscal Year</strong></td>
</tr>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Crime Victim Assistance (Office of Criminal Justice Programs)</td>
<td>4</td>
</tr>
<tr>
<td>Coronavirus Relief Fund (Office of Business and Finance and Division of Accounts)</td>
<td>N/A*</td>
</tr>
<tr>
<td><strong>Total Findings</strong></td>
<td>4</td>
</tr>
</tbody>
</table>

* Programs marked N/A were not audited in that fiscal year’s Single Audit.

In response to audit findings and recommendations, the department must develop corrective action plans to submit to the appropriate federal awarding agency. The federal grantor is responsible
for issuing final management decisions on the department’s findings, including any directives to repay the federal grants. Our office is required to determine whether the department has taken full corrective action, partial corrective action, or no action. As noted in Table 1 above, our follow-up on the prior audit findings for each program disclosed that management had taken full corrective action for the findings related to the Crime Victim Assistance program by 2021 and the Coronavirus Relief Fund by 2022. Neither of these programs are being audited as part of the 2023 Single Audit.

We are currently auditing, for the 2023 Single Audit, the Coronavirus State and Local Fiscal Recovery Funds. The results of the audit will be reported by March 31, 2024.

**Report of Actions Taken on Prior Audit Findings**

Section 8-4-109(c), *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The prior audit report dated November 2019 contained four findings. The Department of Finance and Administration filed its report with the Comptroller of the Treasury on May 18, 2020. We conducted a follow-up of the prior audit findings as part of the current audit. See Appendix 1.

The current audit disclosed that the Department of Finance and Administration resolved three of the four previous audit findings. One finding was partially resolved and will be repeated as an observation. See Table 2.
## Table 2
Current Audit Results for 2019 Performance Audit Findings

<table>
<thead>
<tr>
<th>Prior Audit Finding</th>
<th>Resolution in Current Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The department has not yet corrected weaknesses with STS billings.</td>
<td>This finding is resolved. See Appendix 1.</td>
</tr>
<tr>
<td>2 Human Resources Office management did not perform employee background checks as required or prioritize updating the department’s background check policy and procedures to stay current with the needs of the Division of Accounts and Strategic Technology Solutions.</td>
<td>The finding is partially resolved. See Observation in the Background Checks section.</td>
</tr>
<tr>
<td>3 The Division of Accounts has not yet reviewed its records disposition authorizations following the 2013 request from the Public Requests Commission, and several divisions have not implemented the recommendations from the Records Management Division’s assessment report.</td>
<td>This finding is resolved. See Appendix 1.</td>
</tr>
<tr>
<td>4 The department did not provide adequate internal controls in two specific areas.</td>
<td>This finding is resolved. See Appendix 1.</td>
</tr>
</tbody>
</table>
Background Checks

We reviewed the background check process and procedures within the Department of Finance and Administration’s Human Resources Office to determine if the office corrected the prior audit finding to better protect children and to safeguard sensitive information in state custody.

General Background

Because Department of Finance and Administration (department) personnel and contracted employees have access to children in the state’s care and to sensitive or confidential information, department management must protect both by performing background checks on persons with this access. The department’s Human Resources Office (HRO) coordinates the background checks for department personnel and contract employees who have access to sensitive information or are required by law to have specific types of background checks.

According to the department’s Policy 35, “Criminal Background Check Policy,” effective March 1, 2020, the HRO Director or a designee “shall conduct criminal record background checks on all candidates for employment; employees transferred into positions requiring a new or different background check; and certain contractors [contract employees].” The relevant contract employer is responsible for all other contract employee background checks when the contract includes the requirement. When there is no contract requirement, the responsibility for background checks of any contracted employee falls to the department. HRO staff only perform background checks on contract employees upon request from a division designee.

The type of criminal background checks performed on department personnel and contract employees depends on whether they are assigned to a sensitive position, a covered position, or a position with access to children. See Table 3 for more information regarding the types of positions and background checks required.
<table>
<thead>
<tr>
<th>Check Name/Type</th>
<th>Description of Checks Performed</th>
<th>Positions Requiring Checks</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name-Based</td>
<td>A name-based check of Tennessee criminal records performed by the Tennessee Bureau of Investigation (TBI)</td>
<td>“Sensitive Positions” All positions that are not a “covered position” or a “position with access to children”</td>
<td>Department of Finance and Administration Policy 35, “Criminal Background Check Policy”</td>
</tr>
<tr>
<td>Criminal Justice Information System (CJIS)²</td>
<td>A fingerprint check against state and federal criminal records conducted by the Federal Bureau of Investigation through an agreement with the TBI</td>
<td>“Covered Position” Employees and contractors who have elevated and privileged access to CJIS or to information accessed via CJIS</td>
<td>Sections 8-50-112 and 4-3-5503, Tennessee Code Annotated</td>
</tr>
</tbody>
</table>
| Federal Tax Information (FTI) | • CJIS fingerprint check  
• Local background checks for areas where the subject has lived, worked, or attended school within the last 5 years | “Covered Position” Employees and contractors with access to FTI (required every 5 years) | Internal Revenue Service Publication 1075 and Section 4-3-105, Tennessee Code Annotated |
| Access to Children | • CJIS fingerprint check  
• FTI local background checks  
• Driving records and moving violations check  
• National Sexual Offender Public Website (NSOPW)³ clearance  
• Tennessee Department of Health Abuse Registry⁴ clearance  
• TN Family & Child Tracking System (TFACTS)⁵ records check  
• Drug Offender Registry⁶ (performed annually) | “Position with access to children” Employees and contractors who have direct contact with children/youth, or who work with children’s sensitive or confidential information | Section 71-3-507, Tennessee Code Annotated, and Policy 35 |

² The CJIS Division serves as the repository for criminal records, administers background checks, and operates the communications hub that connects the state’s law enforcement agencies. [https://www.tn.gov/tbi/divisions/cjis-division.html](https://www.tn.gov/tbi/divisions/cjis-division.html).

³ The NSOPW is a public safety resource that provides the public with access to sex offender data nationwide. [https://www.nsopw.gov/](https://www.nsopw.gov/).

⁴ The Abuse Registry includes names of persons who have abused, neglected, exploited, or misappropriated the property of vulnerable persons. [https://apps.health.tn.gov/AbuseRegistry/default.aspx](https://apps.health.tn.gov/AbuseRegistry/default.aspx).

⁵ TFACTS is a child welfare information system database maintained by the Department of Children’s Services. TFACTS provides information on whether individuals have or have not been substantiated as a perpetrator of child abuse or neglect in the State of Tennessee.

Results of the Prior Audit

In the department’s November 2019 performance audit, we reported that the department had not updated Policy 35, the “Criminal Background Check Policy.” Specifically, the department had not updated the Policy 35 appendices, which listed employee positions and the corresponding required background checks and specific registry check requirements. Additionally, we reported that HRO staff had not completed the necessary background and registry checks for all employees and had not maintained background check documentation for some employees. Management concurred with the finding, stating they were in the process of updating the policy and anticipated the update would be complete by the end of 2019, and an HR Generalist position was added with the sole responsibility for the background check process.

In their six-month follow-up, department management stated,

An Access Database was created to centrally track employee background check information and HRO is currently auditing those records to measure [the department’s] compliance with policy. HRO received approval from TBI in mid-November 2019 to convert the paper filing system for fingerprint background checks to electronic storage in FileNet. . . .

Background Checks Process

In response to the prior audit finding, in September 2019 management hired the new HR Generalist, and in March 2020 the HR Generalist implemented an Access\(^7\) database to track background checks for the department’s employees. Also, as part of our follow-up on the prior finding, we determined that on March 1, 2020, the department’s Policy 35 changed significantly, requiring Human Resources staff to perform background checks based on position types as listed in Table 3. Previously, the policy required Human Resources staff to perform background checks based on employee position numbers. This change allowed the department flexibility to adapt as staffing needs change while still ensuring that the policy covers employees with access to children or confidential information. Additionally, around September 2019, management revised the Initial Processing Notice (IPN)\(^8\) to include a section for a division designee to document the specific background checks needed for an applicant.

The background check process begins when the requesting division designee sends an email to the HRO with an IPN. Once the HR Generalist completes all applicable background checks and there are no disqualifiers for employment, the HR Generalist notifies the division designee that the applicant is cleared to hire. Additionally, the HR Generalist uploads the department personnel’s background checks.

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\(^7\) Microsoft Access is a database management software used by businesses to create intuitive applications. It provides users with various templates and tools to create functional and responsive apps. [https://microsoft-access.en.softonic.com/](https://microsoft-access.en.softonic.com/)

\(^8\) The IPN is a form that includes the type of change request and the type of background checks needed for the employee or a contracted employee.
check documentation into FileNet\(^9\) and enters information including employee name, completed background checks, and corresponding dates into Edison, the state’s accounting system, and an Access database.

**Current Audit**

We focused our review on management’s actions to determine whether they were sufficient to resolve the prior finding. We also expanded our focus for this audit to review management’s process for background checks involving contracted employees.

See **Observation** below. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.

**Observation**

Department management should conduct a comprehensive review of existing department personnel for completed background checks, strengthen controls governing background check processes, and ensure all contracted employees have required checks.

While the Department of Finance and Administration (the department) made progress in designing background check processes to better protect children and safeguard confidential information, we found that management is not always ensuring the new process is followed and has further improvement opportunities.

Specifically, the Human Resources Office (HRO) is not always ensuring division designees submit completed employee Initial Processing Notices (IPNs) and is not always updating the IPNs when obtaining the missing information. The HRO is also not promptly updating the database as staff change positions or are temporarily assigned to work with sensitive access. Though we did not find any department employees who were missing the required background checks, the gap in the process creates the risk that the department may miss required background checks.

Additionally, based on a new audit objective for this audit, we found that the department does not include any contracted employees in the Access database, so management is not actively tracking the contracted employees to ensure all required background checks are performed correctly and timely. The department has contracts with several companies that provide contracted employees to work with the department. While some contracts require the contracted employer to conduct background checks

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\(^9\) A software system that enables government entities to store data efficiently.
for their employees, the department has not established a process to obtain sufficient evidence from the contracted employer to verify that all required contracted employees have had background checks.

In other cases, the department’s contracts do not require the contracted employer to perform background checks on their employees. The department has the responsibility to conduct background checks for these contracted employees. As noted above, the Access database currently does not track any contracted employees working with the department, including whether they have access to children or sensitive information. Without the database to identify contracted employees who need checks, the HR Generalist must rely on the department’s division designees (who work more closely with the contracted employees) to request the HR Generalist to perform checks. Management could not provide us with evidence sufficient to support that the current process ensures all contracted employees who have access to sensitive information or children have had background checks.

Management should comprehensively review all existing department personnel and contract employees to verify that required background checks were completed and are on file, including documentation of the access triggering the specific background check. Management should also design and implement a supervisory review for new hires, promotions, transfers, and temporary work assignments to ensure the ongoing completion of the required background checks. Management should make relevant contract language adjustments and design appropriate internal processes to ensure all contract employers have the department conduct the background check or submit to the department the background check reports they complete as contract employees are hired or take on a work assignment that triggers a required background check. If contract employers cannot provide the background checks they complete, management should obtain a written certification from the contract employer that the appropriate background check was completed and the employee is cleared to begin work.

Management’s Comment

We concur. Department management will undertake a thorough examination of the background checks conducted on current department personnel and ensure these checks align with our current background check policy requirements. Additionally, we will strengthen the controls that govern this process and establish efficient monitoring procedures to make certain all contractors have completed the required background checks in a timely manner.
Centralized Accounting Services

Our goal was to determine if Division of Accounts management implemented accounting coordination efforts, communication, and adequate staffing within the Centralized Accounting unit to ensure both the division and the state entities it serves benefit from Centralized Accounting unit services.

Background

The Department of Finance and Administration’s (department) Division of Accounts (division) provides the controller function for the state and performs many functions including

- managing the preparation of the state’s Annual Comprehensive Financial Report,
- maintaining the state’s general ledger and official accounting records,
- preparing statewide payroll and service provider information filings with the Internal Revenue Service,
- managing statewide centralized vendor payment processing and the state’s payroll processing,
- compiling the state’s Schedule of Expenditures of Federal Awards,
- validating open checkbook data posted to the state’s transparency site,
- establishing state accounting policies and practices, and
- providing education and training to state government staff on grant requirements and guidance.

The Centralized Accounting unit within the Division of Accounts provides accounting services to individual state entities that participate in the central accounting initiative issued by Governor Haslam.\textsuperscript{10} Centralized Accounting unit staff are responsible for general accounting functions, such as managing the entity’s general ledger, cash receipts, grants, payables, and travel.

The purpose of the Centralized Accounting unit is to improve entities’ accounting and fiscal operations. Staff within the Division of Accounts are responsible for providing financial accounting and reporting services to 37 state entities. Entities that are part of the central accounting initiative are split into two groups: 16 small entities and 21 medium-to-large entities (see Table 4). One team of

\textsuperscript{10} Governor Haslam issued Executive Order No. 13 (2012) and Executive Order No. 30 (2013), which transferred financial accounting and reporting services from certain state entities to the Department of Finance and Administration.
Centralized Accounting unit staff work together to support all the small entities. Medium-to-large entities each have a devoted Centralized Accounting unit team that works to support their entity directly, and the team works from the entity’s office. The specific services provided to each entity are outlined in written agreements that are tailored to each entity’s accounting needs.

Table 4
Division of Accounts’ Centralized Accounting Entities

<table>
<thead>
<tr>
<th>Small Entities</th>
<th>Medium-to-Large Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Parole</td>
<td>Bureau of TennCare</td>
</tr>
<tr>
<td>Department of Financial Institutions</td>
<td>Department of Agriculture</td>
</tr>
<tr>
<td>Department of Human Resources</td>
<td>Department of Children’s Services</td>
</tr>
<tr>
<td>Department of Tourist Development</td>
<td>Department of Commerce and Insurance</td>
</tr>
<tr>
<td>Department of Veterans’ Affairs</td>
<td>Department of Correction</td>
</tr>
<tr>
<td>Governor’s Office (Executive Department)</td>
<td>Department of Economic and Community Development</td>
</tr>
<tr>
<td>Health Services and Development Agency</td>
<td>Department of Education</td>
</tr>
<tr>
<td>Sports Wagering Advisory Council*</td>
<td>Department of Environment and Conservation</td>
</tr>
<tr>
<td>Tennessee Alcoholic Beverage Commission</td>
<td>Department of Finance and Administration</td>
</tr>
<tr>
<td>Tennessee Arts Commission</td>
<td>Department of General Services</td>
</tr>
<tr>
<td>Tennessee Commission on Aging and Disability</td>
<td>Department of Health</td>
</tr>
<tr>
<td>Tennessee Commission on Children and Youth</td>
<td>Department of Human Services</td>
</tr>
<tr>
<td>Tennessee Corrections Institute*</td>
<td>Department of Intellectual and Developmental Disabilities</td>
</tr>
<tr>
<td>Tennessee Council on Developmental Disabilities*</td>
<td>Department of Labor and Workforce Development</td>
</tr>
<tr>
<td>Tennessee Human Rights Commission</td>
<td>Department of Mental Health and Substance Abuse Services</td>
</tr>
<tr>
<td>Tennessee State Museum</td>
<td>Department of Revenue</td>
</tr>
<tr>
<td></td>
<td>Department of Safety and Homeland Security</td>
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<td></td>
<td>Department of Transportation</td>
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<td></td>
<td>Military Department of Tennessee</td>
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<tr>
<td></td>
<td>Tennessee Rehabilitative Initiative in Correction*</td>
</tr>
<tr>
<td></td>
<td>Tennessee Wildlife Resources Agency</td>
</tr>
</tbody>
</table>

Source: Centralized Accounting unit service agreements between the Department of Finance and Administration and state entities.

* Additional entities not listed in the executive order chose to give the Division of Accounts responsibility for their accounting functions.

Accounting Coordination Efforts

Of the 21 medium-to-large entities, 16 have a dedicated controller. The 16 small entities share a single division-assigned controller. Controllers are responsible for the day-to-day operations of their assigned entity or entities and ensure that the Centralized Accounting unit staff meet the needs of the entity as described in their service agreement. Centralized Accounting units at each entity vary

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11 For the remaining five medium-to-large entities, the Department of Agriculture and the Department of Economic and Community Development share a controller, and the Department of Revenue and the Department of Intellectual and Developmental Disabilities share a controller. The Bureau of TennCare has a dedicated fiscal director instead of a controller, due to the bureau retaining more of its accounting and fiscal responsibilities than the other state entities.
in size and structure. Some entities may have supervisory levels between the controller and Centralized Accounting unit staff.

Centralized accounting unit management created a monthly checklist to help distribute the tasks that the controller, Centralized Accounting unit staff, and certain state entity staff must complete annually. The monthly checklist keeps the Centralized Accounting unit on track to complete management’s annual closing tasklist. For entities that are part of the central accounting initiative, each person completes their individually assigned tasks in the Annual Closing Tasklist system. Once each staff member marks one of their assigned tasks as complete, it is sent to an approver within their department for review, usually the Centralized Accounting unit staff person’s supervisor or the entity fiscal director, and then sent to Division of Accounts management for review.

Communication

The Centralized Accounting unit’s organizational structure spans multiple organizational levels and multiple agencies. With so many people involved and the critical nature of the work, it is important for department management to ensure good communication and collaboration. In our interviews with department management, collaboration was emphasized by Centralized Accounting unit leaders. We conducted interviews with Centralized Accounting unit staff and sent a survey to entity staff to learn their perspective on communication and coordination efforts. We found that Centralized Accounting unit staff and entity staff were satisfied with the success of the central accounting initiative.

Adequate Staffing

During our discussions with management, management stated that they have struggled with recruitment and retention due to competition from the private sector. In November 2022, the department implemented salary increases to better compete with private-sector employers. We reviewed vacancy data for the entire department and were able to see an improvement in overall vacancies (decrease in the percentage of vacancies) following the salary increases, as shown in Table 5. The number of available Centralized Accounting unit positions by entity is shown in Table 6.

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12 Each entity is assigned annual closing tasks, including entities that are not a part of the central accounting initiative. Staff members and the approvers for tasks on the annual closing tasklists are assigned based on how each entity’s accounting office is set up.

13 For complete results of the survey, see Appendix 4.
Table 5
Percentage of Positions That Were Vacant in Each of the Department’s Divisions
July 1, 2019, Through July 1, 2023

<table>
<thead>
<tr>
<th>Division</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits Administration</td>
<td>16%</td>
<td>5%</td>
<td>7%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Business Solutions Delivery</td>
<td>11%</td>
<td>12%</td>
<td>8%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Criminal Justice Programs</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
<td>9%</td>
</tr>
<tr>
<td>Department Administration</td>
<td>9%</td>
<td>13%</td>
<td>10%</td>
<td>14%</td>
<td>6%</td>
</tr>
<tr>
<td>Division of Accounts</td>
<td>14%</td>
<td>13%</td>
<td>11%</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>Division of Budget</td>
<td>6%</td>
<td>12%</td>
<td>3%</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>Enterprise Resource Planning</td>
<td>13%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Office of Evidence and Impact*</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Office of Inspector General</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>STS Operations</td>
<td>8%</td>
<td>8%</td>
<td>6%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Volunteer Tennessee†</td>
<td>29%</td>
<td>25%</td>
<td>13%</td>
<td>33%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Human Capital Management module within Edison, the state’s enterprise resource planning system, on July 6, 2023.
* The Office of Evidence and Impact was founded in fall 2019.
† Volunteer Tennessee had the highest average vacancy percentage; however, it is the smallest division, with only 7 employees.

Table 6
Division of Accounts’ Centralized Accounting Positions by Entity

<table>
<thead>
<tr>
<th>Entity</th>
<th>Number of Filled Positions</th>
<th>Total Number of Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bureau of TennCare</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Department of Agriculture</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Department of Children’s Services</td>
<td>80</td>
<td>88</td>
</tr>
<tr>
<td>Department of Commerce and Insurance</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Department of Correction</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Department of Economic and Community Developement</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Department of Education</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Department of Environment and Conservation</td>
<td>28</td>
<td>33</td>
</tr>
<tr>
<td>Department of Finance and Administration</td>
<td>42</td>
<td>51</td>
</tr>
<tr>
<td>Department of General Services</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Department of Health</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>70</td>
<td>91</td>
</tr>
<tr>
<td>Department of Intellectual and Developmental Disabilities</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Department of Labor and Workforce Development</td>
<td>22</td>
<td>24</td>
</tr>
<tr>
<td>Department of Mental Health and Substance Abuse Services</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Department of Revenue</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Department of Safety and Homeland Security</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td>Entity</td>
<td>Number of Filled Positions</td>
<td>Total Number of Positions</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>-----------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Military Department of Tennessee</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Tennessee Rehabilitation Initiative in Correction</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Tennessee Wildlife Resources Agency</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Small Entities*</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>457</strong></td>
<td><strong>534</strong></td>
</tr>
</tbody>
</table>

Source: Division of Accounts Organizational Chart as of March 5, 2023.

* Small entities are listed in Table 4 above.

**Current Audit**

Overall, our goal was to determine if Centralized Accounting unit services were effective in ensuring both the division and the entities benefited from the services and were able to fulfill their responsibilities for the state’s accounting functions. Our review did not result in any findings or recommendations. See Appendix 1 for our detailed audit objectives, conclusions, and methodologies.

**Invoice Processing Timeliness**

Our goal was to determine if the Division of Accounts’ management has procedures in place to ensure that vendor invoices are processed and approved within department guidelines.

**Background**

Each agency or department is responsible for procuring and receiving their own goods and services. For entities with a Centralized Accounting unit agreement, unit staff process vendor invoices for payment. When the Centralized Accounting unit receives an invoice from a state entity, they enter the invoice as a voucher into Edison, the state’s accounting system, that includes information such as the invoice amount, date, and vendor name. Another Centralized Accounting unit staff member provides a first review and approval, and then a unit manager reviews and approves the voucher for payment.
After the Centralized Accounting unit approves a voucher, it is routed in one of two ways. Vouchers less than $2,000 enter the pay cycle. For vouchers equal to or over $2,000, the Division of Accounts’ Statewide Accounting unit is responsible for performing a final review before the voucher enters the pay cycle. See Figure 1 for a flowchart of this process.

Figure 1
Invoicing Approval Process

State Entity

- Entity with a Centralized Accounting agreement receives an invoice for goods or services provided.
- Entity staff review the invoice and then give it to Centralized Accounting staff to process for payment.

Division of Accounts

- A Centralized Accounting staff member creates a voucher in Edison.
- Another Centralized Accounting staff member reviews and approves the voucher.

Less than $2,000

- The voucher is processed through the pay cycle by the Division of Accounts Cash Management team.

Greater than $2,000

- Statewide Accounting reviews and approves the voucher.
- The voucher is returned to Centralized Accounting for correction.

Source: Auditor generated based on discussion with department management.

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14 The department’s Cash Management team manages the pay cycle. Approved vouchers in the pay cycle are scheduled to be paid either on their due date or on the last day eligible to obtain a discount for prompt payment. When Cash Management makes the payment to vendors, the funds are either deposited directly into a vendor’s bank account, or a check is printed and mailed to the vendor.
According to Division of Accounts management, the Centralized Accounting unit’s goal is to process and review vouchers within seven calendar days of receipt from entity staff. Management monitors the Centralized Accounting unit’s invoice approval timeliness through a Business Intelligence dashboard\(^\text{15}\) in Edison. See **Table 7** for the Centralized Accounting unit’s voucher approval timeliness for fiscal years 2020 through 2023.\(^\text{16}\)

**Table 7**  
**Centralized Accounting’s Seven-Day Approval Timeliness**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Vouchers</th>
<th>Approved Within 7 Days</th>
<th>Percentage Approved Timely</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1,429,875</td>
<td>1,395,337</td>
<td>98%</td>
</tr>
<tr>
<td>2021</td>
<td>1,472,227</td>
<td>1,442,019</td>
<td>98%</td>
</tr>
<tr>
<td>2022</td>
<td>1,430,211</td>
<td>1,389,274</td>
<td>97%</td>
</tr>
<tr>
<td>2023*</td>
<td>1,255,428</td>
<td>1,233,688</td>
<td>98%</td>
</tr>
</tbody>
</table>

Source: Auditor created from data pulled from Edison, the state’s enterprise resource management software.  
*As of April 30, 2023.

According to management, Statewide Accounting’s goal is to approve 95% of vouchers over $2,000 within 3 business days of receipt and all vouchers within 10 business days of receipt. To monitor Statewide Accounting’s approval timeliness, a different Accounting Manager reconciles the daily Edison queries to the daily completed staff reviews. The assistant director updates a voucher tracking worksheet that shows for a given date how many vouchers moved into Statewide Accounting’s worklist and how many were approved within three days. The assistant director summarizes this data on a monthly, quarterly, and annual basis and creates a report detailing Statewide Accounting’s overall approval timeliness. See **Table 8** for Statewide Accounting three-day approvals from fiscal years 2020 through 2023.\(^\text{17}\)

**Table 8**  
**Statewide Accounting’s Three-Day Approval Timeliness**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Vouchers Received</th>
<th>Vouchers Approved Within 3 days</th>
<th>Vouchers Approved Within 10 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>143,722</td>
<td>98%</td>
<td>100%(^\dagger)</td>
</tr>
<tr>
<td>2021</td>
<td>142,008</td>
<td>98%</td>
<td>100%(^\dagger)</td>
</tr>
<tr>
<td>2022</td>
<td>151,956</td>
<td>98%</td>
<td>100%</td>
</tr>
<tr>
<td>2023*</td>
<td>123,252</td>
<td>99%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Auditor created from data pulled from a Statewide Accounting voucher tracking workbook.  
*As of March 31, 2023.  
\(^\dagger\) One voucher was approved on day 11.

\(^{15}\) The Business Intelligence dashboard provides management with various statistics relating to a given department’s accounts payable, including the percentage of vouchers approved within seven days of creation, the percentage of vouchers paid on time according to the invoice payment terms, and other relevant metrics.  
\(^{16}\) As of April 30, 2023.  
\(^{17}\) As of March 31, 2023.
Current Audit

We focused our review on determining if the department had adequate processes in place to ensure that invoices were processed and approved within department timeliness guidelines. Our review did not result in any findings or recommendations. See Appendix 1 for our detailed audit objectives, conclusions, and methodologies.

Health Insurance Carrier Performance Monitoring and Corrective Action

Our goal was to determine if management performed sufficient monitoring to ensure the state’s contracted health insurance carriers effectively administered benefits for users enrolled in Tennessee-sponsored insurance benefits. We also focused on determining whether management took action to ensure the state’s carriers resolved service deficiencies and held the state’s carriers accountable to the terms of the contract.

General Background

For calendar year ending December 31, 2023, over 290,000 users enrolled in Tennessee-sponsored health insurance benefits. As an employer, the state contracts with BlueCross BlueShield of Tennessee (BCBST) and Cigna to provide health insurance to state, higher education, local education, and local government employees, retirees, and dependents. The Department of Finance and Administration’s Vendor Services (Vendor Services) group includes employees within the Division of Benefits Administration (Benefits Admin) who oversee the state’s relationship with the state’s healthcare insurance carriers. Specifically, this group oversees these contracts by monitoring the carriers’ performance reports in key areas, issuing assessments\(^{18}\) for not meeting contractual obligations, and requiring corrective action to remedy deficiencies.

Contract Monitoring and Key Performance Indicators

Vendor Services monitors the performance of BCBST and Cigna by communicating with them regularly and reviewing reports provided by the contractors. Carriers submit contractually required weekly, monthly, quarterly, semi-annual, and annual performance reports to Vendor Services with the reporting frequency dependent upon the type of report. These reports include information such as call

\(^{18}\) Assessments are the amount of money a carrier must pay to the state for not meeting a contractual obligation.
center statistics, appeals data, and financial accuracy data. Benefits Admin’s Financial Management and Program Integrity group conducts audits of the carriers as needed.

The Vendor Services Compliance Manager and Program Director are in direct contact with both BCBST and Cigna throughout the year. The Compliance Manager is responsible for reviewing the carriers’ performance reports for timely submission and contractual compliance. The Program Director reviews performance reports and meets with carriers to discuss their performance and to provide feedback and guidance on vendor performance.

The state’s health insurance contracts also require both carriers to submit quarterly Service Level Agreement (SLA) Scorecards, which are reports of each carrier’s Key Performance Indicators (KPIs)\(^\text{19}\) and desired outcomes. The carriers prepare their SLA Scorecard in part from data included in their performance reports. Each quarter, the Compliance Manager sends BCBST and Cigna an SLA Scorecard template to complete and return. Carriers also submit detailed KPI spreadsheets to the Compliance Manager. The Compliance Manager and Program Director review the SLA Scorecards and determine whether BCBST and Cigna have met the KPIs. If the carriers meet all KPIs, Vendor Services classifies the carriers as compliant.

If a carrier does not meet KPIs, the Compliance Manager and the Program Director use their professional judgment to determine whether to issue the carrier a financial penalty assessment and whether the carrier should submit a formal corrective action plan. Some factors in their decision may include

- financial impact on members,
- impact on the health or welfare of members, and
- the number of members affected.

If the Compliance Manager and the Program Director choose to issue an assessment, the Compliance Manager drafts a letter and invoice to send to the carrier, which states the KPI they did not meet and the assessment amount the carrier must pay the department. See Flowchart 1 for further details of the carrier assessment process.

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\(^{19}\) Key Performance Indicators are metrics that Benefits Administration uses to measure carriers’ performance against desired outcomes.
Flowchart 1
Carrier Assessment Process

Compliance Manager sends carrier the SLA scorecard template

Carrier sends Compliance Manager required reports and SLA scorecard

Compliance Manager performs quarterly review of report submittal dates

Compliance Manager and Program Director determine if carrier met KPIs

KPIs met

KPIs not met

Compliance Manager and Program Director choose whether to assess

Assess

Compliance Manager drafts a letter and invoice

Program Director approves invoice and sends to carrier

Carrier sends payment to F&A

Assessment complete

No assessment issued

Source: Auditor generated based on discussion with department management.

Corrective Action Plan Process

The Program Director decides whether a carrier should provide a corrective action plan (CAP). There are two situations in which Benefits Admin may require a carrier to complete a CAP:

1. When the Compliance Manager and the Program Director identify a missed KPI that, in their judgment, warrants a CAP.

2. When a carrier does not meet a contractual requirement, and the contract requires a CAP. For example:
a. if an audit performed by a CPA firm or the Comptroller of the Treasury results in an audit issue,\(^{20}\) or

b. if a satisfaction survey identifies deficiencies.

Vendor Services management stated that the most common way they initiate CAPs is through identifying a missed KPI or a KPI score that is trending downward. If a CAP is necessary, the Program Director emails the carrier the CAP template to complete. The carrier returns it to the Program Director, who approves the CAP and retains a copy. While Vendor Services management does not ensure implementation of the carrier’s CAP, Vendor Services’ contract monitoring of the carrier’s performance, by the Contract Manager and Program Director, is ongoing so that the department is aware of KPI trends.

See **Flowchart 2** for further details of the CAP process.

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**Flowchart 2**

**Corrective Action Plan (CAP) Process**

1. Compliance Manager and Program Director identify a missed KPI

2. The carrier does not meet a contractual requirement that specifically requires a CAP

   - Program Director determines whether CAP is necessary
   - Program Director sends the CAP template to the carrier to complete
   - Carrier sends Program Director completed form
   - Program Director approves CAP and maintains a copy

---

\(^{20}\) Under some circumstances, a corrective action plan is unnecessary because the carrier often solves the problem before the audit’s completion.
**Member Satisfaction Surveys**

The department has required both carriers, BCBST and Cigna, to have an annual member satisfaction survey performed by a third-party administrator as chosen by the carriers. Benefits Admin requires the third party to use a nationally recognized healthcare survey called the Consumer Assessment of Healthcare Providers and Systems Survey. Both carriers chose the Agency for Healthcare Research and Quality to administer the survey.

Carriers report the results of the survey to the state by July 20 of each year as required by contract. The member satisfaction survey consists of questions in which a sample of members rate their carrier’s service on a scale of 0 to 10 in different aspects of their health plan, such as customer service, speed of claims processing, and how easy forms are to fill out. Benefits Admin has established overall satisfaction based on the percentage of members who rate their overall health plan as 5 or higher on a scale of 0 to 10 when asked the following question:

*Using any number from 0 to 10, where 0 is the worst health plan possible and 10 is the best health plan possible, what number would you use to rate your health plan?*

The carrier contracts require the overall satisfaction of members to be 85% or greater in the first year of the contract and 90% or greater in every subsequent year. Survey results for BCBST and Cigna show the carriers exceeded goals every year from 2019 to 2023.

Appendix 5 shows the percentage of members who rated their healthcare plan a 5 or higher and a 9 or higher in each survey year. The inclusion of 9 and higher scores provides further context for member satisfaction rates. Based on the sampled survey results, the state membership appears satisfied with BCBST and Cigna health plans. Based on these results, both carriers met their performance guarantees.

**Current Audit**

We focused our review on determining if the department’s corrective action plan process provided sufficient monitoring to ensure carriers effectively administer benefits to insurance plan members. We also reviewed member satisfaction survey data to determine if members were satisfied. Our review did not result in any findings or recommendations. See Appendix 1 for our detailed audit objectives, conclusions, and methodologies.
IT Project Management

Our goal was to determine if Division of Strategic Technology Solutions (STS) management implemented IT project management processes within the Business Solutions Delivery unit and provided IT project management services to state agencies.

Background

The Division of Strategic Technology Solutions (STS) serves as the central information technology (IT) service provider to state departments. The state’s Chief Information Officer leads STS, which provides planning, technical direction, support services, and infrastructure to manage the information systems needs of executive-branch departments and selective services across all branches of state government. Responsibilities of STS include

- providing project management services to state agencies,
- assisting agencies with identifying IT solutions for their business needs,
- defining the information security policy for the state,
- ensuring data is protected and properly managed,
- hosting applications and state networking equipment in the state’s data centers,
- providing state network and internet connectivity to state agencies,
- managing email services for state employees,
- keeping workstations safe and protected using anti-virus software, and
- providing workstation support to state employees.

For information on the organizational structure of STS, see Appendix 3.

The Business Solutions Delivery (BSD) unit within STS provides IT project management services to individual state agencies.21 The Department of Finance and Administration (department) initially formed BSD as a separate division in response to the high frequency of state IT projects that had completely failed, significantly exceeded budget, been delivered years late, or been implemented without full functionality. The department moved BSD under STS in 2016. When originally established, BSD primarily assisted on IT projects with budgets over $10 million. During our current

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21 In addition to project management services, BSD provides ongoing IT services for existing agency system applications.
audit, BSD management stated that there are no longer established monetary thresholds for BSD to be involved in an IT project.

BSD includes five different business domains, listed in Appendix 6, and is led by the Executive Director of Business Solutions Delivery. The five business domains are each led by a Business Domain Director and include IT project managers and support staff. Multiple members of BSD, including domain directors and project managers, hold the Project Management Professional certification22 from the Project Management Institute.

In the November 2019 performance audit, we reported that 21 state agencies had consolidated their IT operations and staff into STS under the Enterprise IT Transformation initiative.23 The current audit disclosed that there are 23 consolidated agencies, listed in Appendix 6. For agencies that have consolidated their IT operations into STS, BSD is the primary provider of IT operational support and plays an integral role in all aspects of IT project management.

State agencies that have opted not to consolidate with STS are commonly referred to as “non-consolidated agencies.”24 These agencies maintain independent IT operations within their agency and are responsible for their respective IT projects unless their leadership expressly requests BSD’s assistance with IT projects. Not leveraging the resources and experience of BSD’s project management team may heighten the likelihood of project difficulties unless non-consolidated agencies secure project management support elsewhere. Nevertheless, according to management, BSD convenes at least quarterly with non-consolidated agency IT executives to discuss IT initiatives and to collaborate in sharing technology solutions and strategies.

As part of its mission to improve the successful delivery of IT projects for the State of Tennessee, BSD partners with consolidated agency staff (and non-consolidated agencies when requested) and other parties through multiple project management processes. While external factors beyond BSD’s control could impact the success or failure of IT projects, BSD’s project managers assist with IT projects throughout their lifecycle. All IT projects carry inherent risks, often stemming from insufficient planning or resource allocation, unclear responsibilities, communication gaps with stakeholders, and issues related to risk management and project scope changes. BSD has designed project management processes to address these risks while using lessons learned from previous projects to benefit future projects.

Business Solutions Delivery Role in Planning for IT Projects

Formal planning is the foundational step of initiating new IT projects. To that end, the state has put requirements in place and made resources available to assist all state agencies with planning

22 The Project Management Professional certification is globally recognized in the field of project management and signifies a professional’s commitment to the best practices and principles of project management.
23 The Enterprise IT Transformation initiative began in 2016 and permitted state agencies to voluntarily consolidate all their IT operations and staff under STS.
24 Non-consolidated agencies include the Department of Education, the Division of TennCare, and the Department of Transportation.
activities. The General Assembly created the Information Systems Council (council) as an executive steering committee within the state’s information systems community. Section 4-3-5502, *Tennessee Code Annotated*, requires the council to establish effective long-range planning for the state’s information management. Accordingly, council policies require that state agencies prepare an annual information systems plan. The purpose of the plan is to define IT strategy and identify relevant projects to meet the agency’s business goals and objectives. During the annual information systems planning process, STS sends all state agencies guidelines for preparing and submitting their information systems plans. BSD staff assist agency leadership of the consolidated agencies with preparing their plans. A board made up of key IT leadership within STS and BSD review the agency-submitted plans to provide a statewide view; BSD uses the information from this process to determine the nature and level of support needed for IT projects in consolidated agencies.

Project Management Resources and Framework

Establishing clear lines of responsibility and frequent stakeholder communication are key factors to project success. BSD has established an IT Project Charter template that is designed to document the purpose, scope, and description of each project along with relevant risks, business requirements, constraints, milestones, and a summary budget. BSD collaborates with agency management to create a project charter for every BSD-assisted IT project. According to management, one of the most important results of the project charter is establishing authority and responsibilities for the project.

Additionally, BSD has defined and published a project management methodology for IT projects called the Tennessee Business Solutions Methodology. According to management, while this methodology has been tailored to best fit the needs of state agencies, it is based on principles in the Project Management Body of Knowledge and the Business Analysis Body of Knowledge.

Reporting Project Status to the Information Systems Council

As part of ongoing IT project oversight and risk management, the Information Systems Council meets at least quarterly to review policies, provide input on the state’s IT direction, and review

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25 Agency management establishes a Management Advisory Council as a key element in the information systems planning process. This council consists of agency management who generally meet with BSD at least quarterly to review the status of projects.

26 The STS Solutions Review Board, formerly known as the IT-Assessment and Budget Committee, was formed to address information systems issues with a statewide view and to provide a process for monitoring IT projects and plans. The board is composed of key IT leaders within STS including, but not limited to, the Deputy Chief Information Officer, the Chief Operating Officer, the Chief Technology Officer, the Chief Security Officer, the Executive Director of Enterprise Governance and Administration, and BSD Domain Directors.

27 A defined project management methodology provides a structured framework for consistently managing projects, outlining processes, tools, and best practices. Following a project management methodology enhances the chances of project success.

28 The Project Management Body of Knowledge is a guide for project management developed and published by the Project Management Institute. It is widely recognized as a set of best practices, processes, and terminology for managing projects effectively.

29 The Business Analysis Body of Knowledge is a globally recognized standard for the practice of business analysis.
the status of major IT projects. The council selects IT projects for status updates during quarterly meetings based on factors such as the project’s status, risks, costs, and impact on public safety or welfare. In coordination with agency stakeholders, BSD project managers use project management software, Planview, to guide and monitor IT projects’ progress and provide reports on overall status, including costs, risks, schedule, and scope to the Information Systems Council. BSD collaborates with relevant agency staff to update project status milestones in Planview throughout a project’s lifecycle. When a project gets off-track in terms of scope, cost, or time, BSD project managers and agency staff evaluate solutions and jointly provide updates to the Information Systems Council. See Appendix 7 for a list of council members.

Prior Audit Findings, Lessons Learned Process, and Changes From Past IT Projects

Effectively planning and implementing a large IT project carries with it many inherent risks and potential challenges. As our office has reported in prior audit findings for other state agencies, some agencies have struggled with replacing aging information systems, and some past IT projects have failed or been canceled. To leverage lessons learned from both the good and the bad IT project experiences, BSD has established a formal “lessons learned” process as part of its IT project management practices. BSD has created and uses templates to document lessons learned after each project, including projects that failed or were canceled. We met with project directors of previous agency IT projects and determined that process changes have been adopted to improve project planning and development practices at BSD because of lessons learned from these past projects. One specific example of a process change is that BSD leadership distributed enhanced guidance to agencies for the vendor selection process. Furthermore, BSD management stated that there is regular inter-group communication and collaboration between project managers and BSD directors across business domains to share lessons learned between projects and ensure alignment with best practices.

In summary, BSD is involved with guiding and monitoring IT projects for consolidated agencies throughout the entirety of a project’s lifecycle. During the information systems planning process, BSD assists agencies with identifying and then defining the technology requirements to support their business goals. For approved IT projects, BSD then participates with the development of project charters and conducts all daily project management activities in accordance with the Tennessee Business Solutions Methodology. BSD actively provides project oversight by partnering with agency staff to present project status updates to the Information Systems Council during quarterly meetings.

Current Audit

We focused our work on determining whether the Business Solutions Delivery unit provided IT project management services to consolidated state agencies to reduce project risks and enhance the potential for success. We did not evaluate the outcomes of individual IT projects. Our work did not result in any findings or recommendations. See Appendix 1 for our detailed audit objectives, conclusions, and methodologies.
Cybersecurity

Our goal was to determine whether the Division of Strategic Technology Solutions implemented sufficient cybersecurity controls in selected areas to reasonably protect against relevant threats in those areas.

Background

The Division of Strategic Technology Solutions (STS) maintains a Cybersecurity and Risk Management program, which is largely responsible for managing cybersecurity in the State of Tennessee. This program is run by the Chief Information Security Officer under the guidance of the state’s Chief Information Officer (CIO) and includes governance of security, policy, compliance, vulnerability management, disaster recovery, security awareness, and cyber incident and response.

The Cybersecurity Advisory Council was formed in 2019 with the intent of taking a government-wide approach to cybersecurity. The council is co-chaired by the Governor’s Chief Operating Officer (COO) and the state’s CIO, and its membership consists of representatives from all branches of state government. The council’s mission is “to provide a collaborative source of knowledge, expertise, and information sharing in the field of cybersecurity supporting the confidentiality, integrity, and availability of services and resources.” For a list of members of the Cybersecurity Advisory Council, see Appendix 7.

Written information security policies are foundational to sound cybersecurity governance. In Tennessee, STS is the owner of the Enterprise Information Security Policy (EISP), which establishes a standard security and operating policy for all IT operations statewide. The main purpose of the EISP is to define the information security policy of the State of Tennessee along with the organization and structure required to communicate, implement, and support the policy. The scope of the EISP is intended to cover any information asset owned, leased, or controlled by, or operated on behalf of, the State of Tennessee.

Current Audit

We focused our review on determining whether STS has established a system to govern and oversee its cybersecurity functions and whether STS implemented secure configurations and processes over key systems to protect against cybersecurity threats. We did not have any findings or recommendations based on our work. See Appendix 1 for our detailed audit objectives, conclusions, and methodologies.
1. Audit Objective: In response to the prior audit finding, did the Human Resources Office (HRO) perform all required employee background checks and update the department’s background check policy?

Conclusion: Based on our review, we found that HRO made improvements to their background checks procedure; however, they did not fully correct the conditions in the prior finding. While we did not identify any employee who had access to sensitive information that did not receive the appropriate background checks, management should strengthen their background check process by updating the database as employee access changes, maintaining completed background checks, and ensuring division designees complete employees’ Initial Processing Notices. See Observation.

2. Audit Objective: Did HRO perform all required vendor contractor background checks?

Conclusion: Based on our review, we found that HRO did not have a process in place to ensure contracted employees received the required background checks unless the HRO staff were specifically requested to perform checks for a contracted employee. We also determined that while some contract employers were responsible for performing background checks for their contracted employees, department management could not provide evidence to support that the contractor had indeed performed the required background checks for their employees. See Observation.

Methodology to Address the Audit Objective

To address our audit objective, including gaining an understanding of the criminal record background check process and obtaining an understanding of internal control significant to our audit objective and to assess management’s design of internal control, we interviewed the Director of Human Resources Operations, the Chief People Officer, and the Human Resources Generalist; we reviewed federal regulations, state statute, and policies and procedures; and we observed operational processes.

To determine whether HRO performed all required employee and contractor background checks, we obtained a population of 1,940 current employees as of March 1, 2023, from State Audit...
Information Systems (IS). Due to the issues noted in the department’s database, we could not verify the population based on employee access type.

We obtained a population of 357 active contractors as of April 18, 2023, from the department and reconciled the population with the list from State Audit IS. We selected a proportional sample based on the total number of employees and contractors.

We then selected nonstatistical, random samples of 51 employees and 9 contractors to determine if management performed the required background checks.

Centralized Accounting Services

1. **Audit Objective:** Did management implement sufficient communication and accounting coordination efforts to ensure entities were satisfied with Centralized Accounting unit services?

   **Conclusion:** Management implemented sufficient communication and accounting coordination efforts to ensure entities were satisfied with Centralized Accounting unit services. Specifically, we found that the Division of Accounts used the monthly closing checklists to help the state complete annual closing procedures, and the division used the annual closing tasklist to coordinate responsibilities with fiscal tasks relating to annual closing. With minor exceptions that management provided an explanation for, all tasks were submitted to division management monthly and annually. Also, based on our interviews with other entities and the survey responses, we found that entity staff, including leadership, were satisfied with Centralized Accounting unit services, staffing, and communication and coordination efforts. Survey results can be found in Appendix 4.

2. **Audit Objective:** Did management ensure adequate staffing levels to support the entities’ Centralized Accounting units?

   **Conclusion:** Management ensured adequate staffing levels to support the entities’ Centralized Accounting units. Although our analysis of turnover was limited to data available through December 2022, management stated that turnover has decreased since they raised salaries, and while there were some vacancies within the Division of Accounts during our audit period, we received survey responses from entity staff that indicated they were either satisfied or very satisfied with the Centralized Accounting unit’s services and that turnover was not impacting services. Also, when we spoke with Centralized Accounting unit employees, they reported that they feel supported by management and that they have manageable workloads. As a result, we determined that turnover and
vacant positions have not impacted management’s ability to support the entities’ Centralized Accounting units.

Methodology to Address the Audit Objectives

To address our audit objectives and gain an understanding of the Centralized Accounting unit, we interviewed key personnel, including the Chief of Accounts, the Deputy Chief of Accounts for Centralized Accounting, multiple entity controllers, and multiple entity Centralized Accounting unit staff.

To accomplish our audit objective related to communication and coordination, we reviewed service agreements between the Division of Accounts and agencies receiving Centralized Accounting unit services.

We also conducted interviews with the small entity Centralized Accounting unit staff and staff at six large entities. In response to the interviews with Centralized Accounting unit staff, we also conducted a survey to obtain feedback from entity staff on Centralized Accounting unit services, staffing, and their satisfaction with communication and coordination efforts. We reviewed the monthly checklists and the annual tasklists assigned to each entity for the scope of our audit to ensure coordination between the division and the entities’ accounting office. We analyzed monthly closing checklists by selecting a random sample of five months from July 1, 2019, through March 31, 2023, to determine that management appropriately documented and communicated to staff the tasks and services the Centralized Accounting unit should complete. We also analyzed the annual closing tasks for 2022 and 2023 in the Annual Closing Tasklist system during the scope of our audit to ensure the tasks for 2022 were completed and reviewed and the tasks for 2023 were in place and communicated to accounting staff.

To accomplish our audit objective related to staffing, we analyzed turnover and vacancy data and included, in our survey of staff, questions related to staffing and its impact on Centralized Accounting unit services.

Invoice Processing Timeliness

Audit Objective: Did Division of Accounts management ensure department staff processed invoices in accordance with department timeliness guidelines?

30 The Department of Agriculture, the Department of Economic and Community Development, the Department of General Services, Tennessee Rehabilitative Initiative in Correction, the Department of Labor and Workforce Development, and the Department of Human Services.
31 Survey details can be found in Appendix 4.
Conclusion: Based on our review of management’s processes, documentation, and data, we determined that the Division of Accounts ensured that invoices were processed in accordance with department guidelines and procedures.

Methodology to Address the Audit Objective

To address our audit objective, including gaining an understanding of the Division of Accounts’ Centralized and Statewide Accounting invoice approval process and assessing management’s design and implementation of internal controls, we interviewed the Chief of Accounts, the Deputy Chief of Accounts, the Director of Statewide Accounting, the Assistant Director of Statewide Accounting, the Department Controllship Manager, and the Fiscal Director. We reviewed and reconciled the department’s monitoring documents, including tracking spreadsheets, quarterly reports, and employee worklists, and analyzed data retrieved from the Business Intelligence dashboards in Edison to verify invoice approval timeliness.

Health Insurance Carrier Performance Monitoring and Corrective Action

Audit Objective: Has management designed and implemented monitoring and corrective action processes to ensure health insurance carriers’ service deficiencies are identified and corrected?

Conclusion: Based on interviews with Benefits Administration staff and a review of the Service Level Agreement Scorecards and corrective action plan documentation for BlueCross BlueShield of Tennessee (BCBST) and Cigna, we found that management designed and implemented monitoring and corrective action processes to ensure health insurance carriers’ service deficiencies are identified and corrected.

Methodology to Address the Audit Objective

To address our audit objective and assess management’s design and implementation of internal control in the division’s carrier monitoring and corrective action processes, we reviewed the state’s contracts with BCBST and Cigna and interviewed Benefits Administration management, including the Executive Director of Benefits Administration, the Director of Pharmacy, the Compliance Manager, the Director of Contracts and Procurement, the Director of Financial Management and Program Integrity, and the Director of Risk Management. We also performed walkthroughs of the carrier assessment and corrective action processes with the Director of Vendor Services, the Compliance Manager, and the Clinical Director, and we reviewed corrective action plan documentation and analyzed carrier survey results and assessment amounts. We also reviewed member satisfaction survey results and found most members, based on survey results, are satisfied with their healthcare plans and service (see survey results in Appendix 5).
Audit Objective: Has the Division of Strategic Technology Solutions (STS) designed and implemented IT project management processes to assist state agencies with managing new IT projects?

Conclusion: Based on interviews with STS management and review of IT project management processes, we found that STS management designed and implemented IT project management processes to assist state agencies with managing new IT projects. Specifically, we found that the division’s Business Solutions Delivery (BSD) unit includes experienced project managers that assist with agency IT projects. We also found that between June 3, 2019, and April 3, 2023, BSD assisted consolidated agencies with approximately 445 projects. These project managers use the state’s approved project management methodology (Tennessee Business Solutions Methodology) on all their projects to ensure that projects are completed in accordance with state policies. Additionally, project managers assist state agencies with presenting project updates at Information Systems Council meetings. At the end of IT projects, project managers document “lessons learned” that Business Solutions Delivery and agencies consider during future projects.

Methodology to Address the Audit Objectives

To address our audit objective, we interviewed STS’s Chief Information Officer, the Chief Information Security Officer, the Executive Director of Business Solutions Delivery, the State Compliance Officer, the Executive Director of Data Center Services, the Executive Director for Enterprise Governance and Administration, the Director of STS Business Operations, the Director of Workstation Support, and the BSD Domain Directors from each of the five STS Business Domains.

We reviewed Information Systems Plans for three consolidated departments, reviewed project charter documentation for a past agency project, observed a walkthrough of the project management software used by BSD, and inspected post-project “lessons learned” documentation created by BSD. We also reviewed documentation created by BSD related to the Tennessee Business Solutions Methodology and observed evidence that BSD project managers use the methodology for IT projects. We reviewed a list of IT projects that BSD assisted with between June 3, 2019, and April 3, 2023. In addition, we reviewed Information Systems Council (council) minutes for the meetings held during our review period. We also evaluated STS’s compliance with council policies by sending a questionnaire to STS management and asking them to provide responses detailing how they comply with the council’s Policy 5.00, “Information Systems Management & System Development Life Cycle”; Policy 6.00, “Architecture”; and Policy 7.00, “Information Systems Planning.” Through review of Information Systems Council meeting minutes and project status reports, we verified that BSD provides periodic status reports on IT projects to the council.
Cybersecurity

1. **Audit Objective:** Has STS established a system to govern and oversee its cybersecurity functions?

   **Conclusion:** Based on interviews with management and our review of relevant documentation, STS has established a system to govern and oversee its cybersecurity functions. We found that the *Enterprise Information Security Policy* is extensive and covers a wide range of areas, and it appears to reasonably accomplish its goal of setting minimum security controls that every state department must adhere to.

2. **Audit Objective:** Has STS implemented secure configurations over key systems to protect against cybersecurity threats?

   **Conclusion:** Based on interviews and detailed observational walkthroughs with management, STS has implemented secure configurations and processes over key systems to protect against cybersecurity threats. Our work in these areas is considered confidential, or for limited official use, according to Section 10-7-504(i), *Tennessee Code Annotated*. Therefore, we will not list specific details in this report.

**Methodology to Address the Audit Objectives**

To address our audit objectives, including gaining an understanding of STS’s cybersecurity practices in selected areas, we interviewed the Chief Information Officer, the Chief Information Security Officer, the State Compliance Officer, the Executive Director of Data Center Services, the Executive Director for Enterprise Governance and Administration, the Director of STS Business Operations, the Director of Workstation Support, and BSD Domain Directors.

Furthermore, we reviewed state security policies, including the state’s *Enterprise Information Security Policy*, and held walkthroughs to observe key cybersecurity controls in two selected areas. One area was related to a key device’s configuration settings, and the other area was related to an important security process that STS has in place to reduce the level of risk to the state’s IT environment.

**Resolved Prior Audit Findings**

**Strategic Technology Solutions (STS) Billing**

**Audit Objective:** In response to the prior audit finding, did management take steps to improve the STS billing process?

**Conclusion:** Based on our review, management took appropriate steps to improve the STS billing process.
Methodology to Address the Audit Objective

To address our audit objective, including obtaining an understanding and assessing the design and implementation of internal control significant to our audit objective, we interviewed the Executive Director of Enterprise Governance and Administration (EGA), the IT Senior Manager of EGA, the Enterprise IT Business Program Support Lead, the Director of Fiscal Services, STS and Billing, the Fiscal Director of Billing Services, the Fiscal Director of STS, the Chief Information Officer, and the Deputy Commissioner. We also reviewed the division’s Financial Management Rate Setting Standards and Procedures, the IT Rate Calculation Procedures, and the rate calculation approval packet, and we observed operational processes related to the billing process. In addition, we surveyed state agencies (see Table 9 for a list of state agencies) that received services from STS to inquire about their satisfaction with the billing process, and we compared the survey results to the 2019 results. See Figure 2.

Table 9
State Agencies That Responded to the STS Billing Survey

<table>
<thead>
<tr>
<th>Agency</th>
<th>2019</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Children’s Services</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Commerce and Insurance</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Correction</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Economic and Community Development</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Environment and Conservation</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>General Services</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Health</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Human Resources</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Human Services</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Intellectual and Developmental Disabilities</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Labor and Workforce Development</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Mental Health and Substance Abuse Services</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Revenue</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Safety</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Tourist Development</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Veterans Services</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Board of Parole</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Military</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>
Figure 2
Results of Auditor’s STS Billing Surveys

<table>
<thead>
<tr>
<th>Question</th>
<th>Positive Response Rate by Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall, are you currently satisfied with the STS billing process?</td>
<td>38% 2019 73% 2023</td>
</tr>
<tr>
<td>Do you feel that STS is transparent with how it bills agencies for IT services and equipment?</td>
<td>47% 2019 87% 2023</td>
</tr>
<tr>
<td>Are you able to easily read and understand the bills that your agency receives each month from STS?</td>
<td>44% 2019 93% 2023</td>
</tr>
</tbody>
</table>

Source: Responses to auditor’s survey of agency fiscal personnel.

Public Records Management

1. **Audit Objective:** In response to the prior audit finding, did department management review all Division of Accounts’ Records Disposition Authorizations?

   **Conclusion:** Based on our review of relevant documentation and discussions with department management, we found department management reviewed all Division of Accounts’ Record Disposition Authorizations.
2. **Audit Objective:** In response to the prior audit finding, did department management implement the Records Management Division’s recommendations?

**Conclusion:** Based on our review of relevant documentation and discussions with department management, we found department management implemented the Records Management Division’s recommendations.

**Methodology to Address the Audit Objective**

To address our audit objectives, we interviewed the department’s Division of Accounts Chief of Accounts and the Office of Business and Finance Fiscal Director to gain an understanding of the department’s records management and to assess the completed corrective action. We also reviewed Sections 10-7-301 to 308, 508, and 509, *Tennessee Code Annotated*, and the *Rules of the Public Records Commission*. We reviewed the department’s Records Disposition Authorizations (RDAs) and the department’s annual Records Holding Report to determine whether the department had reviewed and updated the 161 RDAs that had not been addressed at the time of the prior audit. We also reviewed the department’s RDAs to determine whether management had implemented the Records Management Division’s recommendations for revising or creating RDAs. For recommendations related to transferring documentation, we reviewed the related documentation to verify that the records were transferred.

**Strategic Technology Solutions (STS) Internal Controls**

**Audit Objective:** In response to the prior audit limited official use finding, did management take steps to provide adequate internal controls in two specific areas? (These areas were identified as confidential according to Section 10-7-504(i), *Tennessee Code Annotated*.)

**Conclusion:** Based on interviews and detailed observational walkthroughs with management, STS made improvements to the internal controls in these two areas. Our work in these areas is considered confidential, or for limited official use, according to Section 10-7-504(i), *Tennessee Code Annotated*. Therefore, we will not list specific details in this report.

**Methodology to Address the Audit Objective**

To address our audit objective, including obtaining an understanding and assessing the design and implementation of internal control significant to our audit objective, we interviewed the Director of Internal Audit, the Chief Information Security Officer, the State Compliance Officer, and a Project Director. We inspected written operational procedures and conducted observational walkthroughs of relevant internal control processes. We obtained and inspected data from the relevant systems to support management’s assertions about the design and implementation of system controls in these areas.
The U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government* (Green Book) sets internal control standards for federal entities and serves as best practice for non-federal government entities, including state and local government agencies. As stated in the Green Book overview,\(^{32}\)

> Internal control is a process used by management to help an entity achieve its objectives . . .
> Internal control helps an entity run its operations effectively and efficiently; report reliable information about its operations; and comply with applicable laws and regulations.

The Green Book’s standards are organized into five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. In an effective system of internal control, these five components work together to help an entity achieve its objectives. Each of the five components of internal control contains principles, which are the requirements an entity should follow to establish an effective system of internal control. We illustrate the five components and their underlying principles below:

<table>
<thead>
<tr>
<th>Control Environment</th>
<th>Control Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principle 1</strong></td>
<td>Demonstrate Commitment to Integrity and Ethical Values</td>
</tr>
<tr>
<td><strong>Principle 2</strong></td>
<td>Exercise Oversight Responsibility</td>
</tr>
<tr>
<td><strong>Principle 3</strong></td>
<td>Establish Structure, Responsibility, and Authority</td>
</tr>
<tr>
<td><strong>Principle 4</strong></td>
<td>Demonstrate Commitment to Competence</td>
</tr>
<tr>
<td><strong>Principle 5</strong></td>
<td>Enforce Accountability</td>
</tr>
<tr>
<td><strong>Principle 10</strong></td>
<td>Design Control Activities</td>
</tr>
<tr>
<td><strong>Principle 11</strong></td>
<td>Design Activities for the Information System</td>
</tr>
<tr>
<td><strong>Principle 12</strong></td>
<td>Implement Control Activities</td>
</tr>
</tbody>
</table>

### Information and Communication
- **Principle 13**: Use Quality Information
- **Principle 14**: Communicate Internally
- **Principle 15**: Communicate Externally

### Monitoring
- **Principle 16**: Perform Monitoring Activities
- **Principle 17**: Evaluate Issues and Remedy Deficiencies

In compliance with generally accepted government auditing standards, we must determine whether internal control is significant to our audit objectives. We base our determination of significance on whether an entity’s internal control impacts our audit conclusion. In the following matrix, we list our audit objectives, indicate whether internal control was significant to our audit objectives, and identify which internal control components and underlying principles were significant to those objectives.

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\(^{32}\) For further information on the Green Book, please refer to [https://www.gao.gov/greenbook/overview](https://www.gao.gov/greenbook/overview).
## Appendix 2
(Continued)

### Internal Control Components and Underlying Principles

#### Significant to the Audit Objectives

<table>
<thead>
<tr>
<th>Audit Objectives</th>
<th>Significance</th>
<th>Control Environment</th>
<th>Risk Assessment</th>
<th>Control Activities</th>
<th>Information &amp; Communication</th>
<th>Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In response to the prior audit finding, did the Human Resources Office (HRO) perform all required employee background checks and update the department’s background check policy?</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Did HRO perform all required vendor contractor background checks?</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Did management implement sufficient communication and accounting coordination efforts to ensure entities were satisfied with the Centralized Accounting unit services?</td>
<td>No</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>4. Did management ensure adequate staffing levels to support the entity's Centralized Accounting area?</td>
<td>No</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>5. Did Division of Accounts management ensure staff process processed invoices in accordance with department timelines guidelines?</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Has management designed and implemented monitoring and corrective action processes to ensure health insurance carriers’ service deficiencies are identified and corrected?</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>7. Has the Division of Strategic Technology Solutions (STS) designed and implemented IT project management processes to assist state agencies with managing new IT projects?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>8. Has STS established a system to ensure its cybersecurity functions?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Has STS implemented secure configurations over key systems to protect against cybersecurity threats?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. In response to the prior audit finding, did management take steps to improve the STS billing process?</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. In response to the prior audit finding, did department management review all Division of Accounts’ Records Disposition Authorizations?</td>
<td>No</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>12. In response to the prior audit finding, did department management implement the Records Management Division’s recommendations?</td>
<td>No</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>13. In response to the prior audit limited official use finding, did management take steps to provide adequate internal controls in two specific areas? (These were identified as confidential according to Section 10-7-506(c), Tennessee Code Annotated)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Appendix 3
Department of Finance and Administration Operations and Organizational Chart

The Commissioner directly oversees the following sections:

- the Division of Budget,
- the Division of Strategic Technology Solutions,
- the Office of Internal Audit,
- the Office of General Counsel,
- the Executive Assistant, and
- the Chief of Staff, who oversees the Legislative Liaisons and the Communications Director.

The Division of Budget serves as the statewide budgeting and strategic planning office for the Governor and the Commissioner of Finance and Administration. Each year, the Division of Budget is responsible for preparing the Governor’s Recommended Budget; establishing a work program and monitoring expenditures and revenue collections; and directing agencies’ strategic planning and program performance reporting. The division is also responsible for providing financial data analysis as required by the Governor or the Commissioner; coordinating reviews of agency financial management; investigating duplication of work among agencies; and facilitating plans for better management and more efficient and economical operations.

The Division of Strategic Technology Solutions serves as the state’s central information processing organization and as a computer service bureau to state departments. It provides planning, resources, execution, and coordination in managing the information systems needs of executive-branch departments, as well as selective services across all branches of state government. Division personnel serve as staff to the Information Systems Council and provide technical direction, services, and infrastructure to the state. This division also manages Edison, the state’s enterprise resource planning system used for accounting, procurement, payroll, personnel administration, and other administrative tasks.

The Office of Internal Audit assists management in achieving departmental goals and objectives by increasing the efficiency and effectiveness of administrative functions and processes. To accomplish this end, the office performs audits, reviews, and other engagements to assess internal controls within the department and make recommendations for improvement. The office also performs compliance, financial, and investigative reviews to help ensure that the department is following all applicable laws, regulations, and department policies. While the office reports directly to the Commissioner for independence purposes, for administrative purposes the office reports through the Division of Administration.

The Office of the General Counsel provides legal advice to department program areas, contract and policy review, legal representation in administrative litigation affecting the department, prepares
departmental rules, and prepares legislation for and analysis of legislation affecting the department. The office frequently works with legal counsel in other state agencies to identify solutions for state services affecting multiple agencies. The office also houses the department’s Civil Rights Coordinator responsible for reviewing, reporting, and addressing civil rights complaints asserted by departmental personnel, grantees of federal contract funding, and recipients of services from the department or its subrecipients.

The Executive Assistant supports the Commissioner by managing the Commissioner’s calendar, handling communication and correspondence, and performing other administrative tasks for the Commissioner and other executive-level staff.

The Chief of Staff directly oversees the following:

- The Legislative Liaisons serve as the point of contact for communications between the General Assembly, the Governor’s legislative team, and the department’s executive leadership on major policy issues impacting the department. The liaisons also serve a critical role in assisting with constituent issues being brought to legislators that involve the department. During legislative session, they assist with preparing bill analyses and fiscal note support forms to track bills as they make their way through the legislative process. They track all filed legislation, keep up with parliamentary procedure, and work with the members of the General Assembly and outside stakeholders to ensure policymakers are informed about issues impacting the department.

- The Communications Director provides timely, accurate, and consistent information to the news media regarding the Department of Finance and Administration. The Director is the primary point of contact for public information and media relations and coordinates all external communications with the media regarding the department.

The Deputy Commissioner directly oversees the following areas:

- the Division of Accounts,
- the Office of Evidence and Impact,
- the Division of Benefits Administration,
- the Office of Criminal Justice Programs,
- the Office of Inspector General, and
- the Division of Administration.

The Division of Accounts provides the controller function for state government. It records the accounting transactions for all state agencies; prepares tax filings with the Internal Revenue Service; and generates and sends agency payments to vendors and travel reimbursements to employees. Staff within the division prepare the state’s annual financial statements and management accounting
reports, and the payroll staff generates payroll and W-2 forms for all state employees. The division monitors the state’s compliance with the federal Cash Management Improvement Act and establishes statewide accounting policies and practices. To provide efficiency and consistency, the division also establishes and manages contracts for the statewide commerce activities across state agencies.

The Office of Evidence and Impact uses evidence-based budgeting, program inventory, and enterprise data analytics for policy and decision making that serves every Tennessean and ensures that the state makes investments in programs that work. The office works with other department divisions and state agencies to facilitate data sharing to produce positive outcomes, identify gaps in service, and inform policy design.

The Division of Benefits Administration serves three basic groups of employees, dependents, and retirees by managing their state-provided insurance benefits:

- The state plan is available to state government and higher education employees.
- The local education plan is available to local school systems that choose to participate in the plan.
- The local government plan is available to local city and county governments and to certain quasi-governmental agencies that choose to participate.

In addition to insurance coverages, Benefits Administration also administers an employee assistance program and a wellness program. These related programs complement insurance programs by educating employees and their families about prevention and behaviors that can affect their mental and physical health.

The Office of Criminal Justice Programs secures, distributes, and manages federal and state grant funds designed to reduce criminal activity, provide services for victims of crime, and promote overall enhancement of the criminal justice system in Tennessee. The office also provides technical assistance, research, and planning resources to state departments, local governments, law enforcement, and private agencies.

The Office of Inspector General investigates TennCare recipients who commit or attempt to commit fraud and abuse of TennCare programs, as well as other violations of state criminal law related to the operation of TennCare. It also seeks restitution for monies lost due to fraud and abuse.

The Division of Administration handles Human Resources, talent management, and billing functions. The Office of Business and Finance is housed within this division, which performs financial and accounting functions on behalf of the department. The division also oversees Volunteer Tennessee, which administers grants to Tennessee service organizations, connects volunteers to service opportunities across the state, and provides other services to increase volunteering across the state and recognize individuals and organizations.
Appendix 3
(Continued)

Organizational Charts

Department of Finance and Administration

- Commissioner
- Executive Assistant
- Office of Customer Focused Government
- TennCare
- Internal Audit
- General Counsel
- Deputy Commissioner
- Legislative Liaisons
- Chief of Staff
- Office of Evidence and Impact
- Budget
- Administration
- Benefits Administration
- Accounts
- Office of Inspector General
- Strategic Technology Solutions
- Communications

Source: Department management.
Appendix 3
(Continued)

Strategic Technology Solutions

Chief Information Officer

Enterprise Systems Architecture and Research
Security and Risk Management
Service Delivery Coordination
Employee Engagement
General Counsel

Center for Enterprise Data and Analytics (CEDA)
Business Solutions Delivery
Enterprise Governance and Administration
Chief Operating Officer
Intelligent Automation/Business Process Automation
Executive Director

STS Business Domains
Statewide BSD Services

Technical Engineering Operations
Enterprise Shared Solutions
Cloud Foundations Team

End Point Services
Customer Support

Source: STS website.
Appendix 4
Centralized Accounting Satisfaction Survey

We sent the satisfaction survey to all 37 state entities that receive Centralized Accounting unit services and received 24 responses: 17 entities responded that they were “very satisfied” with the overall accounting services that the Centralized Accounting unit provided to their entity and that the Centralized Accounting unit communicated “extremely well” with their entity’s leadership team. See the full list of survey questions below.

Survey Questions

1. What F&A\textsuperscript{33} centralized accounting services does your agency need and/or use?
2. How satisfied are you with the overall accounting services the F&A centralized accounting unit provides to your agency?
3. What does F&A centralized accounting unit do well?
4. What does F&A’s centralized accounting unit need to improve upon to better serve your agency?
5. How well does F&A’s centralized accounting unit communicate with your agency’s leadership team?
6. Is there anything you would like us to know about F&A’s centralized accounting unit relating to communication with your agency?
7. How does F&A’s centralized accounting unit contribute to your agency’s ability to achieve its goals?
8. Has your agency been negatively impacted by staffing concerns within F&A’s centralized accounting unit?
9. If you answered "Yes" to the question above, please explain the impact.

\textsuperscript{33} In the survey, F&A was used as the abbreviation for the Department of Finance and Administration.
Appendix 5
Public Sector Health Insurance Member Survey Results

Using any number from 0 to 10, where 0 is the worst health plan possible and 10 is the best health plan possible, what number would you use to rate your health plan?

<table>
<thead>
<tr>
<th></th>
<th>BCBST</th>
<th>Cigna</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 or Higher</td>
<td>9 or Higher</td>
</tr>
<tr>
<td>2019</td>
<td>54%</td>
<td>98%</td>
</tr>
<tr>
<td>2020</td>
<td>63%</td>
<td>99%</td>
</tr>
<tr>
<td>2021</td>
<td>61%</td>
<td>98%</td>
</tr>
<tr>
<td>2022</td>
<td>64%</td>
<td>99%</td>
</tr>
<tr>
<td>2023</td>
<td>60%</td>
<td>96%</td>
</tr>
</tbody>
</table>

Appendix 6
Business Domains and Associated Consolidated Agencies Receiving Direct IT Support From BSD

Source: Organizational chart on STS website.
### Appendix 7
Information Systems Council Members

<table>
<thead>
<tr>
<th><strong>Chair</strong></th>
<th>Commissioner, Department of Finance and Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vice Chair</strong></td>
<td>Director of Legislative Information Systems</td>
</tr>
<tr>
<td><strong>Members</strong></td>
<td></td>
</tr>
<tr>
<td>Commissioner, Department of General Services</td>
<td>Chief Justice of the Supreme Court of Tennessee, or the Chief Justice’s Designee</td>
</tr>
<tr>
<td>Comptroller of the Treasury</td>
<td>Three members of the House of Representatives</td>
</tr>
<tr>
<td>Three members of the Senate</td>
<td>Two private-sector members</td>
</tr>
<tr>
<td><strong>Non-Voting Members</strong></td>
<td>Two non-voting members</td>
</tr>
<tr>
<td><strong>Staff</strong></td>
<td>Chief Information Officer, Department of Finance and Administration</td>
</tr>
</tbody>
</table>

Source: Section 4-3-5501, *Tennessee Code Annotated.*

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### Cybersecurity Advisory Council Members

<table>
<thead>
<tr>
<th><strong>Chairs</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor’s Chief Operating Officer</td>
<td>State Chief Information Officer</td>
</tr>
</tbody>
</table>

| **Members** |  |
| Governor’s Chief of Staff | State Chief Information Security Officer |
| Attorney General | Secretary of State |
| State Comptroller | State Treasurer |
| Tennessee Adjutant General |  |

| **Commissioners** |  |
| Department of Agriculture |  |
| Department of Education |  |
| Department of Finance and Administration |  |
| Department of Financial Institutions |  |
| Department of Labor and Workforce Development |  |
| Department of Safety and Homeland Security |  |

| **Directors** |  |
| Tennessee Bureau of Investigation |  |
| Tennessee Emergency Management Agency |  |
| Tennessee Higher Education Commission |  |

Source: Tennessee Cybersecurity Advisory Council website.
Appendix 8  
Department’s Budget and Actual Expenditures and Revenues  
Unaudited  

Table 10  
Department of Finance and Administration  
Fiscal Year 2020 Budget and Actual Expenditures and Revenues

<table>
<thead>
<tr>
<th>Department of Finance and Administration</th>
<th>FY 2020 Recommended Budget*</th>
<th>FY 2020 Actual Expenditures and Revenues**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>$209,167,800</td>
<td>$193,768,300</td>
</tr>
<tr>
<td>Operational</td>
<td>235,593,600</td>
<td>247,799,800</td>
</tr>
<tr>
<td>Total</td>
<td>$444,761,400</td>
<td>$441,568,100</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>17,437,600</td>
<td>12,381,000</td>
</tr>
<tr>
<td>Federal</td>
<td>62,778,100</td>
<td>75,662,800</td>
</tr>
<tr>
<td>Other</td>
<td>364,545,700</td>
<td>353,524,300</td>
</tr>
<tr>
<td>Total</td>
<td>$444,761,400</td>
<td>$441,568,100</td>
</tr>
</tbody>
</table>

**Source: Tennessee State Budget, Fiscal Year 2021–2022.

Table 11  
Department of Finance and Administration  
Fiscal Year 2021 Budget and Actual Expenditures and Revenues

<table>
<thead>
<tr>
<th>Department of Finance and Administration</th>
<th>FY 2021 Recommended Budget*</th>
<th>FY 2021 Actual Expenditures and Revenues**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures</strong></td>
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<td></td>
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<tr>
<td>Payroll</td>
<td>$220,813,900</td>
<td>$196,913,700</td>
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<tr>
<td>Operational</td>
<td>253,215,200</td>
<td>396,522,400</td>
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<tr>
<td>Total</td>
<td>$474,029,100</td>
<td>$593,436,100</td>
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<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>29,254,600</td>
<td>21,339,000</td>
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<tr>
<td>Federal</td>
<td>63,597,200</td>
<td>213,561,300</td>
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<tr>
<td>Other</td>
<td>381,177,300</td>
<td>358,535,800</td>
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<tr>
<td>Total</td>
<td>$444,761,400</td>
<td>$441,568,100</td>
</tr>
</tbody>
</table>

### Table 12
**Department of Finance and Administration**  
**Fiscal Year 2022 Budget and Actual Expenditures and Revenues**

<table>
<thead>
<tr>
<th>Department of Finance and Administration</th>
<th>FY 2022 Recommended Budget*</th>
<th>FY 2022 Actual Expenditures and Revenues**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>$215,058,400</td>
<td>$207,806,300</td>
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<tr>
<td>Operational</td>
<td>264,610,000</td>
<td>287,143,400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$479,668,400</td>
<td>$494,949,700</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>28,151,600</td>
<td>24,727,000</td>
</tr>
<tr>
<td>Federal</td>
<td>63,961,000</td>
<td>84,013,800</td>
</tr>
<tr>
<td>Other</td>
<td>387,555,800</td>
<td>386,208,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$479,668,400</td>
<td>$494,949,700</td>
</tr>
</tbody>
</table>


**Source: Tennessee State Budget, Fiscal Year 2023–2024.

### Table 13
**Department of Finance and Administration**  
**Fiscal Year 2023 Budget**

<table>
<thead>
<tr>
<th>Department of Finance and Administration</th>
<th>FY 2023 Recommended Budget*</th>
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<tbody>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>$244,056,300</td>
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<tr>
<td>Operational</td>
<td>549,856,400</td>
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<tr>
<td><strong>Total</strong></td>
<td>$793,912,700</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>200,662,600</td>
</tr>
<tr>
<td>Federal</td>
<td>143,511,000</td>
</tr>
<tr>
<td>Other</td>
<td>449,739,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$793,912,700</td>
</tr>
</tbody>
</table>

*Source: Tennessee State Budget, Fiscal Year 2023–2024.