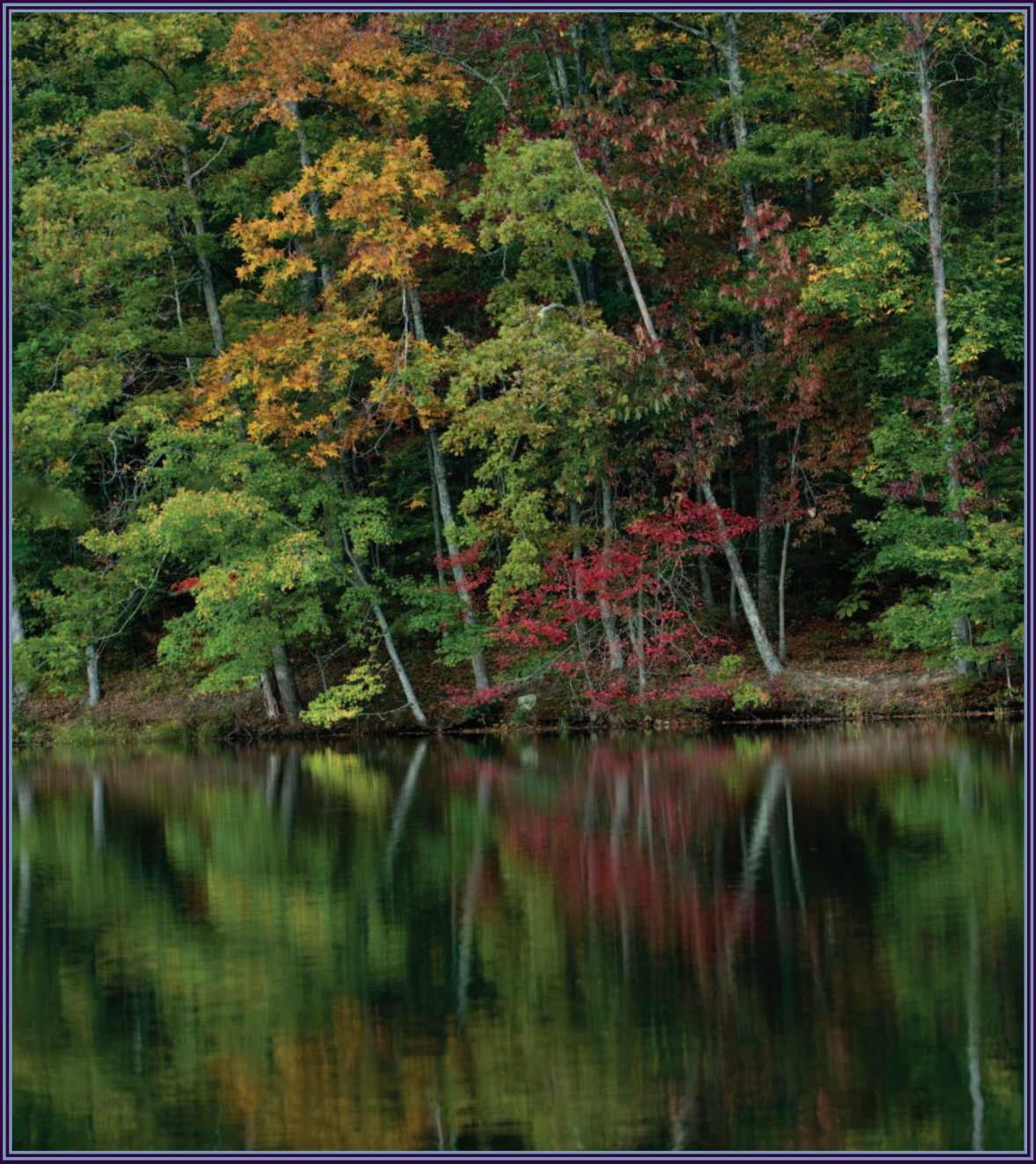
State of Tennessee

# Single Audit Report

## For the year ended June 30, 2012



Tennessee Comptroller of the Treasury

Division of State Audit

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COMPTROLLER OF THE TREASURY
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March 28, 2013

The Honorable Bill Haslam, Governor
and
Members of the General Assembly of Tennessee
State Capitol
Nashville, Tennessee 37243-9034

Ladies and Gentlemen:

We are pleased to submit the twenty-ninth *Single Audit Report* for the State of Tennessee. This report covers the year ended June 30, 2012. The audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996 and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

This *Single Audit Report* reflects federal expenditures of over $15.9 billion. We noted instances of noncompliance that resulted in qualified opinions on compliance for two of the state's thirty-one major federal programs. In addition, we noted other instances of noncompliance that meet the reporting criteria contained in OMB Circular A-133. We also noted material weaknesses and significant deficiencies in internal control over compliance with requirements related to federal programs. The instances of noncompliance, material weaknesses, and significant deficiencies related to federal programs are described in Section III of the Schedule of Findings and Questioned Costs.

The *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 2012, has been issued under a separate cover. In accordance with the standards applicable to financial audits contained in generally accepted government auditing standards, we are issuing our report on our consideration of the State of Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. We noted two deficiencies that we considered to be material weaknesses in internal control over financial reporting. We noted one deficiency that we considered to be a significant deficiency in internal control over financial reporting. We noted one instance of noncompliance that we considered material to the state's basic financial statements. The material weaknesses, significant deficiency, and instance of noncompliance are described in Section II of the Schedule of Findings and Questioned Costs.

We would like to express our appreciation to the Department of Finance and Administration and other state agencies, universities, and community colleges, for their assistance and cooperation in the single audit process.

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit

**State of Tennessee**
**Single Audit Report**
**For the Year Ended June 30, 2012**

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# Selected Statistical Data

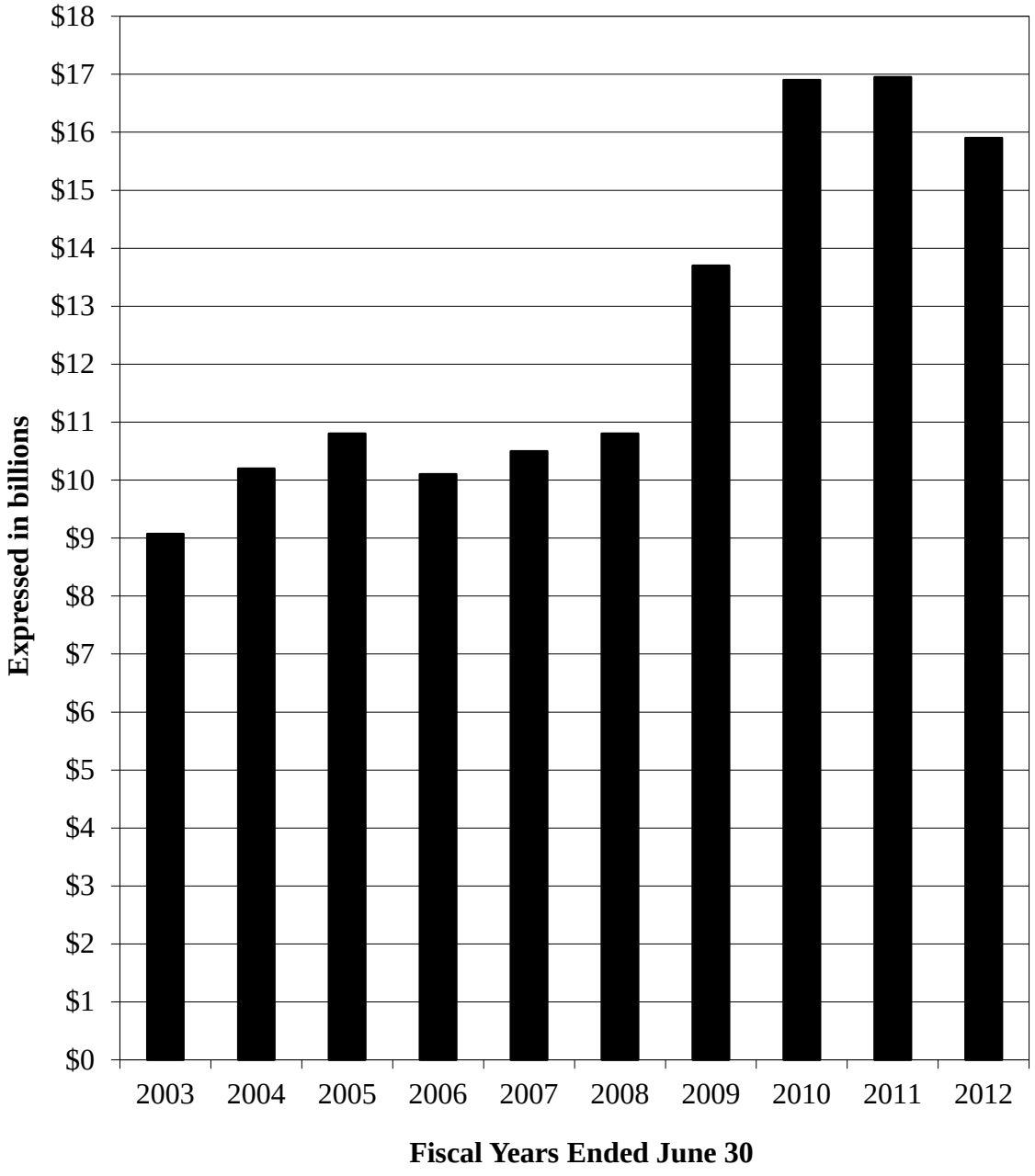
Total Federal Expenditures – Ten-Year Summary

Expenditures by Awarding Agency

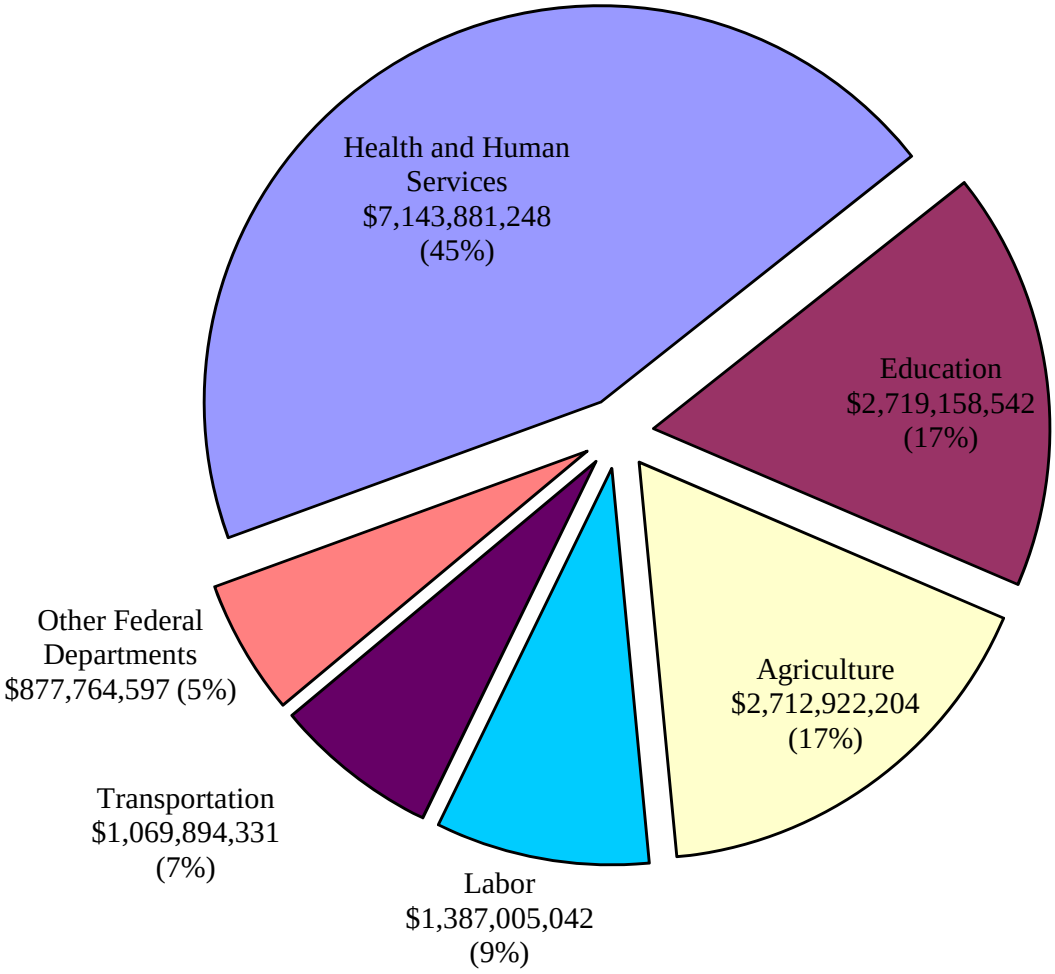
Number of Type A and Type B Programs

Type A and Type B Program Expenditures

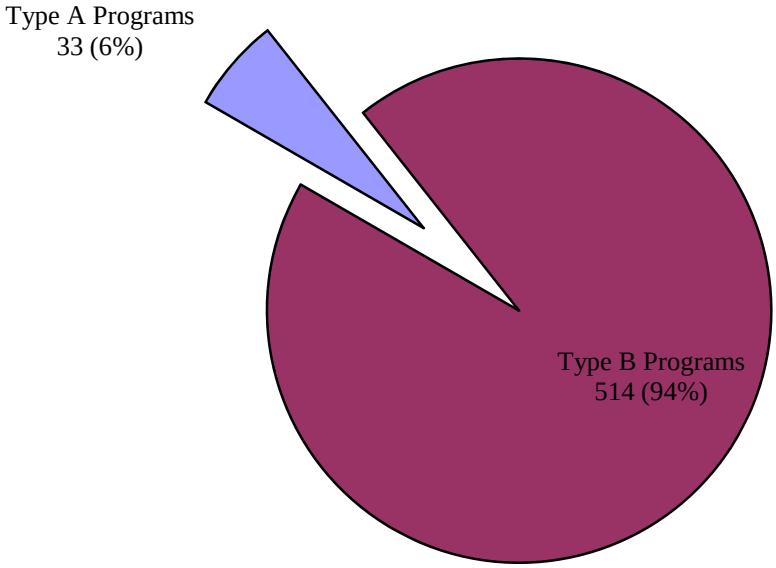
## Total Federal Expenditures - Ten-Year Summary



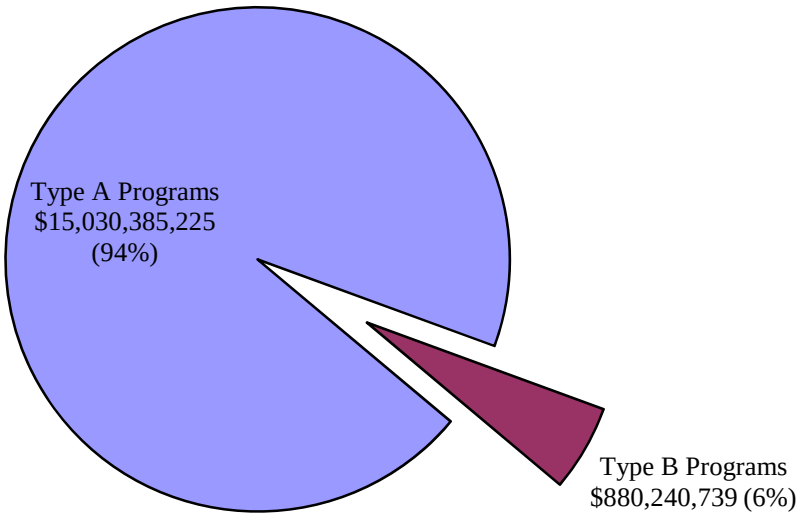
**Expenditures by Awarding Agency**
July 1, 2011, through June 30, 2012



## Number of Type A and Type B Programs




## Type A and Type B Program Expenditures




Type A programs for the State of Tennessee are defined as federal programs with expenditures exceeding the larger of $30 million or fifteen-hundredths of one percent (.0015) of total federal awards expended. For the fiscal year ended June 30, 2012, the Type A program threshold for the State of Tennessee was $30,000,000. Those federal programs with expenditures below the Type A threshold are labeled Type B programs.

# Auditor's Reports

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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# Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

December 21, 2012

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243-9034

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of and for the year ended June 30, 2012, which collectively comprise the State of Tennessee's basic financial statements, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards.

## Internal Control Over Financial Reporting

Management of the State of Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in 12-LWD-01 and 12-LWD-02 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiency described in 12-DOT-06 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under generally accepted government auditing standards and which is described in 12-LWD-02 in the accompanying Schedule of Findings and Questioned Costs.

We noted certain matters that we reported to management of the State of Tennessee in separate letters.

The State of Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State of Tennessee's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, management, and the appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/ras

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**Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards**

March 28, 2013

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243-9034

Ladies and Gentlemen:

**Compliance**

We have audited the State of Tennessee's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State of Tennessee's major federal programs for the year ended June 30, 2012. The State of Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Tennessee's management. Our responsibility is to express an opinion on the State of Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in generally accepted government auditing standards; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about

whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State of Tennessee's compliance with those requirements.

As described in items 12-DOT-05 and 12-LWD-02 in the accompanying Schedule of Findings and Questioned Costs, the State of Tennessee did not comply with the requirements regarding special tests and provisions applicable to its Highway Planning and Construction Cluster and the requirements regarding eligibility applicable to its Unemployment Insurance program. Compliance with such requirements is necessary, in our opinion, for the State of Tennessee to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Tennessee complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those compliance requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 12-APSU-01, 12-DCS-01, 12-DFA-01 through 12-DFA-04, 12-DHS-01, 12-DHS-03 through 12-DHS-13, 12-DOE-02 through 12-DOE-04, 12-DOT-01 through 12-DOT-04, 12-ETSU-01, 12-LWD-03, 12-LWD-04, 12-LWD-06, 12-LWD-09 through 12-LWD-12, 12-MHSAS-01 through 12-MHSAS-03, 12-UT-01, and 12-UT-02.

**Internal Control Over Compliance**

Management of the State of Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Tennessee's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Tennessee's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-DOE-04, 12-DOT-05, 12-LWD-01, 12-LWD-02, 12-LWD-07, and 12-MHSAS-02 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-APSU-01, 12-DCS-01, 12-DCS-02, 12-DFA-01 through 12-DFA-03, 12-DHS-01, 12-DHS-02, 12-DHS-04 through 12-DHS-11, 12-DHS-13, 12-DOE-01 through 12-DOE-03, 12-DOT-01 through 12-DOT-04, 12-ETSU-01, 12-LWD-03 through 12-LWD-06, 12-LWD-08, 12-LWD-09, 12-LWD-12, 12-MHSAS-03, 12-UT-01, and 12-UT-02 to be significant deficiencies.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the State of Tennessee's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

The State of Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State of Tennessee's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, management, and the appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit

DVL/ras

# Auditor's Findings

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor's Results

Section II – Financial Statement Findings

Section III – Federal Award Findings and Questioned Costs

**State of Tennessee**
**Schedule of Findings and Questioned Costs**
**For the Year Ended June 30, 2012**

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## Section I – Summary of Auditor's Results

---

### Financial Statements

- We issued an unqualified opinion on the basic financial statements.
- We identified material weaknesses in internal control over financial reporting.
- We identified a significant deficiency in internal control over financial reporting.
- We noted an instance of noncompliance considered to be material to the basic financial statements.

### Federal Awards

- We identified material weaknesses in internal control over major programs.
- We identified significant deficiencies in internal control over major programs.
- We issued qualified opinions for the Unemployment Insurance program and the Highway Planning and Construction Cluster. We issued unqualified opinions for all other major programs.
- We disclosed audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed in OMB Circular A-133, Section 520(b), was $30,000,000.
- The State of Tennessee does not qualify as a low-risk auditee under OMB Circular A-133, Section 530.

**State of Tennessee**
**Schedule of Findings and Questioned Costs**
**For the Year Ended June 30, 2012**
**(continued)**

## Section I – Summary of Auditor's Results

| CFDA Number | Name of Major Federal Program or Cluster |
|---|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 10.558 | Child and Adult Care Food Program |
| 17.225 | Unemployment Insurance* |
| 20.509 | Formula Grants for Other Than Urbanized Areas* |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds* |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds* |
| 81.041 | State Energy Program* |
| 81.042 | Weatherization Assistance for Low-Income Persons* |
| 84.032 | Federal Family Education Loans - Guaranty Agencies |
| 84.367 | Improving Teacher Quality State Grants |
| 84.395 | State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants* |
| 84.410 | Education Jobs Fund* |
| 93.563 | Child Support Enforcement |
| 93.568 | Low-Income Home Energy Assistance |
| 93.658 | Foster Care Title IV-E* |
| 93.659 | Adoption Assistance* |
| 93.767 | Children's Health Insurance Program |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |
| - | Research and Development Cluster* |
| - | Student Financial Assistance Cluster* |
| - | Child Nutrition Cluster |
| - | Section 8 Project-Based Cluster |
| - | Workforce Investment Act Cluster* |
| - | Highway Planning and Construction Cluster* |
| - | Title I, Part A Cluster* |
| - | Special Education Cluster (IDEA)* |
| - | State Fiscal Stabilization Fund Cluster* |
| - | Temporary Assistance for Needy Families Cluster |
| - | Child Care and Development Fund Cluster |
| - | Medicaid Cluster* |
| - | Disability Insurance/Supplemental Security Income Cluster |

*Program includes ARRA funding

## Section II - Financial Statement Findings

| | |
|---|---|
| **Finding Number** | 12-DOT-06 |
| **CFDA Number** | N/A |
| **Program Name** | N/A |
| **Federal Agency** | N/A |
| **State Agency** | Department of Transportation |
| **Grant/Contract No**. | N/A |
| **Federal Award Year** | N/A |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | N/A |
| **Questioned Costs** | N/A |

### Internal controls over the recording of overweight/overdimensional permit receipts remained inadequate, increasing the risk of material misstatements in the financial statements and the risk of permit fees being misappropriated

### Finding

As stated in the prior audit, the Department of Transportation did not have properly designed internal controls over escrow checks received for overweight/overdimensional permits. In the prior audit, auditors noted that the department did not reconcile permit fees entered into the permit issuance system with permit fees entered into the state's accounting system.

In response to the prior finding, the department implemented a reconciliation process. However, this process was flawed in that the report of fees entered into the permit issuance system that was reconciled with the state's accounting system was prepared by the Central Services Division employee who entered the permit fees into the system. The Central Services Division employee, who had access to the checks, could simply omit a misappropriated check from the report, and the Finance Division's reconciliation would fail to detect it.

Overweight/overdimensional permits are required for carrying oversized loads on Tennessee roadways. While some permits are purchased directly from the state, the majority of these permits are purchased from independent wire service transmittal companies. The state requires that the wire service companies send checks in advance of issuing permits and places

these checks in escrow. Overweight/overdimensional permit receipts totaled $12,424,676 for fiscal year 2012.

The Director of Finance and the Director of Central Services are responsible for ensuring that internal controls are adequately designed and implemented to prevent or detect material misstatements in the financial statements and to safeguard assets. Subsequent to the audit period, management established additional controls over the receipting of escrow checks. The department sent a notice to each wire service company instructing it to mail all checks directly to the Finance Division, effective November 1, 2012. We obtained and reviewed a copy of the notice that was sent. This new control does appear to mitigate the risk of misappropriation as employees processing permits no longer have access to escrow checks.

We also recommended in the prior audit finding that management investigate a $9,500 difference between the amount recorded in the permit issuance system and the amount recorded in the state's accounting system for fiscal year 2011. Management elected not to investigate the $9,500 difference as it considered the amount immaterial.

## Recommendation

The Director of Finance and the Director of Central Services should continue to maintain the newly created separation between issuing permits and custody of checks received for those permits. Because of the risk of fraud that was present, we recommend that the Commissioner of the Department of Transportation reconsider the decision not to investigate the $9,500 variance from the previous audit.

## Management's Comment

We concur. The implementation of additional internal controls was completed in November 2012, subsequent to the audit period. These controls will be maintained, and, as stated in the audit report, they appear to mitigate the risk of misstatement and misappropriation. With the assistance of your staff, the $9,500 variance from the fiscal year 2011 audit will be investigated.

| | |
|---|---|
| **Finding Number** | 12-LWD-01 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Material Weakness |
| **Compliance Requirement** | Allowable Costs/Cost Principles and Eligibility |
| **Questioned Costs** | N/A |

## The Department of Labor and Workforce Development's management has threatened the integrity of the Unemployment Insurance Program by failing to provide sufficient internal controls and oversight

### Finding

The Department of Labor and Workforce Development's (LWD) management has threatened the integrity of the Unemployment Insurance (UI) program by failing to address critical functions of the program. We found that LWD personnel were unable to manage all of the claims submitted through the program. Specifically, LWD had backlogs in receiving and responding to incoming telephone calls related to new and existing unemployment claims; processing initial unemployment claims; resolving pending claims; and notifying employers of unemployment claims. These backlogs have increased as the state's unemployment level remained high. LWD's efforts to review fraudulent unemployment claims and collect overpayments were also strained. Additionally, we determined that the overall internal controls over the UI program operation needed significant improvements because the controls were ineffective or non-existent. As a result, LWD's number of overpayments to ineligible claimants has risen significantly during the past three years.

Background

The UI program is designed to provide benefits to claimants who lose their jobs through no fault of their own. The program is funded by the Tennessee Unemployment Insurance Trust Fund (UTF), which was established by the State Unemployment Tax Act (SUTA). Employers pay premiums into this fund based on the first $9,000 of wages earned by each covered employee each year. If benefit payments from the UTF exceed premiums collected from employers, LWD is responsible for replenishing the fund and generally accomplishes this by raising premium rates.

The claimants who are approved may qualify to receive unemployment benefits from the state's trust fund for up to 26 weeks based on a calculated weekly benefit amount. Once the

initial 26 weeks have been exhausted, unemployment benefits may continue through federally funded grants.

Summary of Findings

LWD management is responsible for establishing and maintaining the processes and internal controls for the UI program. LWD management is also responsible for complying with the federal grant requirements in its operation and oversight of the program in Tennessee. Our audit of this major program determined that LWD had not ensured critical controls and effective processes were in place and operating as needed. We also noted material weaknesses and significant deficiencies in internal control over compliance with requirements related to this federal program. The following noncompliance and control weaknesses are detailed in separate findings in this audit report and indicate that LWD's management is not properly administering the program. A summary of the conditions is described below.

- We found that overpayments due to both fraud and error have increased significantly, and LWD's collection of overpayments is low (Finding 12-LWD-02).

- We found significant backlogs with management's processes of receiving and responding to telephone calls involving initial and existing claims, processing claims, resolving pending claims, and notifying employers of claimants' requests for unemployment. We also found that management did not fully implement the case management system and potentially wasted federal funds on the system (Finding 12-LWD-03).

- We found that management's cross-matches to detect fraudulent claims were not effective (Finding 12-LWD-04).

- We found that management did not verify social security numbers for a large number of claimants during the audit period and over the past three years (Finding 12-LWD-05).

- We found that management did not always identify fraudulent claims and did not correctly calculate the overpayments with penalties and interest. In addition, claimants submitting fraudulent claims were not removed from the program (Finding 12-LWD-06).

- We found that management allowed automated approvals of claims without any verification that the employees separated from employers (Finding 12-LWD-07).

- We found that management did not always require employers who filed partial claims on behalf of employees to obtain certifications from claimants regarding their eligibility status (Finding 12-LWD-08).

The current year *Single Audit Report* reflects federal and state expenditures of over $1.2 billion for the UI program. We are required to report on management's compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133. We noted material weaknesses and significant deficiencies in internal control over compliance for the UI program. We have also qualified our opinion at the compliance requirement level for eligibility.

Questioned Costs and Effects on Stakeholders

Questioned costs may arise from material or immaterial instances of noncompliance with federal grant requirements. These questioned costs are reported in single audit findings that involve violations of a provision of law, regulation, contract, grant or other agreement governing the federal expenditures; expenditures that are not supported by adequate documentation; or expenditures where the intended purpose is unnecessary or unreasonable.

The grantor notifies the grantee department how any related costs should be resolved including repayment to the grantor. It is the responsibility of the grantee department (in this case, LWD) to determine and oversee appropriate corrective actions.

Several of the findings listed above contain questioned costs for noncompliance with federal grant-related requirements. The questioned costs in these findings total $944,366. The trust fund and any federal portions of the claims are not separated for the questioned costs presented. The questioned costs were paid from the state trust fund and, if the claimant qualified for extended or emergency benefits after the first 26 weeks of the claim, from the federal grant program. Depending on when the disqualifying events occurred, questioned costs involving unemployment claims will often overlap funding sources.

Management's failure to properly administer this state/federal program jeopardizes the integrity of the program. The state's top officials, the federal grantor, the state's employers, and current and future UI beneficiaries expect LWD management to effectively administer the UI program, which includes strong internal controls and proper oversight of all critical program functions and processes. Without sufficient controls and oversight, LWD:

- will continue to make improper benefit payments to ineligible claimants;
- will not timely pay benefits to eligible claimants;
- will continue to penalize the state's employers by unnecessarily increasing premiums;
- will continue to jeopardize federal funding because of noncompliance;
- will continue to create state budget problems because of trust fund depletion resulting from improper payments; and
- will erode the public's trust in the state's ability to administer unemployment compensation to Tennessee's unemployed workers.

## Recommendation

The Commissioner must immediately consult with the Governor to develop a corrective action plan to implement the recommendations in this report. In addition, the Commissioner must work with the Governor to establish a timetable to complete the necessary corrective actions.

The Commissioner should determine if the leadership of the Employment Security Division and Information Technology Division is capable of correcting the many significant problems with existing resources. The Commissioner and Internal Audit Unit should frequently monitor the activities of the individuals responsible for correcting the problems noted here and determine whether adequate progress is being made. The Commissioner should take appropriate action if the problems are not corrected in accordance with the plans of action.

## Management's Comment

We concur. Within the next 90 days, a correction action plan with timelines will be developed by the Commissioner and key executive leadership that will put in place adequate internal controls. Additionally, the Commissioner will ensure that knowledgeable leadership is in place to provide appropriate oversight.

| | |
|---|---|
| **Finding Number** | 12-LWD-02 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | $1,612 |

**The Department of Labor and Workforce Development's failure to comply with its procedures to determine claimants' eligibility for the Unemployment Insurance program and to implement proper controls over eligibility determination threatens the integrity of the Unemployment Insurance program and resulted in $73.4 million in overpayments due to fraud during the past six years and overpayments due to error for the past three years**

## Finding

The Department of Labor and Workforce Development's (LWD) failure to comply with its procedures to determine claimants' eligibility for the Unemployment Insurance (UI) program and failure to implement proper controls over the Unemployment Insurance program claimants' eligibility determination process threatens the integrity of the Unemployment Insurance program and resulted in $73.4 million in overpayments. This is a cumulative total of overpayments resulting from fraud during the past six years and overpayments resulting from error during the past three years.

We determined that management of LWD failed to adequately safeguard the department's assets and failed to meet their fiduciary obligation as a steward of the Tennessee Unemployment Insurance Trust Fund, as evidenced by the large amount of overpayments. LWD's inability to ensure that benefits are only paid to eligible claimants is considered a material weakness in internal control and noncompliance with Office of Management and Budget (OMB) Circular A-133, "Compliance Requirements for Eligibility."

According to information about overpayment and underpayment rates reported to OMB, as required by the Improper Payments Information Act (IPIA), for the fiscal year ended June 30, 2012, a state with a three-year average rate of 14% and above is considered a state with high UI improper payments. Tennessee reported an overpayment rate of 14.91% and ranked 12$^{th}$ among the 16 states that made the highest UI improper payments.

## BACKGROUND AND PROCESSES DESCRIBED

*General*

The UI program, also referred to as Unemployment Compensation, provides benefits to unemployed workers for periods of involuntary unemployment (workers that lose their jobs through no fault of their own) and helps stabilize the economy by maintaining the spending power of workers while they are between jobs. The program is funded by the Tennessee Unemployment Insurance Trust Fund (UTF) established by the State Unemployment Tax Act. Employers pay premiums into the fund based on the employer's experience rating calculated as: the employer's cumulative premiums paid minus cumulative benefits charged to the employer's account, divided by the employer's average taxable payroll for the last three full calendar years. Some industries have rates of higher employee turnover, which can increase the employer's rate. Additionally, the rate can be further adjusted by the department in accordance with state law depending on the funding level of the UTF. The employer's rate is then applied to the first $9,000 of wages earned by each covered employee each year.

The claimants who are approved for the UI program are eligible to receive up to 26 weeks of benefits. The amount of benefits that claimants receive is based on a calculated weekly benefit amount, which is funded by the state's trust fund. Once the 26 weeks of benefits have been exhausted, the unemployment benefits can be extended through federally funded grants such as the Emergency Unemployment Compensation (EUC08) and the Extended Benefit (EB) programs. EUC08 has been amended several times and includes eligibility for several tiers of benefits. The first two tiers of benefits (34 weeks) are available in all states; however, tiers three and four are only available in states with higher unemployment rates. For our audit period, Tennessee qualified for tiers three and four, with UI benefits of 13 weeks and 6 weeks, respectively. Tennessee also qualified for the Extended Benefit program for an additional 20 weeks of benefits for a total of 99 weeks. For Tennessee's unemployed, the EB program ended in April 2012.

*Claimant Eligibility and Unemployment Benefits*

According to state regulations, individuals filing UI claims with the department must meet certain earnings requirements (monetary) from past employment and must be currently unemployed or earning less than their weekly benefit up to the $275 maximum. Once the monetary requirements are met, other eligibility requirements (non-monetary) must be met before a claim is approved. Claimants must have separated from their most recent employer through no fault of their own. Claimants' circumstances generally fall into one of three non-monetary categories:

1. lack of work – the employer lays off the employee,
2. quit – the employee has voluntarily quit with just cause, or
3. discharge – the employee's employment was terminated because of performance issues other than misconduct.

Separation issues and personal eligibility issues (those issues that involve the claimant's ability and availability for work) must be evaluated by department staff before a decision to approve benefits can be made. For departmental staff, the lack-of-work issue is generally the easiest to resolve because it only involves verifying with the employer that the separation was due to lack of work available for the claimant.

*Dependents Allowance Benefits*

According to Section 50-7-301(e), *Tennessee Code Annotated*, which became effective June 20, 2010, those Tennesseans who are eligible to receive unemployment benefits might also be eligible to receive an additional benefit for dependents. When eligible, UI claimants will receive an additional $15 for each minor child, not to exceed a total of $50.

*Overpayment of Benefits*

Overpayments of benefits can occur for many reasons. For example, when the department identifies that a claimant has misrepresented his or her income for a particular week or weeks, the department would disqualify the claimant from receiving benefits. LWD determines overpayments have occurred by reviewing and processing new claimant information, such as an increase in a claimant's income or an employer dispute related to separation. LWD establishes an accounts receivable when it determines that an overpayment of UI benefits has occurred.

LWD is required by the Department of Finance and Administration's Policy 23 to "make a reasonable effort to collect all receivables on a systematic and periodic basis." LWD has established a collection process in an effort to fulfill this requirement. Once overpayments are identified, LWD staff attempt to collect overpayments from claimants by sending a monthly "Overpayment Statement" to those claimants. The LWD staff also recoup overpayments by reducing the claimants' current benefit. Once the department has attempted collection, it is allowed to write off the uncollectible overpayments in accordance with state law, as discussed later in this finding.

## RESULTS OF OUR TESTWORK

*Criteria for Lack of Documentation to Support UI Program Claimants' Eligibility*

According to the *LWD Unemployment Insurance Program Manual*, Section 0331 - Case File Documentation:

> Not every case file will need the same documentation. Some case files will require more than others. As a general rule, every case file must have all the documentation related to the claim under investigation and any additional documents that the investigator used during the investigation to verify information. Additional documentation will be obtained by the investigator during the investigation. This documentation includes claimant questionnaires

and statements, employer separation and wage information, new hire and work search statements, and third party information and statements.

*Combined Test Results for Eligibility and Dependent Allowance Benefits*

We tested a randomly selected, nonstatistical sample of 200 claims from a population of 5,313,157 paid claims (weekly payments) of the UI program for the fiscal year ended June 30, 2012. The sample represented $45,569 out of $1,175,939,586 in total claims paid. Our testwork disclosed that for 47 of the 200 paid claims tested (23.5%), department staff did not maintain required documentation in the case files to support the claimants' eligibility for UI benefits (regular unemployment benefit and dependent allowance benefit). The total amount paid for those 47 claims was $3,522. Of this amount, $1,910 was paid out of the Tennessee Unemployment Insurance Trust Fund. The remaining $1,612 was paid with federal funds and will be considered questioned costs. Specifically, we found the following deficiencies.

*Test Results for Eligibility*

We reviewed the 200 paid claims and related case files to determine if the claimant was eligible to receive UI benefits. We found that 12 of the 200 case files tested (6%) did not contain required documentation to support the claimant's eligibility for the UI program.

- For 4 of those 12 claims, the claimant obtained benefits by misrepresenting his or her income to the department for multiple weeks. After benefit payments had been made, employers reported to the department that these claimants had earned wages which conflicted with claimant's previous assertions. In addition, for one of these four fraudulent claims, the claimant provided the wrong employer's information, and LWD sent the Time Sensitive Request for Separation Information Letter (a letter sent to verify if the claimant was separated due to no fault of the claimant) to the wrong separating employer.

- For 6 of those 12 claims, LWD staff could not provide documentation to determine the claimant's eligibility for the UI program. Specifically, for two files, there was no separation notice from the employer. One file had no documentation that the lack of work claim was verified. Two files noted receipt of a military discharge letter, but LWD could not provide the actual letter. The last file contained documentation that the claimant was receiving a pension, which could reduce or eliminate the unemployment benefit paid, but there was no documentation of follow-up to obtain the pension information.

- For 2 of those 12 claims, LWD staff did not subject the claims to the eligibility redetermination process for the UI program when required.

*Test Results for Dependent Allowance Benefits*

We also tested the same sample of the 200 paid UI claims to determine if the claimant was eligible to receive dependent benefit payments. When eligible, the claimant can receive additional benefit payments of $15 for each dependent, up to a maximum of $50 each week. Based on our 200 item sample, we identified 77 claims that included a dependent allowance of at least $15. Our testwork disclosed that for 38 of the 77 (49.4%), LWD staff had not maintained the required documents to support the eligibility for dependents benefit payments. Three of the 38 claims for dependent allowance payments were included in the 12 UI claims discussed above.

Section 50-7-301(e)(2)(C), *Tennessee Code Annotated*, states, "Dependency benefits shall not be paid unless the claimant submits documentation satisfactory to the division establishing the existence of the claimed dependent."

*Summary of Testwork Error Rates*

Below is a table that summarizes our sample errors and the total benefits paid without proper supporting documentation for the period July 1, 2011, through June 30, 2012:

| Category | Eligibility Testing | Dependent Allowance Testing |
|---|---|---|
| Sample Size | 200 | 77 |
| Number of Errors (Lack of documentation) | 12 | 38* |
| Error Rate | 6.00% | 49.40% |
| * Three of the 38 errors were also included in the 12 errors in the eligibility testing. | | |

| | Federal Funds | State UI Trust Funds | Total |
|---|---|---|---|
| Eligibility Questioned Costs | $ 1,237 | $ 1,295 | $ 2,532 |
| Dependent Allowance Questioned Costs | 375 | 615 | 990 |
| Total Questioned Costs | 1,612 | 1,910 | 3,522 |
| | | | |
| Sample Dollar Tested / Funding Source | $ 19,725 | $ 25,844 | $ 45,569 |
| Total UI Claims Paid (Population) | $ 618,245,978 | $ 557,693,608 | $ 1,175,939,586 |

*Overpayments to UI Program Claimants Due to Fraud and Error*

As mentioned above, LWD creates a receivable for any identified UI program overpayment. We obtained the LWD accounting records of overpayments made to ineligible benefit recipients. As of June 30, 2012, the total accounts receivable (A/R) for the UI program was $78,739,200 (actual receivable of $73,496,997 and interest and penalties of $5,242,203). The actual receivable is a cumulative total of overpayments resulting from fraud during the past six years and overpayments resulting from error during the past three years. According to discussion with LWD fiscal management and based on LWD's accounting records, $61,804,505 of the total overpayments recorded in A/R were paid from federal UI program funds and $16,934,695 were paid from the Tennessee Unemployment Insurance Trust Fund. Below is a

summary of our analysis of the LWD overpayments from the department's OP 1301 "Statement of Overpayment and Recoveries" Report for June 30, 2012, 2011, and 2010:

| Category | FY 2012 | FY 2011 | FY 2010 | FY12 - FY11 $ Increase | % increase | FY11 - FY10 $ Increase | % increase |
|---|---|---|---|---|---|---|---|
| FRAUD | $ 35,730,805 | $ 32,108,391 | $ 27,565,699 | $ 3,622,414 | 11% | $ 4,542,692 | 16% |
| NON-FRAUD | 37,766,192 | 29,159,550 | 21,341,649 | 8,606,642 | 30% | 7,817,901 | 37% |
| INTEREST | 5,242,203 | 1,761,793 | 127,839 | 3,480,410 | 198% | 1,633,954 | 1278% |
| TOTAL A/R | $ 78,739,200 | $ 63,029,734 | $ 49,035,187 | $ 15,709,466 | 25% | $ 13,994,547 | 29% |

*A/R Collections and Write-offs*

Based on our testwork, we found that for the period ended June 30, 2012, LWD reduced the accounts receivable balance by $22,740,582.36. Of that amount, only $11,743,059.22 was collected; the remaining balance was written off, reversed due to department error, waived, or no longer owed due to bankruptcy. See details below:

**SUMMARY OF FY 2012 A/R COLLECTIONS AND WRITE-OFFS FOR THE UI PROGRAM**

| CATEGORIES FOR A/R REDUCTION | FRAUD | NON-FRAUD | TOTAL |
|---|---|---|---|
| REIMBURSEMENTS [1] | $ 2,742,916.55 | $4,849,584.57 | $7,592,501.12 |
| OFFSET CLAIMS [2] | 659,467.27 | 3,491,090.83 | 4,150,558.10 |
| **TOTAL A/R COLLECTION FOR FY 2012** | **$ 3,402,383.82** | **$ 8,340,675.40** | **$ 11,743,059.22** |
| | | | |
| OVERPAYMENTS ESTABLISHED IN ERROR [3] | $ 83,208.00 | $ 2,079,316.00 | $ 2,162,524.00 |
| WAIVED [4] | - | 1,405,567.50 | 1,405,567.50 |
| WRITE-OFF [5] | 3,339,819.80 | 3,727,586.45 | 7,067,406.25 |
| BANKRUPTCY JUDGMENT [6] | 167,555.25 | 194,470.14 | 362,025.39 |
| **TOTAL WRITE-OFFS FOR FY 2012** | **$ 3,590,583.05** | **$ 7,406,940.09** | **$ 10,997,523.14** |
| | | | |
| **TOTAL A/R REDUCTION FOR FY 2012** | **$ 6,992,966.87** | **$15,747,615.49** | **$ 22,740,582.36** |

[1] Repayments made by the claimant.

[2] Reductions of portion of the claimant's weekly benefits until repayment is made in full.

[3] Reversal of overpayment established due to department error; not owed by the claimant.

[4] No longer owed by the claimant due to death, review, or administrative readjudication.

[5] Removed from accounts receivable due to time limitation of 3 years for error and 6 years for fraud.

[6] No longer owed by the claimant due to bankruptcy.

Source: OP 1301 Report, "Statement of Overpayment and Recoveries"

*Estimates for Overpayment Collection Rates*

Management provided us with a schedule of historical overpayment collections data for the fiscal years 1982 through 2012. It showed that LWD was successful in collecting 40% of the UI overpayments dollar amount on average. LWD classified the remaining 60% of the overpayments dollar amount as "Allowance for Doubtful Accounts," collection of which is unlikely to occur. Based on our analysis of the LWD accounting records for the fiscal years 2012, 2011, and 2010, we determined that LWD overstated the successful collection percentage of UI overpayments. When we brought this issue to management, they agreed and performed an analysis of historical collections for fiscal years 2011, 2010, and 2009. Management concluded that their estimate of overpayment collections of 40% was inaccurate, and they reduced it to 23%. Also management increased the "Allowance for Doubtful Accounts" from 60% to 77%.

The reason for the large disparity between estimates was that the department was including all six categories of A/R reductions, identified in the table above, in its collection percentages. LWD inappropriately included overpayments established in error, waived overpayments, write-offs, and bankruptcy waivers in calculating its collection percentage. Based on discussions with management, we do not believe the errors in the estimate were intentional.

We believe management's low percentage of collections demands immediate attention from top state officials. As stated earlier in this finding, the department's collection efforts consist of offset claims (reductions of a portion of the claimant's weekly benefits until repayment is made in full) and monthly collection letters to claimants requesting them to repay. Generally, we expect state agencies to have a strong collection process in place that includes letters, phone calls, and collection agencies when necessary. LWD has not made the follow-up phone calls or used the collection agency to pursue recovery. In addition, as evidenced by the low percentage of collections and LWD's unlikely success in collecting all overpayments even with increased efforts, we believe it is imperative that LWD management establish strong, effective controls to prevent the overpayments in the first place.

*Noncompliance With State Regulations Regarding A/R Write-offs*

We also determined that LWD was not in compliance with Section 4-4-120, *Tennessee Code Annotated*, and Chapter 0620-1-9 of the *Rules of the Department of Finance and Administration*, which require write-offs to be approved by both the Commissioner of the Department of Finance and Administration and the Comptroller of the Treasury. Based on our review, we found that LWD management has written off overpayments as bad debt without following state policies and procedures as prescribed in the law. Management referred us to Sections 50-7-303(d)(3)(A) and (B), *Tennessee Code Annotated*, which require that if LWD has not collected an overpayment debt after a certain length of time, it must release the claimant of the debt. Based on our discussions with management, their interpretation of this waiver is that they did not have to follow established write-off procedures prescribed by Department of Finance and Administration policy and rules; however, we disagree. The department is required to follow the law and related policies for all write-offs.

## CONCLUSION

Unless LWD implements proper internal controls over the claimant eligibility process for the UI program, the risk of LWD paying UI benefits to ineligible individuals increases. Given the significant amount of overpayments already paid out to ineligible claimants, as described above, management cannot afford to delay corrective action without further eroding the public's trust in the UI program. Furthermore, LWD has not fulfilled its fiduciary responsibility to the state, the employers, and the federal grantor by continuing to overpay UI benefits and collecting only 23% of the overpayments on average. The remaining 77% of overpaid benefits is uncollectible, and this loss further threatens the viability of the UI program.

### Recommendation

The Commissioner should take immediate action to implement a strong system of internal controls over the claimant eligibility process for the UI program. This control system should be designed to prevent and/or detect errors and fraud and mitigate the risk that UI benefits will be paid to ineligible claimants. The UI administrator, in conjunction with the Commissioner, should evaluate the process to collect overpayments of benefits and should ensure that staff follow established state law, policy, and rules governing the write-off of any uncollectible overpayments. This includes ensuring that overpayments waived in accordance with Sections 50-7-303(d)(3)(A) and (B), *Tennessee Code Annotated*, are written off in accordance with Section 4-4-120, *Tennessee Code Annotated*, and Chapter 0620-1-9 of the *Rules of the Department of Finance and Administration*.

### Management's Comment

We concur. Within the next 90 days, a plan with timelines for the development of a strong system of internal control over the claimant eligibility process will be put in place by the Commissioner and executive leadership.

## Section III – Federal Award Findings and Questioned Costs

| | |
|---|---|
| **Finding Number** | 12-DOE-02 |
| **CFDA Number** | 10.553, 10.555, and 10.556 |
| **Program Name** | Child Nutrition Cluster |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Education |
| **Grant/Contract No**. | 5TN300330 |
| **Federal Award Year** | 2011 and 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Reporting |
| **Questioned Costs** | N/A |

**The department did not report financial information for the Child Nutrition Cluster in accordance with Federal Funding Accountability and Transparency Act reporting requirements, increasing the risk that the public will not have access to transparent, accurate information regarding expenditures of federal awards**

### Finding

The United States Department of Agriculture (USDA) requires the Tennessee Department of Education (TDOE) to report financial information for the Child Nutrition Cluster in order to comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. However, TDOE did not always report the Child Nutrition Cluster subawards given to subrecipients in accordance with the FFATA requirements.

Within the Child Nutrition Cluster, the Tennessee Department of Education receives federal funding under the School Breakfast Program, the National School Lunch Program, and the Special Milk Program for Children to distribute to school food authorities who provide food, snacks, and milk to eligible children.

According to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) website, www.fsrs.gov,

> The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The intent is to empower every American with the ability

> to hold the government accountable for each spending decision. . . . The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is www.USASpending.gov.

FSRS is the system used to upload this information onto USASpending.gov.

According to Attachment 1, Summary of FFATA Implementation Procedures, of the memorandum "New Reporting Requirements for State Agencies and Other Primary Grantees Under the Federal Funding Accountability and Transparency Act of 2006," issued by the USDA and dated November 23, 2010,

> A primary grantee must report each action it takes on or after October 1, 2010 that obligates . . . $25,000 or more in Federal funds to a local agency or other entity for a subgrant under a new Federal grant . . . A primary grantee must post the required information to the FFATA Subaward Reporting System (FSRS) (http://www.fsrs.gov) not later than the end of the month following the month in which the obligation was made.

The FFATA reporting requirements had not been established when the Tennessee Department of Education signed the Federal-State Agreement for the Child Nutrition Cluster on August 10, 2005, which, according to the Executive Director of School Nutrition Services, is the most recent grant agreement for the Child Nutrition Cluster. However, by failing to report the subawards in accordance with the FFATA reporting instructions provided by the USDA, the department did not comply with the requirements of the grant agreement for the Child Nutrition Cluster, which states the following:

> By continuing to operate the covered programs after the enactment or issuance of any changed or new statutes or regulations applicable to the programs covered by this agreement and any changed or new instructions, policy memoranda, guidance, and other written directives interpreting these statutes or regulations, the State agency agrees to comply with them.

**Test of Subawards to Public School Districts**

We tested a sample of 60 subawards that were subject to reporting under the FFATA reporting requirements and subgranted during the fiscal year ended June 30, 2012, to school food authorities that are public school districts. To determine TDOE's compliance with the FFATA reporting requirements, we reviewed supporting documentation and the information on USASpending.gov for these subawards. Based on our testwork, we found that the Information Systems Manager did not report 60 of 60 subawards (100%) in accordance with the FFATA reporting requirements. Specifically, testwork revealed that the Information Systems Manager had not reported 39 of the 60 subawards, totaling $10,479,605, as of October 24, 2012. The Information Systems Manager did not report the remaining 21 of the 60 subawards timely. These subawards were reported between 53 and 146 days late, with an average of 103 days late.

We identified and tested ten subawards that were not included in the population of subawards provided to us by TDOE staff. The Information Systems Manager stated that he had to prepare that population manually and inadvertently excluded some of the subawards from the listing he provided us. These subawards were subject to reporting under the FFATA reporting requirements and were subgranted during the fiscal year ended June 30, 2012, to a school food authority that is a public school district. We reviewed supporting documentation and the information on USASpending.gov for these subawards. Based on our testwork, we found that the Information Systems Manager did not report ten of ten subawards (100%) in accordance with the FFATA reporting requirements. Specifically, testwork revealed that the Information Systems Manager had not reported seven of the ten subawards, totaling $710,966, as of October 26, 2012. The Information Systems Manager did not report the remaining three of the ten subawards timely. These subawards were reported between 84 and 129 days late, with an average of 109 days late.

**Test of Subawards to Nonpublic School Districts**

In addition, we tested the population of 20 subawards that were subject to reporting under the FFATA reporting requirements and were subgranted during the fiscal year ended June 30, 2012, to school food authorities that are not public school districts. Examples of school food authorities that are not public school districts include orphanages and private schools. Based on our review of supporting documentation and the information on USASpending.gov for these subawards, we found that the Information Systems Manager did not report 20 of 20 subawards (100%) in accordance with the FFATA reporting requirements. Specifically, testwork revealed that the Information Systems Manager had not reported 18 of the 20 subawards, totaling $933,662, as of October 24, 2012, and had not reported 2 of the 20 subawards timely. These subawards were reported between 64 and 129 days late, with an average of 97 days late.

Furthermore, according to the Information Systems Manager, no one at the department reviewed the information that he submitted via FSRS to ensure that all applicable Child Nutrition subawards were reported timely.

According to the Information Systems Manager, these subawards were not reported properly because of several factors. First, the Information Systems Manager stated that he had frequently encountered technical difficulties with FSRS and that, once several subawards had been entered for one monthly report, the FSRS website would begin to slow down, freeze, or delete data that had been previously entered. Also, these problems were so severe that he was never able to report all of the data for any FFATA report. The Federal Service Desk (FSD), which is managed by the General Services Administration, provides technical support for FSRS. The Information Systems Manger stated that he had e-mail documentation of requests he sent to the FSD for technical support, but those e-mails were lost during the state's transition to a new e-mail system. He also indicated that technical support staff within the FSD stated that the FSRS system was not designed to support users manually entering the required elements of the FFATA reports for dozens of subawards, and technical support advised the Information Systems Manager to use the batch upload process instead. We contacted FSD technical support staff, who confirmed that they had responded to the Information Systems Manager's request for technical assistance by informing the Information Systems Manager that the FSRS system was

not designed to manage such large, manual data entry and that technical support staff had advised the Information Systems Manager to use the batch upload process. According to the Information Systems Manager, however, he encountered technical difficulties when attempting to upload the information using the batch upload process as well, so he continued entering the information for the FFATA reports manually.

During a walkthrough of the manual data entry process, we observed the Information Systems Manager's process for entering the data into FSRS and noted that he did appear to encounter technical difficulties. While we did observe the issue that he reported, the Information Systems Manager could not provide documentation to demonstrate how frequently this issue was experienced during the audit period or how he attempted to address this problem during the audit period. According to the Information Systems Manager, another factor that contributed to the late reports involved e-mails that indicated that it was permissible to report these subawards quarterly rather than monthly; however, the Information Systems Manager could not provide these e-mails or provide a name of a contact that might have sent them. The Information Systems Manager also could not recall whether the communication originated from a contact within the United States Department of Agriculture, technical support staff within the Federal Service Desk, or staff within another federal agency. The Information Systems Manager also indicated that, in addition to the FFATA reporting that he was required to submit for Child Nutrition Cluster subawards, he was responsible for other job duties, and this also contributed to his failure to report all applicable subawards and to do so in a timely manner.

Failure to provide accurate and timely reports as prescribed by the FFATA requirements increases the risk that the public will not have access to transparent, accurate information regarding expenditures of federal awards.

## Recommendation

The Commissioner should ensure that the Information Systems Manager reports the Child Nutrition Cluster subawards in accordance with the FFATA reporting requirements, including the requirement that subawards be reported not later than the end of the month following the month in which the obligation was made. The Commissioner should also ensure that staff is assigned to review the reports submitted via FSRS to ensure that all applicable subawards are reported timely and accurately. These reviews should be conducted by someone other than the Information Systems Manager and should be documented.

If the department encounters difficulties reporting the subawards in accordance with the FFATA requirements, the Information Systems Manager should promptly contact the federal grantor or FSRS technical support personnel to obtain assistance. The Information Systems Manager should maintain documentation of this communication. Finally, the Commissioner should ensure that these risks are included in the department's annual risk assessment and that the corresponding control activities that the department references in its annual risk assessment adequately address these risks.

## Management's Comment

We concur. Federal Funding Accountability and Transparency Act (FFATA) reporting is a relatively new federal reporting requirement and was assigned to the Information Systems Manager for the first time during the 2011-12 fiscal year. As he has gained experience using the FFATA Subaward Reporting System (FSRS) website, FFATA data is being entered more timely. The Department's Internal Audit Section will conduct spot checks to further verify timely entry of the data. The Department's risk assessment has been updated to include this risk and control activity.

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|---|---|
| **Finding Number** | 12-DHS-01 |
| **CFDA Number** | 10.558, 10.559, 93.558, 93.563, 93.568, 93,575, and 93,596 |
| **Program Name** | Child and Adult Care Food Program<br>Child Nutrition Cluster<br>Temporary Assistance for Needy Families Cluster<br>Child Support Enforcement<br>Low-Income Home Energy Assistance Program<br>Child Care Development Fund Cluster |
| **Federal Agency** | Department of Agriculture<br>Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | 2010INI09945, 2011INI09945, 2012INI09945, G1002TNTANF, G1102TNTANF, G1202TNTANF, G0804TN4004, G0904TN4004, G1004TN4004, G1104TN4004, G1204TN4005, G10B1TNLIEA, G11B1TNLIEA, G12B1TNLIEA 1101TNCCDF, 1201TNCCDF, 1202TNTANF, 1102TNTANF, G0901TNCCDF, G1001TNCCDF, G1101TNCCDF, G1201TNCCDF |
| **Federal Award Year** | 2008 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Reporting |
| **Questioned Costs** | N/A |

**As noted in the prior audit, the department did not report financial information in accordance with the Federal Funding Accountability and Transparency Act (FFATA), which may result in the loss of federal funds and may be considered grounds for the suspension or termination of grants**

## Finding

The Department of Human Services expended almost $3 billion in funding during fiscal year ended June 30, 2012, from various federal agencies to administer numerous federal and state services, including but not limited to the Child and Adult Care Food Program (CACFP), the Child Care Development Fund (CCDF), Child Support Enforcement (CSE), the Low-Income Home Energy Assistance Program (LIHEAP), the Summer Food Service Program for Children (Summer Food), and Temporary Assistance for Needy Families (TANF). As a recipient of federal funds, the Department of Human Services is required to report subaward financial information in order to comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. As noted in the prior audit, which covered the period July 1, 2010, through June 30, 2011, the Department of Human Services (DHS) did not report financial information in accordance with FFATA.

In the prior audit, we specifically noted that DHS management and staff

- failed to report financial information for the CACFP and the Summer Food programs; and

- did not report all the required subawards for the CSE program.

Management concurred in part with the prior-year audit finding and stated, "The department has filed reports for CSE and SFP [the Summer Food Program] and continues to work with the reporting agency to submit the CACFP report."

During the current audit of fiscal year ended June 30, 2012, we noted that DHS management and staff

- reported financial information for the CACFP and Summer Food programs, but the information was not reported in compliance with the FFATA requirements; and

- management once again did not report all of the required subawards for the CSE programs.

These issues are repeated in this finding. In addition to the CACFP, Summer Food, and CSE programs, we noted FFATA reporting deficiencies with the Low-Income Home Energy Program, Child Care Development Fund program, and the Temporary Assistance for Needy Families program.

Description of Programs

CACFP is a year-round program designed to provide meals to children and adults in non-residential daycare settings. Summer Food is designed to provide meals to children in public and nonprofit schools, residential childcare institutions, and summer recreation programs. CCDF provides funds to increase the availability, affordability, and quality of childcare services by subsidizing childcare for low-income families that meet eligibility requirements and by helping to pay for activities to promote overall childcare quality for all children, regardless of subsidy receipt. CSE is designed to enforce support obligations owed by noncustodial parents, locate absent parents, establish paternity, and obtain child and spousal support. TANF provides assistance to help needy families achieve self-sufficiency. DHS also receives federal funding under LIHEAP to help reduce energy burdens on low-income families, the elderly, and disabled individuals.

FFATA Requirements

According to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) website,

> The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The intent is to empower every American with the ability

> to hold the government accountable for each spending decision. . . . The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is www.USASpending.gov.

FSRS is the system used to upload this information onto USASpending.gov. The *Code of Federal Regulations* and the grant award terms and conditions, along with FFATA implementation procedures, require DHS to report subawards of $25,000 or more in federal funds. These subawards must be reported no later than then end of the month following the month in which the subaward was made.

Results of Our Testwork

Based on our testwork, we found that DHS management and staff

- did not report any LIHEAP financial information for FFATA to the Federal Subaward Reporting System (FSRS);
- did not report financial information monthly for CACFP, Summer Food, CCDF, TANF, and CSE programs; and
- did not submit complete subaward information under FFATA for all programs.

**LIHEAP Financial Information Not Reported to FSRS**

During the audit period, the DHS Budget Coordinator failed to report 19 subawards, subject to FFATA requirements, totaling $51,522,187 for LIHEAP. Based on our review of the FFATA requirements, discussion with the Budget Coordinator, and review of the FSRS, we found that the DHS Budget Coordinator did not report any LIHEAP subaward information to FSRS. The Budget Coordinator stated that he did not submit this data because he was not made aware of this reporting requirement. According to our communication with a Financial Management Specialist with the Administration for Children and Families, United States Department of Health and Human Services, DHS was required to report under FFATA for LIHEAP for the fiscal year ended June 30, 2012.

**FFATA Information Not Reported Timely**

Also, based on our review of all the DHS FFATA reports for fiscal year 2012, we determined that the DHS Budget Coordinator failed to report subawards for the CACFP, Summer Food, CCDF, TANF, and CSE programs in accordance with the FFATA requirements. The DHS Budget Coordinator reported the financial information for the programs on a quarterly basis instead of the month following the month of the subaward. According to the Budget Director, this occurred because the previous budget coordinator instructed him to report quarterly.

**Reported Information Not Complete**

Based on our review of DHS expenditures and FFATA reports for fiscal year ended June 30, 2012, we determined that the Budget Coordinator did not report all subawards of $25,000 or more in federal funds during fiscal year 2012. See the table below for details by program.

| Program | Number of Subawards DHS Should Have Reported | Number of Subawards Not Reported | Percentage of Subawards Not Reported | Amount of Subawards Not Reported |
|---|---|---|---|---|
| CACFP | 42 | 42 | 100% | $24,800,279 |
| Summer Food | 18 | 3 | 17% | $32,632 |
| TANF | 9 | 4 | 44% | $26,786,980 |
| CCDF | 748 | 744 | 99% | $67,070,350 |
| CSE | 26 | 13 | 50% | $22,544,660 |

Based on discussion with the Budget Coordinator, he did not report subaward information for providers of the CCDF, CACFP, and Summer Food programs because DHS had an agreement with the providers instead of a contract making the requirement inapplicable; however, according to Title 2, *Code of Federal Regulations*, Part 170, Appendix A(e)(3)(iii), "A subaward may be provided through any legal agreement, including an agreement that you or a subrecipient considers a contract." We noted that the Budget Coordinator reported CACFP information to FSRS that was not subject to the FFATA requirements.

For the CSE program, the Budget Coordinator stated that he did not submit the complete subaward information because he encountered errors when he tried entering the information on FSRS. He stated that he did not contact the federal awarding agency to determine why the errors occurred. Based on further discussions with the Budget Coordinator, we noted that the errors he encountered were due to the use of an incorrect grant number. For the TANF program, the Budget Coordinator did not report the complete subawards because he failed to request, and program fiscal staff did not provide him with, a complete list of contracts that were required for FFATA reporting. We also found that management has not identified the risks of not submitting required FFATA reporting information in accordance with the requirements in its annual risk assessment.

Failure to meet all of the FFATA requirements increases the likelihood that the public will not have access to transparent, accurate information regarding expenditures of federal awards. In addition, according to the grant award terms and conditions, not reporting information in accordance with the FFATA requirements may be considered grounds for the suspension or termination of grants.

## Recommendation

The Commissioner should ensure that the Budget Coordinator understands the FFATA reporting requirements. Applicable subawards should be reported in accordance with the FFATA reporting requirements, including the requirement that subawards be reported no later than the end of the month following the month in which the subaward was made. The Commissioner should also ensure that staff are assigned to review the reports submitted via FSRS to ensure that all applicable subawards are reported timely and accurately. These reviews should be conducted by someone other than the Budget Coordinator and should be documented.

If the department encounters difficulties reporting the subawards in accordance with the FFATA requirements, the Budget Coordinator should promptly contact the federal grantor or FSRS technical support personnel to obtain assistance. The Budget Coordinator should maintain documentation of this communication. Finally, the Commissioner should ensure that these risks are included in the department's annual risk assessment and that the corresponding control activities that the department references in its annual risk assessment adequately address these risks.

## Management's Comment

We concur. The preparation of the FFATA report for LIHEAP, CACFP, Summer Food Program, CCDF, TANF, and CSE have been centralized across the Fiscal Unit with the appropriate Fiscal Staff, instead of one individual to prepare the reports to ensure timely completion on a monthly basis.

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| **Finding Number** | 12-DHS-06 |
| **CFDA Number** | 10.558, 10.559, 81.042, 93.558, 93.563, 93.568, 93.575, 93.596, and 96.001 |
| **Program Name** | Child and Adult Care Food Program<br>Child Nutrition Cluster<br>Weatherization Assistance for Low-Income Persons Program<br>Temporary Assistance for Needy Families Cluster<br>Child Support Enforcement<br>Low-Income Home Energy Assistance Program<br>Child Care and Development Fund Cluster<br>Disability Insurance/SSI Cluster |
| **Federal Agency** | Department of Health and Human Services<br>Department of Energy |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | 2010IN109945, 2011IN109945, 2012IN109945, 2010IN109945, 2011IN109945, 2012IN109945, DE-FG26-07NT43135, DE-EE0000114, G1002TNTANF, G1102TNTANF, G1202TNTANF, G0804TN4004, G0904TN4004, G1004TN4004, G1104TN4004, G1205TN4004, G10B1TNLIEA, G11B1TNLIEA, G12B1TNLIEA, G1001TNCCDF, G1101TNCCDF, G1201TNCCDF, G0901TNCCDF, G1001TNCCDF, G1101TNCCDF, G1201TNCCDF 04-09-04TNDI00, 04-10-04TNDI00, 04-11-04TNDI00, 04-12-04TNDI00; |
| **Federal Award Year** | 2007 through 2015 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles |
| **Questioned Costs** | N/A |

## Management's lack of review and errors in the cost allocation spreadsheets resulted in the department undercharging and overcharging federal programs for administrative costs

### Finding

The Department of Human Services administers various federal grants for the Child and Adult Care Food Program, Summer Food Service Program for Children, Weatherization Assistance for Low-Income Persons Program, Temporary Assistance for Needy Families, Child Support Enforcement, Low-Income Home Energy Assistance Program, Child Care Development Block Grant, and Social Security Disability Insurance. According to federal regulations, the Department of Human Services is allowed to allocate administrative costs that cannot be directly charged to a specific federal program to all the federal programs based on the *State of Tennessee Department of Human Services Cost Allocation Plan* dated July 1, 2008, which is approved by the U. S. Department of Health and Human Services.

The *Code of Federal Regulations* (CFR) §95.507(a) states a cost allocation plan for a state agency must describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency.

Overview of Cost Allocation Process

Based on testwork performed, we found that management performed only a minimal review of the cost allocation process. The Fiscal Director of Administration and Family Assistance; Fiscal Director of Social Security Disability Insurance; Fiscal Director of Childcare, Adult, and Community Service; and Accountant prepared supporting cost allocation spreadsheets without thoroughly reviewing the administrative cost percentages and data used in allocating federal funds, prepared by the Statewide RMS Administrator. According to a Fiscal Director, the fiscal directors performed limited or minimal review of final allocation because it was unclear what to compare amounts to since many of the tables used in the final allocation were prepared by the Statewide RMS Administrator.

We tested the quarter ended December 31, 2011, for testwork on Cost Allocation Process for fiscal year ended June 30, 2012. Based on testwork performed, we found that the RMS Administrator had made errors in the tables used by the Fiscal Directors to create the spreadsheets to calculate the administrative cost percentages for allocation to the federal programs. As a result of these errors, we found that DHS management failed to charge federal programs for all its allowable administrative costs based on the approved Cost Allocation Plan. Those programs were:

- Temporary Assistance for Needy Families (TANF) Cluster
- Low Income Home Energy Assistance Program
- Child Support Enforcement

When the state does not maximize the available federal revenue it must fund the program expenditures with state resources. DHS failed to draw $178,782 in available federal revenue.

Additionally as a result of the errors in the cost allocation spreadsheets, we found that DHS management overcharged the following federal programs based on the approved plan for the same quarter.

- Weatherization Assistance Program
- Child and Adult Care Food Program
- Summer Food Service Program for Children
- Social Security Disability Insurance

The overcharges to each of these federal programs were less than $10,000.

Other Errors Noted

Based on our testwork of the allocation process we also found the DHS management and staff had not maintained adequate supporting documentation for administrative costs associated with the Vision Integration Platform (VIP) system implementation. We discussed this issue with the Statewide Random Moment Sampling (RMS) Administrator who stated that DHS experienced personnel changes and had not maintained data regarding the VIP administrative costs since the first quarter of fiscal year ended June 30, 2012, (July 1, 2011, to September 30, 2011). Without the proper documentation neither we nor management could determine the effect of this inaccurate data when allocating costs to the TANF program. Additionally, we noted the

department's Cost Allocation Plan did not describe the process to identify, measure, and allocate the VIP system administrative costs to the TANF program. As a result we were unable to determine if management allocated costs appropriately to the TANF program.

The Office of Management and Budget Circular A-133 requires us to report known questioned costs when likely questioned costs are greater than $10,000. We found the known questioned costs related to overcharges were less than $10,000; however, as noted above, we were unable to determine the impact of the errors in documentation for TANF related costs.

Management had not addressed the risk of inadequate review of cost allocation spreadsheets in management's risk assessment. Without adequate reviews in the process to identify errors and inadequate documentation, management's risk of noncompliance with federal regulations is increased.

## Recommendation

The Commissioner should ensure that Fiscal Directors and RMS Administrator adequately review all quarterly cost allocation spreadsheets and maintain supporting documentation to ensure that costs are properly allocated and federal revenue is maximized. The Budget Analyst Coordinator should ensure that the *Cost Allocation Plan* is updated to describe the process to identify, measure, and allocate all the expenditures used the cost allocation tables.

## Management's Comment

We concur. It was identified that the Cost Allocation Table (CAT) was not calculating correctly during the October – December 2011 quarter and affected 3 of 30 Tables. Not all programs were impacted by the incorrect CAT calculation. The Random Moment Sample (RMS) Administrator rectified the error. The Department has since revised the cost allocation process to require the Budget Coordinator to review and approve the RMS Administrator's work each month. The Budget Coordinator will review all 30 CATs before the RMS Administrator provides the information to Fiscal Services.

| | |
|---|---|
| **Finding Number** | 12-DHS-08 |
| **CFDA Number** | 10.558 |
| **Program Name** | Child and Adult Care Food Program |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | 2010IN109945, 2011IN109945, 2012IN109945 |
| **Federal Award Year** | 2010 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility<br>Subrecipient Monitoring |
| **Questioned Costs** | $27,011 |

**A subrecipient of the Department of Human Services did not maintain applications, approve applications, or determine eligibility for individuals participating in the Child and Adult Care Food Program, resulting in federal questioned costs of $27,011**

## Finding

The Child and Adult Care Food Program (CACFP) is funded by the United States Department of Agriculture (USDA) through the National School Lunch Act, and is administered on the state level by the Tennessee Department of Human Services (DHS). Through the CACFP DHS provides payments to its subrecipients (institutions) for eligible meals served to individuals who meet age and income requirements.

According to DHS' *State of Tennessee Child and Adult Care Food Program Policies and Procedures Manual (CACFP Policies and Procedures Manual)*, published in May 2011, "to operate the CACFP and receive reimbursement, all independent child care centers and sponsoring organizations must keep accurate records on the eligibility of enrolled participants for free and reduced-price meals." In order to determine eligibility for individuals, institutions may use the *Income Eligibility Application for Participant* form (eligibility application) or may use alternate approved eligibility applications. The eligibility application includes household size and income or the individual's state case number when they receive benefits under the Supplemental Nutrition Assistance Program (formerly the Food Stamp Program) or the Temporary Assistance for Needy Families (TANF) program. Institutions use the information provided on the eligibility applications and the Federal Register's *Income Eligibility Guidelines* to determine if the individual is eligible to receive meals that are free, reduced, or paid. The individual's eligibility classification determines the institution's reimbursement rate from DHS.

We tested 124 individuals from 25 institutions that participated in CACFP from July 1, 2011, through June 30, 2012. We found that one institution, H. Belle's Child Care Center (H. Belle's) did not maintain applications for 5 of 124 individuals tested. According to the Director at H. Belle's, she stated that she could not locate the eligibility applications for the five individuals we selected for testwork as well as the applications for the forty-seven other individuals that participated in CACFP at H. Belle's. According to the Director none of the applications could be located either because the Accountant/Business Manager took them home

or the applications were misplaced in the office. Therefore, we could not determine if the individual's eligibility classification or whether H. Belle's staff had approved (signed and dated) these eligibility applications. Since the Director at H. Belle's did not maintain the eligibility applications for any of the individuals who participated in the program at H. Belle's from July 1, 2011, through June 30, 2012, we have questioned the reimbursement claims that H. Belle's filed with the Department of Human Services resulting in federal questioned costs of $27,011. We believe that H. Belle's was an isolated incident and that it was not reasonable to project the questioned costs to the entire population.

According to Title 7, *Code of Federal Regulations* (CFR), Part 226, Section 15(e),

> Each institution shall establish procedures to collect and maintain all program records required under this part, as well as any records required by the State agency. Failure to maintain such records shall be grounds for the denial of reimbursement for meals served during the period covered by the records in question and for the denial of reimbursement for costs associated with such records.

In addition, the *CACFP Policies and Procedures Manual*, "Free and Reduced-Price Meal Application," states:

> All agencies claiming reimbursement for free or reduced-price meals must maintain adequate income eligibility documentation. Adequate documentation to confirm the free and reduced-price eligibility of each participant includes the following:
>
> 1. A current application must be on file when reimbursement is claimed for free or reduced-price meals.

**Additional Testwork Performed**

We originally requested the eligibility applications from the Director at H. Belle's on October 18, 2012. When the Director could not locate the eligibility applications on the day of our visit, we followed up on November 13, 2012, and she stated that the applications still could not be located. On December 5, 2012, we received two of the missing eligibility applications from H. Belle's. For these two eligibility applications, the Director did not document the individual's eligibility on the application. To document the eligibility status on an application, the Director should circle free, reduced, or paid on the individual's application. According to our review of the eligibility applications, although the individual was not marked by the Director as free, it was determined by inspection of the application that both individuals were eligible to participate in the program for free price meals. The determination of a free meal was based on the individual's parents income qualifications for free meals according to the *CACFP Income Eligibility Guidelines for Free and Reduced Meals.*

According to 7, CFR 226.17(b)(8),

> Child care centers shall collect and maintain documentation of the enrollment of each child, including information used to determine eligibility for free and reduced price meals in accordance with §226.23(e)(1).

According to the *CACFP Policies and Procedures Manual*, "Determination of Eligibility,"

> The determining official(s) of each institution must determine the appropriate classification of each participant application based on the eligibility requirements for free, reduced-price, or paid (ineligible) meals.

We also reviewed the most recent program monitoring report for H. Belle's and found that the DHS program monitors classified issues noted in the report as findings, instead of serious deficiencies or did not find the issues we noted in their report. According to 7 CFR 226.6 (c)(3)(ii)(F)(H)(I)(K),

> Serious deficiencies for participating institutions are:…Failure to maintain adequate records,…Claiming reimbursement for meals not served to participants, Claiming reimbursement for a significant number of meals that do not meet Program requirements,…Failure of a sponsoring organization to disburse payments to its facilities in accordance with the regulations at §226.16(g) and (h) or in accordance with its management plan….

In the department's 2011 Risk Assessment, management identified the risk of inadequate eligibility documentation and improper federal/state reimbursements to the various institutions and sponsors that receive reimbursements from DHS. To mitigate this risk, management stated in its risk assessment that it monitors and audits for compliance and that if documentation is inadequate, questioned costs are determined and funds reimbursed. We determined that DHS only monitors the CACFP institutions every three years, unless a serious deficiency is noted. Since we found that the DHS program monitors have not appropriately classified deficiencies in the program review monitoring reports we believe management's monitoring efforts and mitigating controls were inadequate.

Failure to mitigate the risk of an institution not properly documenting the eligibility of an individual and approving the individual's eligibility application increases the likelihood that DHS will reimburse institutions inappropriately based on federal regulations.

## Recommendation

The Commissioner of DHS should ensure that the Director of Program Monitoring appropriately classifies issues noted in program monitoring reports as serious deficiencies as required by the CFR. The Director of CACFP and the Director of Program Monitoring should ensure through technical assistance and monitoring that institutions maintain eligibility applications for individuals participating in CACFP. The Director of CACFP and the Director of

Program Monitoring should also ensure that institution staff properly determine and approve an individual's eligibility by signing and dating the eligibility applications of individuals participating in CACFP. In addition, to address the risks, management should reassess the mitigating controls related to program monitoring and institutions to ensure the controls effectively mitigate the risks identified.

**Management's Comment**

The Department concurs with this finding. The Directors of External Program Review and the CACFP Program will reassess the review process to identify improvements in the identification and correction of deficiencies related to the determination, documentation and reporting of participant eligibility. The Director of CACFP will also ensure that additional training and technical assistance are provided to sponsor personnel.

| | |
|---|---|
| **Finding Number** | 12-DHS-09 |
| **CFDA Number** | 10.558 |
| **Program Name** | Child and Adult Care Food Program |
| **Federal Agency** | Department of Agriculture |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | 2010IN109945, 2011IN109945, 2012IN109945 |
| **Federal Award Year** | 2010 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles<br>Cash Management<br>Matching, Level of Effort, Earmarking |
| **Questioned Costs** | $724 |

**The Department of Human Services did not ensure Child and Adult Care Food Program sponsoring organizations followed proper claim reimbursement and payment procedures, resulting in federal questioned costs of $724**

## Finding

The Department of Human Services (DHS) manages the Child and Adult Care Food Program (CACFP), which is funded by the United States Department of Agriculture (USDA) through the National School Lunch Act. CACFP provides payments to homes or centers that provide eligible meals to eligible participants. In addition, CACFP provides payments to cover administrative costs of the sponsoring organizations that sponsor the child care homes, unaffiliated child care centers, and adult care centers participating in the program. According to the *State of Tennessee, Child and Adult Care Food Program, Policies and Procedures Manual (CACFP Policies and Procedures Manual)*, published in May 2011, a sponsoring organization is defined as

> A public or private non-profit organization that is entirely responsible for the administration of the CACFP in two (2) or more child or adult care center(s) which are or are not legally distinct from the sponsoring organization. The term "sponsoring organization" also includes a for-profit organization which is entirely responsible for administration of the CACFP in any combination of two or more centers which are part of the same legal entity as the sponsoring organization. In addition, the term 'sponsoring organization' includes public or private non-profit organizations which are entirely responsible for the administration of the CACFP in child care homes.

### Sponsoring Organizations of Unaffiliated Centers

Sponsoring organizations of unaffiliated centers must submit claims for meal reimbursement to DHS monthly. Based on DHS' guidelines, sponsoring organizations must submit the reimbursement claim based on a full months meal activity. Sponsors are also expected to use the claiming percentages method to file its monthly claims. To follow the

claiming percentages method, a sponsor must report how many meals of each type (breakfast, lunch, supper, supplement) were served during a given month and how many children were in each category (free, reduced, paid) for that month. DHS calculates the sponsoring organizations' reimbursement payments based on the percentage of children in each eligibility category (free, reduced, paid) multiplied by the number of meals of each type. The product is then multiplied by the respective federal rates of reimbursement. Also, according to the *CACFP Policies and Procedures Manual*, "Sponsoring organizations of unaffiliated centers must maintain records of their administrative costs, if any portion of the meal payments received from the TDHS are used for administrative purposes." According to Title 7, *Code of Federal Regulations* (CFR), Part 226, Section 16(b)(1), no more than 15% of meal reimbursements received from DHS may be used for administrative costs.

**Sponsoring Organizations of Homes**

Sponsoring organizations of day care homes must also submit claims for meal reimbursement to DHS monthly. DHS calculates payments for meal reimbursement by multiplying the number of meals of each type served by the appropriate Tier I or Tier II reimbursement rates for each type of meal (breakfast, lunch, supper, supplements). Sponsoring organizations of day care homes also receive monthly administrative payments from DHS. The department calculates administrative payments by multiplying the number of homes submitting a reimbursement claim by the appropriate reimbursement rate.

The USDA annually updates reimbursement rates, which are effective July 1 of each year. The following reimbursement rates were in effect for July 1, 2011, through June 30, 2012:

| **Sponsors of Child Care Homes Administrative Funds** | |
|---|---|
| First 50 homes | $106 |
| Next 150 homes | $81 |
| Next 800 homes | $63 |
| Over 1,000 homes | $55 |

| Meal Rates for Sponsors of Child Care Centers | | | |
|---|---|---|---|
| **Eligibility** | **Breakfast** | **Lunch/Dinner** | **Supplements** |
| Free | $ 1.51 | $ 2.9925 | $ 0.76 |
| Reduced | $ 1.21 | $ 2.5925 | $ 0.38 |
| Paid | $ 0.27 | $ 0.4825 | $ 0.07 |

| Meal Rates for Sponsors of Child Care Homes | | | |
|---|---|---|---|
| **Eligibility** | **Breakfast** | **Lunch/Dinner** | **Supplements** |
| Tier 1 | $ 1.24 | $ 2.32 | $ 0.69 |
| Tier 2 | $ 0.45 | $ 1.40 | $ 0.19 |

We selected 22 sponsoring organizations of child care homes and unaffiliated child care centers that participated in CACFP and received meal reimbursement payments from July 1, 2011, through June 30, 2012. For these 22 sponsors, we randomly selected a monthly reimbursement received by each sponsoring organization from fiscal year ended June 30, 2012. From that monthly reimbursement, we randomly chose five centers or homes that were reimbursed by the sponsor. If the reimbursement claim was for less than five centers or homes, we tested all the centers or homes that were reimbursed, which involved 76 feeding sites. Based on testwork performed, we found that the Director of Program Monitoring and the Director of CACFP at DHS did not ensure that sponsoring organizations followed proper procedures in submitting claims to DHS and/or disbursing reimbursement claims to the centers or homes while participating in CACFP, resulting in federal questioned costs of $724.

Under the current process DHS management and staff must rely on its monitoring efforts to ensure sponsoring organizations seek reimbursement based on actual meals served. Based on the results of our testwork, we also determined that DHS's monitoring efforts were not sufficient to detect problematic billings from sponsoring organizations. See details below.

**Administrative Funds Claimed Incorrectly**

For the 22 sponsoring organizations tested, there were 12 sponsors of child care homes that received a payment from an original reimbursement claim for administrative funds. Based on testwork performed, we determined that the Director of CACFP at DHS did not properly reimburse one of 12 sponsors of child care homes tested (8%) for its administrative costs. The Center Supervisor at Chattanooga Human Services Department (CHSD) claimed five homes instead of four homes on the January 2012 reimbursement claim. This resulted in an overpayment of $106 for administrative costs. The Center Supervisor at CHSD agreed the

reimbursement claim was incorrect. 7 CFR 226.6(b)(4)(iv), instructs sponsors to "Have a system in place to ensure that administrative costs funded from Program reimbursements do not exceed regulatory limits set forth at §§ 226.12(a) and 226.16(b)(1)."

**DHS Did Not Discover Inaccurate Reimbursement Claims**

Based on testwork performed, we found that sponsors submitted inaccurate reimbursement claims to DHS for 7 of 76 feeding sites tested (9%). We specifically found that the sponsors submitted claims that were not based on actual meals served.

- For four of the seven feeding sites tested, the Center Supervisor at CHSD overstated the lunch meal counts by 120 on the January 2012 reimbursement claim. We compared the reimbursement claim submitted by CHSD to the meal counts submitted by the feeding sites to determine the overstatement. This resulted in an overpayment of $278.40 for meals served. The Center Supervisor at CHSD agreed the reimbursement claim was incorrect.

- For two of the seven feeding sites tested, the Director for the Child Care Centers at Karamu Nutrition Program overstated the breakfast, lunch, dinner, and supplement meal counts on the revised October 2011 reimbursement claim. The child care centers submit a claim sheet every month that shows attendance totals, the maximum number of meals the center could claim in the month, and the actual number of meals served. The two child care centers received a payment for the maximum number of meals they could have claimed instead of a payment for the actual number of meals served. Pyramid Quality Childcare Center, Incorporated (Inc.) actually served 304 breakfasts, 304 lunches, 158 dinners, and 375 supplements but was paid for the maximum number of meals allowed at 390 breakfasts, 310 lunches, 159 dinners, and 469 supplements. This resulted in an overpayment of $203.80. JoAnn's Kids Learning Academy actually served 142 breakfasts and 142 lunches but was paid for the maximum number of meals allowed at 220 breakfasts and 220 lunches. The payment for supplements was correct. This resulted in an overpayment of $103.81. According to the Director at Karamu Nutrition Program, he set up a program that had edit checks to ensure that allowable meal counts were claimed by the two feeding sites. However based on our review of the *Karamu Center Reimbursement Statements* we determined that the program set up by the Director did not have sufficient edit checks to ensure that centers were reimbursed for allowable meals served.

- For one of the seven feeding sites tested, the staff member of the Child Care Homes at Karamu Nutrition Program overstated the breakfast, lunch, dinner, and supplement meal counts on the March 2012 reimbursement claim. The child care home actually served 54 breakfasts, 64 lunches, 61 dinners, and 54 supplements but was paid for the maximum number of meals allowed at 66 breakfast, 66 lunches, 66 dinners, and 66 supplements. We noted on the attendance sheet for March 19, 2012, the initials "MC" were written where meals would normally be claimed. Karamu Nutrition Program's monitor, "MC," made a site visit that day and wrote her initials down for

> any child who was not present that day; therefore, meals claimed for children not present should have been disallowed. This resulted in an overpayment of $39.40. According to the staff member at Karamu Nutrition Program, staff did not review the attendance sheet and the claim sheet submitted by the child care home to check for disallowances in meal counts.

According to 7 CFR 226.10(c),

> Prior to submitting its consolidated monthly claim to the State agency, each sponsoring organization must perform edit checks on each facility's meal claim. At a minimum, the sponsoring organization's edit checks must: (1) Verify that each facility has been approved to serve the types of meals claimed; (2) Compare the number of children enrolled for care at each facility, multiplied by the number of days on which the facility is approved to serve meals, to the total number of meals claimed by the facility for that month. Discrepancies between the facility's meal claim and its enrollment must be subjected to more thorough review to determine if the claim is accurate.

**DHS was Unaware That a Sponsoring Organization Calculated Feeding Sites Payments Incorrectly**

For the 76 feeding sites tested, the sponsoring organization was required to calculate payment to 72 feeding sites. Sponsoring organizations use the attendance records and meal counts submitted by the feeding sites to calculate the claim for meal reimbursement submitted to DHS. The Director at Learning Block Nutrition Services, Inc. incorrectly calculated the July 2011 claim payments for 2 of 72 feeding sites tested (3%) based on the attendance records and meal counts. Feeding site number 1 was reimbursed $499.20; based on our recalculations, this site should have received $510.00, resulting in an underpayment of $10.80. Feeding site number 2 was reimbursed $636.10; based on our recalculations, this site should have received $633.13, resulting in an overpayment of $2.97. The Director at Learning Block Nutrition Services, Inc. stated the discrepancies were due to mathematical errors. He stated that he normally performs reimbursement calculations in Excel, but these calculations were done by hand for this particular month. We reviewed the hand written calculations due to the errors found and determined the errors to be mathematical errors. According to 7 CFR 226.6(b)(C)(2)(iii), each site must ensure that it "Has a financial system with management controls specified in writing…. That claims will be processed accurately, and in a timely manner."

**DHS Allowed a Sponsoring Organization to Reimburse Feeding Sites Beyond the 5 Day Requirement**

For the 76 feeding sites tested, the sponsoring organization was required to disburse payment to 72 feeding sites within five days. Based on testwork performed, the sponsoring organization, Wright's Human Resources, did not disburse the payment received from DHS to 5 of 72 feeding sites tested (7%) within five working days. Wright's Human Resources received payments from DHS on February 8, 2012, and February 15, 2012, for the January 2012 (original and revised) reimbursement claim; however, the Director at Wright's Human Resources did not

disburse these payments until February 29, 2012. Since, the Director at Wright's Human Resources was not able to explain to us which feeding sites were reimbursed from the two DHS payments received, we could not determine which claim the feeding sites were reimbursed for on the payment received from the sponsoring organization on February 29, 2012. We calculated the number of days late based on the February 8, 2012, and February 15, 2012, payments received, which is fourteen to nine working days before the sponsoring organization disbursed payments to the feeding sites. In addition to the 5 feeding sites tested, the Director at Wright's Human Resources did not disburse payments received from DHS to its other 13 feeding sites. According to 7 CFR 226.16(h), "Sponsoring organizations shall make payments of program funds to child care centers, adult day care centers, emergency shelters, at-risk afterschool care centers, or outside-school-hours care centers within five working days of receipt from the State agency…."

**Review of Management's Monitoring Efforts**

We reviewed the most recent program monitoring reports for each of the sponsoring organizations noted above and found that program monitors classify issues noted in its reports as findings instead of serious deficiencies or did not report the issues we noted. According to 7 CFR 226.6 (c)(3)(ii)(F)(H)(I)(K),

> Serious deficiencies for participating institutions are:…Failure to maintain adequate records,…Claiming reimbursement for meals not served to participants, Claiming reimbursement for a significant number of meals that do not meet Program requirements,…Failure of a sponsoring organization to disburse payments to its facilities in accordance with the regulations at §226.16(g) and (h) or in accordance with its management plan….

We also reviewed the corrective actions for the program monitoring reports for each of the sponsoring organizations noted above and found that the corrective actions were not reliable. Specifically, the sponsoring organizations did not explain the actions needed to be taken to correct the issues noted in the monitoring reports, yet these corrective actions were accepted by DHS.

In the department's 2011 risk assessment, management identified the risks of verifying claims, falsifying claims, and inflating meal counts by sponsoring organizations. To mitigate these risks, management monitors sponsoring organizations for compliance every three years and has a corrective action process in place. We determined that DHS only monitors the CACFP sponsoring organizations every three years, unless a serious deficiency is noted in the program review monitoring report and that the corrective action process was not reliable. Our testwork revealed the DHS program monitors did not properly classify monitoring deficiencies as discussed in finding 12-DHS-08; therefore, management's monitoring efforts and mitigating controls were inadequate.

These issues resulted in federal questioned costs of $724. Our testwork included a review of 22 sponsoring organizations, representing $710,191 of reimbursement claims to sponsoring organizations from a total population of $20,597,959. The Office of Management and Budget Circular A-133 requires us to report known questioned costs when likely questioned

costs are greater than $10,000 for a type of compliance requirement for a major program. We believe that likely questioned costs could exceed $10,000.

Failure to mitigate the risk of sponsoring organizations

- receiving the improper amount of administrative funds;
- calculating meals claimed incorrectly; and
- disbursing amounts to feeding sites based on incorrect amounts claimed

increases the likelihood of sponsoring organizations' and feeding sites' receiving reimbursement payments they are not entitled to. Also, failure to mitigate the risk of sponsoring organizations making untimely reimbursement payments increases the likelihood of sponsoring organization causing undue hardship to homes and centers participating in CACFP.

## Recommendation

The Commissioner of DHS should ensure that the Director of Program Monitoring classifies issues noted in program monitoring reports as serious deficiencies as defined by the CFR. The Director of Program Monitoring and the Director of CACFP should ensure that the sponsoring organizations submit corrective actions that specifically state the steps needed to be taken to correct the issues noted in the program monitoring reports. The Director of Program Monitoring should also ensure that program monitoring staff perform monitoring activities to ensure that sponsoring organizations

- receive the proper amount of administrative funds;
- calculate meals claimed correctly;
- disburse amounts to feeding sites based on the amounts claimed; and
- disburse meal reimbursement payments in accordance with the five-day time limit.

The Director of CACFP should also provide additional technical assistance to sponsoring organizations that have issues noted in the program monitoring reports. In addition, to address the risks, management should reassess the mitigating controls related to verifying claims, falsifying claims, and inflating meal counts by sponsoring organizations.

## Management's Comment

The Department concurs with this finding. The Director of External Program Review will reassess monitoring operations and take all necessary steps to ensure the timely identification of sponsor deficiencies. The Director of CACFP will also ensure that additional training and technical assistance are provided to sponsor personnel.

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| **Finding Number** | 12-DHS-13 |
| **CFDA Number** | 10.558, 10.559, 81.042, 93.558, 93.563, 93.568, 93.575, 93.596, and 96.001 |
| **Program Name** | Child and Adult Care Food Program<br>Summer Food Service Program for Children<br>Weatherization Assistance Program for Low-Income Persons<br>Temporary Assistance for Needy Families Cluster<br>Child Support Enforcement<br>Low-Income Home Energy Assistance Program<br>Child Care and Development Fund Cluster<br>Disability Insurance/SSI Cluster |
| **Federal Agency** | Department Agriculture<br>Department of Energy<br>Department of Health and Human Services<br>Social Security Administration |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | 2010INI09945, 2011INI09945, 2012INI09945, DE-FG26-07NT43135, DE-EE0000114, G1002TNTANF, G1102TNTANF, G1202TNTANF, G0804TN4004, G0904TN4004, G1004TN4004, G1104TN4004, G1205TN4004, G10B1TNLIEA, G11B1TNLIEA, G12B1TNLIEA, G0901TNCCDF, G1001TNCCDF, G1101TNCCDF, G1201TNCCDF, 04-09-04TNDI100, 04-10-04TNDI100, 04-11-04TNDI100, 04-12-04TNDI100 |
| **Federal Award Year** | 2007 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Cash Management |
| **Questioned Costs** | $6,094,932 (93.596) |

**The department did not properly review and approve federal cash drawdowns or ensure that cash management duties were properly segregated prior to requesting funds from the federal awarding agencies; in addition, the department's Edison review process did not detect a miscoded transaction that affected federal cash drawdowns, increasing the risk of overdrawn federal funds**

## Finding

The Department of Human Services (DHS) is responsible for adequate cash management for all of its federal programs. In the cash management process, a state either receives cash advances or cash reimbursements from the federal awarding agencies that oversee federal grant programs. For those programs that operate on a cash reimbursement basis, the state incurs program expenditures first and then requests federal funds to offset state spending under these programs. The request for and receipt of federal funds is called a federal cash drawdown. DHS operates all of its programs on a cash reimbursement basis. Programs may be 100% federally funded or funded with a combination of state and federal funds.

For the Child Care and Development Fund (CCDF) program, the state is required to fund or match a percentage of certain expenditures as prescribed by the United States Department of Health and Human Services annually. The department uses a report generated by Edison, the State's accounting system, called the "TN_GR03 Billing Summary" (GR03 report), which contains a list of expenditures by federal programs, to assist them in preparing the federal cash drawdowns.

Based on our work performed during the audit, we discovered two issues involving the cash management process. We found that management

- failed to document supervisory review and approval of federal cash drawdowns prior to drawing funds from the federal awarding agency; and

- approved a miscoded transaction within Edison which was incorrectly charged to the Child Care Mandatory and Matching Funds for the CCDF, resulting in an overdraw of federal funds for this program.

**No Documentation of Supervisory Review**

Under the current process, the Fiscal Director over Administration and Family Assistance oversees the department's federal cash drawdown process for all federal programs it administers. An Accountant III who reports to the Fiscal Director over Administration and Family Assistance is responsible to determine the draw amounts for each federal program using the GR03 report and for drawing the funds. Once the state receives the federal funds, an Accounting Technician records the receipt of federal funds in Edison.

For the fiscal year ended June 30, 2012, we tested 64 federal expenditures to determine if the department's federal draws were proper. Based on our testwork, we found that the Fiscal Director over Administration and Family Assistance did not document or adequately document his supervisory review and approval of the GR03 report for 52 of the 64 expenditures tested (81%) prior to initiating the drawdown of federal funds.

Specifically, we found that for 3 of the 52 errors (6%) noted above, the Fiscal Director documented his review by signing the GR03; however, for two of the three errors, he documented his review after the Accountant III requested federal funds. For the other one, he signed the GR03 but did not date it, so we could not determine if he reviewed it prior to the draw.

For the remaining 49 errors (94%), the Fiscal Director did not document his review and approval of the GR03.

**No Segregation of Duties**

The Fiscal Director over Administration and Family Assistance also failed to properly segregate duties surrounding cash management and the cash drawdown process. We found that between February and May 2012, the Fiscal Director reviewed and approved the GR03 report the Accountant III prepared; however, in May 2012, the Accountant III went on extended leave, and

the Fiscal Director performed all the cash management functions. The Fiscal Director used the GR03 to determine the amounts to draw, did his own review, and drew the funds from the federal awarding agencies. During our discussions with the Fiscal Director about the results of our work, because of limited staff, the Fiscal Director did not have another employee to properly maintain segregation of duties. He stated he understands a supervisory review needs to take place prior to requesting funds from the federal awarding agencies. According to the Fiscal Director, he will continue to work on the procedures over cash drawdowns and the approval process and is currently training another accountant to ensure that he maintains segregation of duties.

The Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 6 Internal Controls, "describes characteristics of internal control …that should reasonably assure compliance with the requirements of Federal laws, regulations, and program compliance requirements." The Compliance Supplement suggests that internal controls for cash management would involve an "appropriate assignment of responsibility for approval of cash drawdowns, requests for reimbursement, and payments to subrecipients." The Compliance Supplement also suggests an "appropriate level of supervisory review of cash management activities." A program-wide control activity includes an "adequate segregation of duties provided between performance, review, and recordkeeping of a task."

**Miscoded Transaction Billed to Child Care Mandatory and Matching Funds for the CCDF Program**

The former Fiscal Director over Adult and Community Services was responsible for CCDF's program accounting and ensuring the state's federal matching percentage of program expenditures was proper. The Accountant III for the CCDF program entered transactions into Edison, and the former Fiscal Director approved them. The maximum allowable amount of federal funds that DHS can draw is based on the Federal Medical Assistance Percentages (FMAP) applicable for the audit period and is the federal government's participation for CCDF program.

Based on our reconciliation of CCDF program expenditures to cash drawdowns recorded to the CCDF program, we determined that the Fiscal Director over Adult and Community Services drew more federal funds than was allowed for this program. When we brought this issue to management's attention, we were told that the Accountant III miscoded a closing journal entry totaling $6,094,932 that should have been credited back to the CCDF program. Because of the miscoding, this credit did not appear on the GR03 report and the federal drawdowns were not adjusted before June 30, 2012. As a result, we are questioning $6,094,932 in federal questioned costs.

After discussions with the Director of Operations, the Accountant III for the CCDF program, and the Fiscal Director over Administration and Family Assistance, the Accountant III corrected the error and ultimately corrected the federal cash draws on December 11, 2012.

The OMB Circular A-133 Compliance Supplement, Part 6 Internal Controls, under Control Activities, suggests that internal controls for matching involve an "adequate review of

monthly cost reports and adjusting entries," and a "supervisory review of matching…performed to assess the accuracy and allowability of transactions and determinations…."

When a Fiscal Director does not review or approve the federal cash drawdowns or fails to detect errors that affects the federal cash drawdowns, the risk that federal funds could be overdrawn and not detected promptly is increased, and the state may owe the federal government accumulated interest on any amount overdrawn. Furthermore, we noted that the department did not address the risk of overdrawn federal funds or payment of unnecessary interest incurred for overdrawn federal funds in its risk assessment.

## Recommendation

The Assistant Commissioner for Finance and Administration at the Department of Human Services should ensure that documentation used to determine cash drawdown amounts are reviewed and approved prior to requesting federal funds. He should also ensure that staff are properly trained in the federal drawdown process and that duties are properly segregated. The Assistant Commissioner should also ensure that staff reviews federal transactions for all programs requiring matching funds annually to ensure the department only draws the amount allowed. In addition, the Assistant Commissioner should ensure that the risks noted in this finding are addressed in the department's annual risk assessment.

## Management's Comment

We concur. The Department has revised the federal revenue drawdown process to require documented pre-approval by another staff before drawing federal revenue. The Department is also in the process of adding another staff member to assist with the federal revenue draw.

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| **Finding Number** | 12-DOE-04 |
| **CFDA Number** | 10.560, 84.010, 84.389, 84.027, 84.196, 84.358, 84.365, 84.367, 84.377, 84.388, and 84.386 |
| **Program Name** | State Administrative Expenses for Child Nutrition<br>Title I, Part A Cluster<br>Special Education Cluster (IDEA)<br>Education of Homeless Children and Youth Cluster<br>Rural Education<br>English Language Acquisition State Grants<br>Improving Teacher Quality State Grants<br>School Improvement Grants Cluster<br>Educational Technology State Grants Cluster |
| **Federal Agency** | Department of Agriculture<br>Department of Education |
| **State Agency** | Department of Education |
| **Grant/Contract No**. | 2011IN253345, 2012IN253345, S010A090042, S010A100042, S010A110042, S389A090042, H027A070052, H027A090052, H027A100052, H027A110052, S196A090044, S196A100044, S196A110044, S358B090042, S358B100042, S358B110042, S365A090042, S365A100042, S365A110042, S367A090040, S367A100040, S367A110040, S377A090043, S388A090043, S386A090042 |
| **Federal Award Year** | 2007 through 2013 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Activities Allowed or Unallowed<br>Allowable Costs/Cost Principles |
| **Questioned Costs** | $69,155 (10.560)<br>$195,991 (84.010)<br>$48,873 (84.389)<br>$92,399 (84.027)<br>$14,537 (84.196)<br>$18,763 (84.358)<br>$9,012 (84.367)<br>$2,969 (84.386) |

**The Tennessee Department of Education did not ensure that personnel expenditures charged to federal awards were supported by adequate, timely documentation and did not ensure that Improving Teacher Quality and Title I, Part A funds were used for allowable activities, resulting in federal questioned costs of $451,699**

## Finding

The Tennessee Department of Education (TDOE) did not adhere to federal requirements prescribed by Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," and the United States Department of Education

for documenting personnel expenditures charged to various federal awards. In addition, the department did not ensure that school improvement funds from the department's Title I Grants to Local Educational Agencies award and state activities funds from the department's Improving Teacher Quality award were used for allowable activities.

**Inadequate Time and Effort Documentation**

We tested the population of 52 TDOE employees whose personnel expenditures were fully or partially funded using consolidated state administrative funds and ultimately charged as direct costs to the grants. Consolidated state administrative funds are funds provided for state administration from programs originally authorized by the Elementary and Secondary Education Act of 1965 (ESEA). The department consolidates these amounts and uses the funds to administer various ESEA programs (for example, English Language Acquisition State Grants and Improving Teacher Quality State Grants). In order to determine whether the personnel expenditures charged to the consolidated state administrative funds for these employees were supported by adequate documentation in accordance with federal requirements, we compared the funding sources the department used to compensate the employees to the department's time and effort documentation.

Based on our review, we found that for 51 of 52 employees tested (98%), the former Fiscal Director, the Budget Director, the Executive Director of Federal Programs, and the former Executive Director of Technology did not ensure that the employees' personnel expenditures were adequately documented in accordance with OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," Attachment B, paragraphs 8.h.(3-5), and did not ensure that allocations of personnel expenditures to federal awards were performed in accordance with the substitute system approved by the United States Department of Education.

OMB Circular A-87, Attachment B, paragraph 8.h., establishes standards for documenting employee time and effort when personnel expenditures are charged to federal awards. Specifically, employees that work solely on one federal award (single cost objective employees) must prepare certifications that meet federal requirements and must prepare these certifications at least semi-annually. Employees that work on a federal award and on other federal or state awards and activities (multiple cost objective employees) must prepare personnel activity reports (or equivalent documentation) that meet certain requirements and must prepare this documentation at least monthly, unless a substitute method is approved by the cognizant federal agency.

Our testwork revealed that the department did not ensure that personnel expenditures charged to the following federal programs and clusters were supported by adequate documentation:

- State Administrative Expenses for Child Nutrition (CFDA 10.560)
- Title I, Part A Cluster (CFDA 84.010 and 84.389)

- Special Education - Grants to States program (CFDA 84.027) within the Special Education Cluster (IDEA [Individuals with Disabilities Education Act] )

- Education for Homeless Children and Youth program (CFDA 84.196) within the Education of Homeless Children and Youth Cluster

- Rural Education (CFDA 84.358)

- English Language Acquisition State Grants (CFDA 84.365)

- Improving Teacher Quality State Grants (CFDA 84.367)

- School Improvement Grants Cluster (CFDA 84.377 and 84.388)

- Education Technology State Grants, Recovery Act program (CFDA 84.386) within the Educational Technology State Grants Cluster

We found that documentation supporting personnel expenditures charged to the consolidated administrative funds for single cost objective employees and multiple cost objective employees was inadequate due to numerous deficiencies, including the following:

- time and effort documentation was not always signed and/or dated;

- employees signed time and effort documentation prior to the end of the time period to which the documentation was applicable;

- employees did not always prepare time and effort documentation;

- time and effort documentation did not always specify the cost objectives on which employees worked; and

- time and effort documentation did not include leave as a cost objective.

For TDOE's multiple cost objective employees who worked as administrative staff in TDOE's field offices, the United States Department of Education approved a substitute system for time and effort reporting. Based on our testwork, we found that TDOE did not allocate personnel expenditures for these employees to federal awards based on the approved substitute system. The approved substitute system required allocations of personnel expenditures for certain administrative staff in field offices to be based on personnel activity reports (PARs) prepared by program staff that worked in the field offices alongside the administrative staff. We found that the former Fiscal Director and the Budget Director did not base allocations of administrative staff's personnel expenditures on PARs. Instead, the former Fiscal Director and the Budget Director inappropriately allocated administrative staff's personnel expenditures to federal awards based on the proportion of program staff in the field offices that worked on each federal award or state activity.

In addition to the 52 employees tested, we found that the Executive Director of School Nutrition Services did not ensure that the personnel expenditures for 20 employees in the Division of School Nutrition Services charged to the State Administrative Expenses for Child Nutrition (SAE) program during the fiscal year ended June 30, 2012, were supported by adequate time and effort documentation. According to the Executive Director of School Nutrition Services, employees within the Division of School Nutrition Services did not maintain time and effort documentation during the fiscal year and had not prepared this documentation in years.

Discussions with the Executive Director of Federal Programs, the former Fiscal Director, and the Executive Director of School Nutrition Services revealed that personnel expenditures for these employees were not supported by adequate documentation because of a variety of factors. These factors included employees' lack of awareness of federal requirements for time and effort documentation, the former Fiscal Director's belief that program personnel were responsible for ensuring that personnel expenditures were allocated to federal awards in accordance with the substitute system approved by the United States Department of Education, and the Executive Director of Federal Programs' belief that payroll records in Edison (the state's accounting system) met the federal requirements for time and effort documentation. In addition, we noted that after receiving a letter dated November 12, 2008, from the United States Department of Education identifying deficiencies in TDOE's standard PARs, TDOE did not revise its time and effort documentation to address these deficiencies.

For TDOE's single cost objective employees, after we brought these issues to the Executive Director of School Nutrition Services' and the Executive Director of Federal Programs' attention, the Executive Directors addressed these problems by preparing certifications that met federal requirements or by having the employees prepare certifications that met federal requirements. Federal regulations require employees working on a single cost objective to prepare certifications at least semi-annually. The new and revised certifications we were provided were prepared between 4 and 14 months after the end of the certification period. We contacted a Program Attorney within the United States Department of Education's Office of General Counsel, and he indicated that, as part of the audit resolution process, his department has accepted late certifications for single cost objective employees as adequate support for costs charged to federal awards in the past. As a result, we did not question the personnel expenditures charged to federal awards for single cost objective employees.

Because the Executive Director of Federal Programs, the former Fiscal Director, and the Budget Director could not provide adequate time and effort documentation to support personnel expenditures charged to federal awards for the multiple cost objective employees, we questioned $316,628 in federal costs charged to various awards. See the chart below for programs and questioned costs.

| CFDA No. | Program | Federal Questioned Costs |
|---|---|---|
| 10.560 | State Administrative Expenses for Child Nutrition | $69,155 |
| 84.010 | Title I Grants to Local Educational Agencies | 113,346 |
| 84.027 | Special Education - Grants to States | 92,399 |
| 84.358 | Rural Education | 18,763 |
| 84.367 | Improving Teacher Quality State Grants | 5,459 |
| 84.196 | Education for Homeless Children and Youth | 14,537 |
| 84.386 | Education Technology State Grants, Recovery Act | 2,969 |
| | **Total** | $316,628 |

After we brought this matter to the attention of the Executive Director of Federal Programs, the Executive Director of Federal Programs and fiscal personnel reversed $21,793 of the personnel expenditures inappropriately charged to federal awards and charged the expenditures to state revenue funds. Specifically, the Executive Director and fiscal personnel reversed the following expenditures and charged them to state revenue sources:

| CFDA No. | Program | Reversed Expenditures |
|---|---|---|
| 84.010 | Title I Grants to Local Educational Agencies | $3,896 |
| 84.367 | Improving Teacher Quality State Grants | 391 |
| 84.196 | Education for Homeless Children and Youth | 14,537 |
| 84.386 | Education Technology State Grants, Recovery Act | 2,969 |
| | **Total** | $21,793 |

**Unallowable Activities**

During our review of time and effort documentation, we also found that the Executive Director of Federal Programs failed to ensure that amounts reserved for school improvement activities from the department's Title I, Part A grant funds and amounts reserved for state activities from the department's Improving Teacher Quality grant funds were used for allowable activities in accordance with Title 20, *United States Code* (USC), Section 6303(a), and 20 USC 6613(a), respectively, resulting in $135,071 in federal questioned costs.

According to 20 USC 7821(a), TDOE may only consolidate funds specifically made available for state administration. According to 20 USC 6303(a) and 20 USC 6613(a), neither school improvement funds nor state activities funds are specifically made available for state administration. Since TDOE was not permitted to consolidate school improvement funds or state activities funds with its consolidated administrative funds, the Executive Director of Federal Programs should not have charged personnel expenditures for five employees working on the consolidated administrative cost objective to school improvement funds or state activities funds. Therefore, we questioned federal costs of $135,071 charged to various awards. See the chart below for programs and questioned costs.

| CFDA No. | Program | Federal Questioned Costs |
|---|---|---|
| 84.010 | Title I Grants to Local Educational Agencies | $82,645 |
| 84.367 | Improving Teacher Quality State Grants | 3,553 |
| 84.389 | ARRA-Title 1 Grants to Local Educational Agencies, Recovery Act | 48,873 |
| | **Total** | $135,071 |

Discussions with the Executive Director of Federal Programs revealed that she was not aware that personnel expenditures for the five employees were charged to Title I, Part A school improvement activities funds and to Improving Teacher Quality state activities funds until we brought this matter to her attention. According to the Executive Director, school improvement funds and state activities funds were expended for unallowable activities because staff within the department's fiscal office were confused regarding whether the Title I, Part A school improvement funds and Improving Teacher Quality state activities funds were consolidated administrative funds. After we brought this matter to the attention of the Executive Director of Federal Programs, the Executive Director of Federal Programs and fiscal personnel reversed the personnel expenditures charged to federal awards and charged the expenditures to the consolidated administrative funds, as appropriate.

**Conclusion**

Failure to comply with federal requirements for documenting employee time and effort increases the likelihood that federal funds may be charged for services that were not performed. In addition, failure to ensure that federal funds are only expended for allowable activities increases the likelihood that the objectives of federal awards may not be met. We also noted that the risks relating to inadequate support for personnel expenditures charged to federal awards and the risks relating to expenditures of federal awards for unallowable activities were not included in management's annual risk assessment.

## Recommendation

The Commissioner of the Tennessee Department of Education should ensure that personnel expenditures charged by staff to federal awards are supported by timely, adequate documentation prepared in accordance with federal requirements. The Commissioner should also ensure that staff revise the department's standard PARs to comply with federal requirements. In addition, he should ensure that both program staff and fiscal staff are adequately trained with respect to federal requirements for documenting employee time and effort.

The Commissioner should require supervisors and program directors to periodically compare the funding sources used to compensate employees with the employees' job duties and corresponding time and effort documentation to ensure that the employees' personnel costs are

being charged to the appropriate funding source(s). Supervisors and program directors should promptly notify fiscal personnel in the event that any errors in payroll information are identified. In addition, the Commissioner should require fiscal personnel to obtain and maintain prior, written approval from program directors before making accounting adjustments to federal awards.

Finally, management should include the risks noted in this finding in management's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the Commissioner.

**Management's Comment**

We concur that there were weaknesses in the TDOE's time and effort procedures and documentation. As noted in the audit report, the TDOE has taken proactive steps to correct these issues as they were identified. Further, we have reconfigured expenditures to ensure they are charged to the appropriate programs and have amended our policies and procedures to ensure proper accounting going forward. As a result of these measures, we believe we have addressed and will have remedied all questioned costs by March 31, 2013.

Time and effort documentation was inadequate.

We concur that there were deficiencies in the FY12 (2011-12) time and effort documentation. As these deficiencies were identified during the audit, immediate corrective action was taken to address the FY12 concerns: semi-annual certifications of ESEA Consultants and others were amended to reflect appropriate signatures, dates and cost objectives. In addition, as recognized by the auditors and as noted in the audit finding, the TDOE reversed $21,793 of the personnel expenditures inappropriately charged to federal awards and charged the expenditures to state revenue funds.

In the current fiscal year (2012-13), the responsibility for the communication, collection, and review of the PARs and semi-annual certifications has been reassigned to supervisory staff to ensure adequate oversight and review. Departmental forms, including New Hire information forms, PAR and semi-annual certifications have been revised to include all elements required in OMB Circular A-87. The TDOE has also instituted a policy requiring a supervisory signature on all time and effort documentation to ensure compliance with federal grant regulations as well as provide pertinent information on employee effort. The TDOE has provided time and effort training for employees paid with federal and state-match funds. To date, 75 percent of these employees have been trained, and by March 31, 2013, we expect to have trained 100 percent of these employees. In addition, effective for the quarter ending March 31, 2013, information from the TDOE budget office will be disseminated to supervisors and directors at least quarterly, allowing even greater oversight of employee time and effort.

In FY14 (2013-14), TDOE personnel will continue to use PARs and semi-annual certifications to document time and effort, including regional directors and secretaries. The TDOE will no longer use a substitute system for regional office administrative staff.

It is our goal to ultimately utilize Edison as the system of record to document time and effort. This will create more uniformity and ease the reporting burden on employees. Task profiles will be created to identify employee cost objectives, allowing for an ongoing reconciliation of time and effort.

Approved substitute system not followed in regional offices.

We concur that the approved substitute system for the regional (CORE) offices was not implemented as approved. To address the questioned cost associated with this part of the finding ($276,072), for FY12 (2011-12), the TDOE has recalculated CORE office compensation for regional directors and secretaries to determine the amounts allocable to federal grant funds if the substitute system approved by the U.S. Department of Education had been implemented with fidelity across the CORE offices. This recalculation has allowed a comparison between amounts actually charged to specific grant programs with amounts that would have been charged if the approved substitute system had been used. The results indicate Special Education and Child Nutrition programs were under-billed while ESEA/NCLB programs were over-billed. The overbilling of $12,745 to ESEA/NCLB programs will be corrected through accounting entries and a corresponding adjustment to a drawdown of federal funds. These adjustments should be completed no later than March 31, 2013, within the Tydings period.

For FY13 (2012-13), CORE staff persons have ceased using any substitute system, and employees paid with federal grant funds have reconstructed their time and effort for July 1, 2012 – December 31, 2012. After the fact attestations of effort performed have been developed by affected employees.

Effective January 1, 2013, and continuing into FY14 (2013-14), all employees statewide paid with federal grant or state matching funds will complete the appropriate time and effort documentation (PAR / semi-annual certification) and submit this documentation to their supervisors. Supervisors will review time and effort documentation as indicated by his/her signature and date and submit to the TDOE accounting office for quarterly reconciliation.

**Unallowable activities, including Title I and Teacher Quality**

In FY12 we concur that there were deficiencies in our internal procedures for program budget, revisions, and allowable expenditures for certain grants, notably around ESEA/NCLB consolidated administration and Teacher Quality state program funds. As recognized by the auditors and as noted in the audit finding, after this matter was brought to the attention of TDOE management, all of the expenditures questioned for this part of the finding ($135,071) were reversed well within the Tydings period, and the personnel expenditures were charged to consolidated administrative funds, as appropriate.

Effective January 1, 2013, new departmental policies have been implemented requiring project director authorization when budget changes are necessitated. These procedures and controls will keep project directors and program offices involved with the budgets for which they are accountable.

**Current Status of Action on Questioned Cost of $451,699**

**Accounting entries have been made to date to reverse $156,864 in questioned costs:**

As recognized by the auditors and as noted in the audit finding, the TDOE has taken action to reverse $156,864 of the costs that were charged inappropriately. For these $156,864 of personnel expenditures for which there was not adequate documentation to support the cost or the cost was unallowable, the TDOE reversed the charges from the federal accounts and charged the expenditures to state revenue sources or other allowable federal cost objectives.

**Questioned cost ($276,072) associated with allocation of compensation of regional directors and secretaries to federal programs:**

Based on the TDOE's recalculation of the allocations based on the compensable hours method approved by the U.S. Department of Education, the TDOE believes it has a liability of $12,745 that should be credited to ESEA/NCLB programs. The TDOE will make the necessary accounting entries and properly credit these programs by March 31, 2013, within the Tydings period.

**Questioned cost of $18,763 associated with lack of adequate documentation to support personnel expenditures charged to the Rural Education Program:**

The $18,763 in questioned costs represents the total amount charged to the Rural Education program, including leave. The PARs were amended to provide additional information and descriptions of the cost objectives to comply with requirements in OMB A-87. A proportionate amount of leave was reversed from federal accounts and charged to state revenue sources. TDOE believes we have no remaining liability in the $18,763 of questioned costs.

| Recommendation | Anticipated Corrective Action | Anticipated Completion Date |
|---|---|---|
| Ensure that personnel expenditures charged by staff to federal awards are supported by timely, adequate documentation prepared in accordance with federal requirements | Procedural change in the methodology and forms as well as the submission and review process to ensure supervisors are aware of how their employees' efforts align with their budgeted amounts. | July 1, 2012: substitute system no longer used in regional offices<br><br>January 1, 2013 and ongoing: PARs used to document time and effort |
| Revise the department's standard PAR form to comply with federal requirements | The department's time and effort Personnel Activity Report (PAR) and semi-annual certification forms have been revised to address the deficiencies noted in the report, including annual/sick leave and the inclusion of specific cost objectives | Completed: January 22, 2013 |
| Ensure both program and fiscal staff are adequately trained with respect to federal time and effort requirements | Identify and provide training for 100% of employees paid with federal or state match funds; include time and effort training as part of new employee orientation.<br><br>Provide time and effort training to subgrantees to ensure compliance with federal requirements | Completed: Training sessions for state employees were held January 23, January 24, February 11, 2013. No later than April 15, 2013, 100% of employees will be trained.<br><br>Ongoing: Training session held February 12, 2013 for district personnel administering federal grant funds. Additional regional trainings scheduled for April 16, 24, 30; May 6, 2013. |
| Require supervisors and program directors to periodically compare funding sources with employees' job duties to ensure appropriate funding sources | Provide supervisors and program directors with quarterly reports on personnel and budget detail. | Report for quarter ending March 31, 2013 will be submitted via email to supervisors and program directors by the 5th working day of the following month. |
| Include the audit findings in management's documented risk assessment | The time and effort issues will be added to the risk assessment. | Completed: December 28, 2012 |

| | |
|---|---|
| **Finding Number** | 12-LWD-01 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Material Weakness |
| **Compliance Requirement** | Allowable Costs/Cost Principles and Eligibility |
| **Questioned Costs** | N/A |

## The Department of Labor and Workforce Development's management has threatened the integrity of the Unemployment Insurance Program by failing to provide sufficient internal controls and oversight

### Finding

The Department of Labor and Workforce Development's (LWD) management has threatened the integrity of the Unemployment Insurance (UI) program by failing to address critical functions of the program. We found that LWD personnel were unable to manage all of the claims submitted through the program. Specifically, LWD had backlogs in receiving and responding to incoming telephone calls related to new and existing unemployment claims; processing initial unemployment claims; resolving pending claims; and notifying employers of unemployment claims. These backlogs have increased as the state's unemployment level remained high. LWD's efforts to review fraudulent unemployment claims and collect overpayments were also strained. Additionally, we determined that the overall internal controls over the UI program operation needed significant improvements because the controls were ineffective or non-existent. As a result, LWD's number of overpayments to ineligible claimants has risen significantly during the past three years.

Background

The UI program is designed to provide benefits to claimants who lose their jobs through no fault of their own. The program is funded by the Tennessee Unemployment Insurance Trust Fund (UTF), which was established by the State Unemployment Tax Act (SUTA). Employers pay premiums into this fund based on the first $9,000 of wages earned by each covered employee each year. If benefit payments from the UTF exceed premiums collected from employers, LWD is responsible for replenishing the fund and generally accomplishes this by raising premium rates.

The claimants who are approved may qualify to receive unemployment benefits from the state's trust fund for up to 26 weeks based on a calculated weekly benefit amount. Once the

initial 26 weeks have been exhausted, unemployment benefits may continue through federally funded grants.

Summary of Findings

LWD management is responsible for establishing and maintaining the processes and internal controls for the UI program. LWD management is also responsible for complying with the federal grant requirements in its operation and oversight of the program in Tennessee. Our audit of this major program determined that LWD had not ensured critical controls and effective processes were in place and operating as needed. We also noted material weaknesses and significant deficiencies in internal control over compliance with requirements related to this federal program. The following noncompliance and control weaknesses are detailed in separate findings in this audit report and indicate that LWD's management is not properly administering the program. A summary of the conditions is described below.

- We found that overpayments due to both fraud and error have increased significantly, and LWD's collection of overpayments is low (Finding 12-LWD-02).

- We found significant backlogs with management's processes of receiving and responding to telephone calls involving initial and existing claims, processing claims, resolving pending claims, and notifying employers of claimants' requests for unemployment. We also found that management did not fully implement the case management system and potentially wasted federal funds on the system (Finding 12-LWD-03).

- We found that management's cross-matches to detect fraudulent claims were not effective (Finding 12-LWD-04).

- We found that management did not verify social security numbers for a large number of claimants during the audit period and over the past three years (Finding 12-LWD-05).

- We found that management did not always identify fraudulent claims and did not correctly calculate the overpayments with penalties and interest. In addition, claimants submitting fraudulent claims were not removed from the program (Finding 12-LWD-06).

- We found that management allowed automated approvals of claims without any verification that the employees separated from employers (Finding 12-LWD-07).

- We found that management did not always require employers who filed partial claims on behalf of employees to obtain certifications from claimants regarding their eligibility status (Finding 12-LWD-08).

The current year *Single Audit Report* reflects federal and state expenditures of over $1.2 billion for the UI program. We are required to report on management's compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133. We noted material weaknesses and significant deficiencies in internal control over compliance for the UI program. We have also qualified our opinion at the compliance requirement level for eligibility.

Questioned Costs and Effects on Stakeholders

Questioned costs may arise from material or immaterial instances of noncompliance with federal grant requirements. These questioned costs are reported in single audit findings that involve violations of a provision of law, regulation, contract, grant or other agreement governing the federal expenditures; expenditures that are not supported by adequate documentation; or expenditures where the intended purpose is unnecessary or unreasonable.

The grantor notifies the grantee department how any related costs should be resolved including repayment to the grantor. It is the responsibility of the grantee department (in this case, LWD) to determine and oversee appropriate corrective actions.

Several of the findings listed above contain questioned costs for noncompliance with federal grant-related requirements. The questioned costs in these findings total $944,366. The trust fund and any federal portions of the claims are not separated for the questioned costs presented. The questioned costs were paid from the state trust fund and, if the claimant qualified for extended or emergency benefits after the first 26 weeks of the claim, from the federal grant program. Depending on when the disqualifying events occurred, questioned costs involving unemployment claims will often overlap funding sources.

Management's failure to properly administer this state/federal program jeopardizes the integrity of the program. The state's top officials, the federal grantor, the state's employers, and current and future UI beneficiaries expect LWD management to effectively administer the UI program, which includes strong internal controls and proper oversight of all critical program functions and processes. Without sufficient controls and oversight, LWD:

- will continue to make improper benefit payments to ineligible claimants;
- will not timely pay benefits to eligible claimants;
- will continue to penalize the state's employers by unnecessarily increasing premiums;
- will continue to jeopardize federal funding because of noncompliance;
- will continue to create state budget problems because of trust fund depletion resulting from improper payments; and
- will erode the public's trust in the state's ability to administer unemployment compensation to Tennessee's unemployed workers.

## Recommendation

The Commissioner must immediately consult with the Governor to develop a corrective action plan to implement the recommendations in this report. In addition, the Commissioner must work with the Governor to establish a timetable to complete the necessary corrective actions.

The Commissioner should determine if the leadership of the Employment Security Division and Information Technology Division is capable of correcting the many significant problems with existing resources. The Commissioner and Internal Audit Unit should frequently monitor the activities of the individuals responsible for correcting the problems noted here and determine whether adequate progress is being made. The Commissioner should take appropriate action if the problems are not corrected in accordance with the plans of action.

## Management's Comment

We concur. Within the next 90 days, a correction action plan with timelines will be developed by the Commissioner and key executive leadership that will put in place adequate internal controls. Additionally, the Commissioner will ensure that knowledgeable leadership is in place to provide appropriate oversight.

| | |
|---|---|
| **Finding Number** | 12-LWD-02 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | $1,612 |

**The Department of Labor and Workforce Development's failure to comply with its procedures to determine claimants' eligibility for the Unemployment Insurance program and to implement proper controls over eligibility determination threatens the integrity of the Unemployment Insurance program and resulted in $73.4 million in overpayments due to fraud during the past six years and overpayments due to error for the past three years**

## Finding

The Department of Labor and Workforce Development's (LWD) failure to comply with its procedures to determine claimants' eligibility for the Unemployment Insurance (UI) program and failure to implement proper controls over the Unemployment Insurance program claimants' eligibility determination process threatens the integrity of the Unemployment Insurance program and resulted in $73.4 million in overpayments. This is a cumulative total of overpayments resulting from fraud during the past six years and overpayments resulting from error during the past three years.

We determined that management of LWD failed to adequately safeguard the department's assets and failed to meet their fiduciary obligation as a steward of the Tennessee Unemployment Insurance Trust Fund, as evidenced by the large amount of overpayments. LWD's inability to ensure that benefits are only paid to eligible claimants is considered a material weakness in internal control and noncompliance with Office of Management and Budget (OMB) Circular A-133, "Compliance Requirements for Eligibility."

According to information about overpayment and underpayment rates reported to OMB, as required by the Improper Payments Information Act (IPIA), for the fiscal year ended June 30, 2012, a state with a three-year average rate of 14% and above is considered a state with high UI improper payments. Tennessee reported an overpayment rate of 14.91% and ranked 12$^{th}$ among the 16 states that made the highest UI improper payments.

## BACKGROUND AND PROCESSES DESCRIBED

*General*

The UI program, also referred to as Unemployment Compensation, provides benefits to unemployed workers for periods of involuntary unemployment (workers that lose their jobs through no fault of their own) and helps stabilize the economy by maintaining the spending power of workers while they are between jobs. The program is funded by the Tennessee Unemployment Insurance Trust Fund (UTF) established by the State Unemployment Tax Act. Employers pay premiums into the fund based on the employer's experience rating calculated as: the employer's cumulative premiums paid minus cumulative benefits charged to the employer's account, divided by the employer's average taxable payroll for the last three full calendar years. Some industries have rates of higher employee turnover, which can increase the employer's rate. Additionally, the rate can be further adjusted by the department in accordance with state law depending on the funding level of the UTF. The employer's rate is then applied to the first $9,000 of wages earned by each covered employee each year.

The claimants who are approved for the UI program are eligible to receive up to 26 weeks of benefits. The amount of benefits that claimants receive is based on a calculated weekly benefit amount, which is funded by the state's trust fund. Once the 26 weeks of benefits have been exhausted, the unemployment benefits can be extended through federally funded grants such as the Emergency Unemployment Compensation (EUC08) and the Extended Benefit (EB) programs. EUC08 has been amended several times and includes eligibility for several tiers of benefits. The first two tiers of benefits (34 weeks) are available in all states; however, tiers three and four are only available in states with higher unemployment rates. For our audit period, Tennessee qualified for tiers three and four, with UI benefits of 13 weeks and 6 weeks, respectively. Tennessee also qualified for the Extended Benefit program for an additional 20 weeks of benefits for a total of 99 weeks. For Tennessee's unemployed, the EB program ended in April 2012.

*Claimant Eligibility and Unemployment Benefits*

According to state regulations, individuals filing UI claims with the department must meet certain earnings requirements (monetary) from past employment and must be currently unemployed or earning less than their weekly benefit up to the $275 maximum. Once the monetary requirements are met, other eligibility requirements (non-monetary) must be met before a claim is approved. Claimants must have separated from their most recent employer through no fault of their own. Claimants' circumstances generally fall into one of three non-monetary categories:

1. lack of work – the employer lays off the employee,
2. quit – the employee has voluntarily quit with just cause, or
3. discharge – the employee's employment was terminated because of performance issues other than misconduct.

Separation issues and personal eligibility issues (those issues that involve the claimant's ability and availability for work) must be evaluated by department staff before a decision to approve benefits can be made. For departmental staff, the lack-of-work issue is generally the easiest to resolve because it only involves verifying with the employer that the separation was due to lack of work available for the claimant.

*Dependents Allowance Benefits*

According to Section 50-7-301(e), *Tennessee Code Annotated*, which became effective June 20, 2010, those Tennesseans who are eligible to receive unemployment benefits might also be eligible to receive an additional benefit for dependents. When eligible, UI claimants will receive an additional $15 for each minor child, not to exceed a total of $50.

*Overpayment of Benefits*

Overpayments of benefits can occur for many reasons. For example, when the department identifies that a claimant has misrepresented his or her income for a particular week or weeks, the department would disqualify the claimant from receiving benefits. LWD determines overpayments have occurred by reviewing and processing new claimant information, such as an increase in a claimant's income or an employer dispute related to separation. LWD establishes an accounts receivable when it determines that an overpayment of UI benefits has occurred.

LWD is required by the Department of Finance and Administration's Policy 23 to "make a reasonable effort to collect all receivables on a systematic and periodic basis." LWD has established a collection process in an effort to fulfill this requirement. Once overpayments are identified, LWD staff attempt to collect overpayments from claimants by sending a monthly "Overpayment Statement" to those claimants. The LWD staff also recoup overpayments by reducing the claimants' current benefit. Once the department has attempted collection, it is allowed to write off the uncollectible overpayments in accordance with state law, as discussed later in this finding.

## RESULTS OF OUR TESTWORK

*Criteria for Lack of Documentation to Support UI Program Claimants' Eligibility*

According to the *LWD Unemployment Insurance Program Manual*, Section 0331 - Case File Documentation:

> Not every case file will need the same documentation. Some case files will require more than others. As a general rule, every case file must have all the documentation related to the claim under investigation and any additional documents that the investigator used during the investigation to verify information. Additional documentation will be obtained by the investigator during the investigation. This documentation includes claimant questionnaires

and statements, employer separation and wage information, new hire and work search statements, and third party information and statements.

*Combined Test Results for Eligibility and Dependent Allowance Benefits*

We tested a randomly selected, nonstatistical sample of 200 claims from a population of 5,313,157 paid claims (weekly payments) of the UI program for the fiscal year ended June 30, 2012. The sample represented $45,569 out of $1,175,939,586 in total claims paid. Our testwork disclosed that for 47 of the 200 paid claims tested (23.5%), department staff did not maintain required documentation in the case files to support the claimants' eligibility for UI benefits (regular unemployment benefit and dependent allowance benefit). The total amount paid for those 47 claims was $3,522. Of this amount, $1,910 was paid out of the Tennessee Unemployment Insurance Trust Fund. The remaining $1,612 was paid with federal funds and will be considered questioned costs. Specifically, we found the following deficiencies.

*Test Results for Eligibility*

We reviewed the 200 paid claims and related case files to determine if the claimant was eligible to receive UI benefits. We found that 12 of the 200 case files tested (6%) did not contain required documentation to support the claimant's eligibility for the UI program.

- For 4 of those 12 claims, the claimant obtained benefits by misrepresenting his or her income to the department for multiple weeks. After benefit payments had been made, employers reported to the department that these claimants had earned wages which conflicted with claimant's previous assertions. In addition, for one of these four fraudulent claims, the claimant provided the wrong employer's information, and LWD sent the Time Sensitive Request for Separation Information Letter (a letter sent to verify if the claimant was separated due to no fault of the claimant) to the wrong separating employer.

- For 6 of those 12 claims, LWD staff could not provide documentation to determine the claimant's eligibility for the UI program. Specifically, for two files, there was no separation notice from the employer. One file had no documentation that the lack of work claim was verified. Two files noted receipt of a military discharge letter, but LWD could not provide the actual letter. The last file contained documentation that the claimant was receiving a pension, which could reduce or eliminate the unemployment benefit paid, but there was no documentation of follow-up to obtain the pension information.

- For 2 of those 12 claims, LWD staff did not subject the claims to the eligibility redetermination process for the UI program when required.

*Test Results for Dependent Allowance Benefits*

We also tested the same sample of the 200 paid UI claims to determine if the claimant was eligible to receive dependent benefit payments. When eligible, the claimant can receive additional benefit payments of $15 for each dependent, up to a maximum of $50 each week. Based on our 200 item sample, we identified 77 claims that included a dependent allowance of at least $15. Our testwork disclosed that for 38 of the 77 (49.4%), LWD staff had not maintained the required documents to support the eligibility for dependents benefit payments. Three of the 38 claims for dependent allowance payments were included in the 12 UI claims discussed above.

Section 50-7-301(e)(2)(C), *Tennessee Code Annotated*, states, "Dependency benefits shall not be paid unless the claimant submits documentation satisfactory to the division establishing the existence of the claimed dependent."

*Summary of Testwork Error Rates*

Below is a table that summarizes our sample errors and the total benefits paid without proper supporting documentation for the period July 1, 2011, through June 30, 2012:

| Category | Eligibility Testing | Dependent Allowance Testing |
|---|---|---|
| Sample Size | 200 | 77 |
| Number of Errors (Lack of documentation) | 12 | 38* |
| Error Rate | 6.00% | 49.40% |
| * Three of the 38 errors were also included in the 12 errors in the eligibility testing. | | |

| | Federal Funds | State UI Trust Funds | Total |
|---|---|---|---|
| Eligibility Questioned Costs | $ 1,237 | $ 1,295 | $ 2,532 |
| Dependent Allowance Questioned Costs | 375 | 615 | 990 |
| Total Questioned Costs | 1,612 | 1,910 | 3,522 |
| | | | |
| Sample Dollar Tested / Funding Source | $ 19,725 | $ 25,844 | $ 45,569 |
| Total UI Claims Paid (Population) | $ 618,245,978 | $ 557,693,608 | $ 1,175,939,586 |

*Overpayments to UI Program Claimants Due to Fraud and Error*

As mentioned above, LWD creates a receivable for any identified UI program overpayment. We obtained the LWD accounting records of overpayments made to ineligible benefit recipients. As of June 30, 2012, the total accounts receivable (A/R) for the UI program was $78,739,200 (actual receivable of $73,496,997 and interest and penalties of $5,242,203). The actual receivable is a cumulative total of overpayments resulting from fraud during the past six years and overpayments resulting from error during the past three years. According to discussion with LWD fiscal management and based on LWD's accounting records, $61,804,505 of the total overpayments recorded in A/R were paid from federal UI program funds and $16,934,695 were paid from the Tennessee Unemployment Insurance Trust Fund. Below is a

summary of our analysis of the LWD overpayments from the department's OP 1301 "Statement of Overpayment and Recoveries" Report for June 30, 2012, 2011, and 2010:

| Category | FY 2012 | FY 2011 | FY 2010 | FY12 - FY11 $ Increase | % increase | FY11 - FY10 $ Increase | % increase |
|---|---|---|---|---|---|---|---|
| FRAUD | $ 35,730,805 | $ 32,108,391 | $ 27,565,699 | $ 3,622,414 | 11% | $ 4,542,692 | 16% |
| NON-FRAUD | 37,766,192 | 29,159,550 | 21,341,649 | 8,606,642 | 30% | 7,817,901 | 37% |
| INTEREST | 5,242,203 | 1,761,793 | 127,839 | 3,480,410 | 198% | 1,633,954 | 1278% |
| TOTAL A/R | $ 78,739,200 | $ 63,029,734 | $ 49,035,187 | $ 15,709,466 | 25% | $ 13,994,547 | 29% |

*A/R Collections and Write-offs*

Based on our testwork, we found that for the period ended June 30, 2012, LWD reduced the accounts receivable balance by $22,740,582.36. Of that amount, only $11,743,059.22 was collected; the remaining balance was written off, reversed due to department error, waived, or no longer owed due to bankruptcy. See details below:

**SUMMARY OF FY 2012 A/R COLLECTIONS AND WRITE-OFFS FOR THE UI PROGRAM**

| CATEGORIES FOR A/R REDUCTION | FRAUD | NON-FRAUD | TOTAL |
|---|---|---|---|
| REIMBURSEMENTS [1] | $ 2,742,916.55 | $4,849,584.57 | $7,592,501.12 |
| OFFSET CLAIMS [2] | 659,467.27 | 3,491,090.83 | 4,150,558.10 |
| **TOTAL A/R COLLECTION FOR FY 2012** | **$ 3,402,383.82** | **$ 8,340,675.40** | **$ 11,743,059.22** |
| | | | |
| OVERPAYMENTS ESTABLISHED IN ERROR [3] | $ 83,208.00 | $ 2,079,316.00 | $ 2,162,524.00 |
| WAIVED [4] | - | 1,405,567.50 | 1,405,567.50 |
| WRITE-OFF [5] | 3,339,819.80 | 3,727,586.45 | 7,067,406.25 |
| BANKRUPTCY JUDGMENT [6] | 167,555.25 | 194,470.14 | 362,025.39 |
| **TOTAL WRITE-OFFS FOR FY 2012** | **$ 3,590,583.05** | **$ 7,406,940.09** | **$ 10,997,523.14** |
| | | | |
| **TOTAL A/R REDUCTION FOR FY 2012** | **$ 6,992,966.87** | **$ 15,747,615.49** | **$ 22,740,582.36** |

[1] Repayments made by the claimant.

[2] Reductions of portion of the claimant's weekly benefits until repayment is made in full.

[3] Reversal of overpayment established due to department error; not owed by the claimant.

[4] No longer owed by the claimant due to death, review, or administrative readjudication.

[5] Removed from accounts receivable due to time limitation of 3 years for error and 6 years for fraud.

[6] No longer owed by the claimant due to bankruptcy.

Source: OP 1301 Report, "Statement of Overpayment and Recoveries"

*Estimates for Overpayment Collection Rates*

Management provided us with a schedule of historical overpayment collections data for the fiscal years 1982 through 2012. It showed that LWD was successful in collecting 40% of the

UI overpayments dollar amount on average. LWD classified the remaining 60% of the overpayments dollar amount as "Allowance for Doubtful Accounts," collection of which is unlikely to occur. Based on our analysis of the LWD accounting records for the fiscal years 2012, 2011, and 2010, we determined that LWD overstated the successful collection percentage of UI overpayments. When we brought this issue to management, they agreed and performed an analysis of historical collections for fiscal years 2011, 2010, and 2009. Management concluded that their estimate of overpayment collections of 40% was inaccurate, and they reduced it to 23%. Also management increased the "Allowance for Doubtful Accounts" from 60% to 77%.

The reason for the large disparity between estimates was that the department was including all six categories of A/R reductions, identified in the table above, in its collection percentages. LWD inappropriately included overpayments established in error, waived overpayments, write-offs, and bankruptcy waivers in calculating its collection percentage. Based on discussions with management, we do not believe the errors in the estimate were intentional.

We believe management's low percentage of collections demands immediate attention from top state officials. As stated earlier in this finding, the department's collection efforts consist of offset claims (reductions of a portion of the claimant's weekly benefits until repayment is made in full) and monthly collection letters to claimants requesting them to repay. Generally, we expect state agencies to have a strong collection process in place that includes letters, phone calls, and collection agencies when necessary. LWD has not made the follow-up phone calls or used the collection agency to pursue recovery. In addition, as evidenced by the low percentage of collections and LWD's unlikely success in collecting all overpayments even with increased efforts, we believe it is imperative that LWD management establish strong, effective controls to prevent the overpayments in the first place.

*Noncompliance With State Regulations Regarding A/R Write-offs*

We also determined that LWD was not in compliance with Section 4-4-120, *Tennessee Code Annotated*, and Chapter 0620-1-9 of the *Rules of the Department of Finance and Administration*, which require write-offs to be approved by both the Commissioner of the Department of Finance and Administration and the Comptroller of the Treasury. Based on our review, we found that LWD management has written off overpayments as bad debt without following state policies and procedures as prescribed in the law. Management referred us to Sections 50-7-303(d)(3)(A) and (B), *Tennessee Code Annotated*, which require that if LWD has not collected an overpayment debt after a certain length of time, it must release the claimant of the debt. Based on our discussions with management, their interpretation of this waiver is that they did not have to follow established write-off procedures prescribed by Department of Finance and Administration policy and rules; however, we disagree. The department is required to follow the law and related policies for all write-offs.

## CONCLUSION

Unless LWD implements proper internal controls over the claimant eligibility process for the UI program, the risk of LWD paying UI benefits to ineligible individuals increases. Given the significant amount of overpayments already paid out to ineligible claimants, as described above, management cannot afford to delay corrective action without further eroding the public's trust in the UI program. Furthermore, LWD has not fulfilled its fiduciary responsibility to the state, the employers, and the federal grantor by continuing to overpay UI benefits and collecting only 23% of the overpayments on average. The remaining 77% of overpaid benefits is uncollectible, and this loss further threatens the viability of the UI program.

### Recommendation

The Commissioner should take immediate action to implement a strong system of internal controls over the claimant eligibility process for the UI program. This control system should be designed to prevent and/or detect errors and fraud and mitigate the risk that UI benefits will be paid to ineligible claimants. The UI administrator, in conjunction with the Commissioner, should evaluate the process to collect overpayments of benefits and should ensure that staff follow established state law, policy, and rules governing the write-off of any uncollectible overpayments. This includes ensuring that overpayments waived in accordance with Sections 50-7-303(d)(3)(A) and (B), *Tennessee Code Annotated*, are written off in accordance with Section 4-4-120, *Tennessee Code Annotated*, and Chapter 0620-1-9 of the *Rules of the Department of Finance and Administration*.

### Management's Comment

We concur. Within the next 90 days, a plan with timelines for the development of a strong system of internal control over the claimant eligibility process will be put in place by the Commissioner and executive leadership.

| | |
|---|---|
| **Finding Number** | 12-LWD-03 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No**. | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles and Eligibility |
| **Questioned Costs** | $800,000 |

**The Department of Labor and Workforce Development's inability to address a backlog of employer requests to protest benefit charges and a backlog of new and pending claims, along with a limited implementation of the case management system, has threatened the integrity of the Unemployment Insurance program and resulted in $800,000 of questioned costs**

## Finding

The Department of Labor and Workforce Development (LWD) did not address a backlog of new and pending Unemployment Insurance (UI) claims for the audit period July 1, 2011, through June 30, 2012. The department was unable to handle the volume of incoming telephone calls to process new claims, resolve issues with pending claims, provide additional support to existing claims, and process the volume of employer requests to protest unemployment benefit charges. The department's effort to improve the efficiency of the intake of claims failed with its unsuccessful attempt to fully implement the case management system, which resulted in $800,000 of questioned costs.

### Background

LWD's Employment Security Division manages the UI program, which provides a safety net for workers who have lost their jobs through no fault of their own, according to the department's website. The division reported that claimants filed approximately 400,000 initial and partial claims annually. Furthermore, the department stated that the division worked with over 100,000 employers to collect unemployment premiums.

Claimants filing unemployment insurance claims with the department must meet certain earnings requirements from past employers and must be currently unemployed or earning less than the weekly benefit up to the $275 maximum. Claimants must have separated from their most recent employment through no fault of their own, and claims generally fall into one of three categories:

1. lack-of-work – the employer lays off the employee,
2. quit – the employee has voluntarily quit with a just cause, or
3. discharge – the employee's employment was terminated because of performance issues other than misconduct.

Once a claimant's benefits are approved, claimants are required to certify weekly online or over the telephone in order to meet benefit eligibility conditions as required by state law. Claimants are required to certify that they remain unemployed, are not earning wages, and are actively looking for work.

The Employment Security Combined Online Technology (ESCOT) system used to process claims automatically issues weekly unemployment benefits to approved claimants (except for partial claims, see 12-LWD-08) who submit a weekly certification regarding continued eligibility, provided that no other new information has been processed that would result in a denied claim. The division pays claimants for the initial 26 weeks of benefits from the Tennessee Unemployment Insurance Trust Fund, which is funded through premiums paid by employers. Claimants may also receive extended benefits beyond 26 weeks through federally funded programs such as the Emergency Unemployment Compensation and Extended Benefits programs.

Background: Claimant Options

Claimants can file initial unemployment claims online, over the telephone, or in person, except for Combined Wage Claims, Unemployment Compensation for Federal Employees, and Unemployment Insurance for former Military personnel, which cannot be filed online. Lack-of-work claims can be both filed and completed online. All other claims require the claimant to call the Claims Center in order to complete the claims process. Claims disputed by employers also require the claimant to call the Claims Center. Claimants filing in person can only have their claims processed when the reason for the claim results from a lack-of-work; otherwise, they are directed to call the Claims Center. Claims Center employees' responding efficiently and effectively to claimant phone calls is critical to the claims process.

Background: Claims Center

Employment Security Division interviewers are responsible for answering phone calls in the Claims Center and obtaining information regarding initial claims. Separation issues and personal eligibility issues, including the claimant's ability and availability to work, require detailed information from the claimant and often from the respective employer. Telephone calls received by the Claims Center are routed to the next available interviewer.

The division had approximately 100 interviewers during the audit period who were responsible for answering telephones for the intake of new claims and for obtaining information regarding employment separation and personal eligibility issues. These same interviewers are also responsible for fielding questions from employers regarding benefit issues; following up with questions from claimants for claims already filed; and assisting claimants who have been approved but need assistance with their weekly certifications.

After interviewers have collected information regarding the claimant's separation and personal eligibility, they transfer non-lack-of-work claims and information collected from the claimant to staff, known as "adjudicators," who evaluate the claim information and determine whether the claim should be approved. Initial claims that lack information are placed in a collection of pending claims and are not paid until approved by an adjudicator.

The Division Was Unable to Handle the Volume of Claims Center Calls

Our review of the division's process for the intake of new claims determined that it was unable to answer the majority of telephone calls from claimants.

We attempted 10 different times to reach the division's automated telephone system. We were able to reach the automated system for 5 of the 10 attempts. For the remaining 5, we received an automated message several minutes long that informed us that no interviewers were available, and then we were disconnected. We conducted follow-up discussions with the Claims Center management and determined that the division opened the phone lines at the beginning of each hour, and then several minutes later, management blocked calls because of high call volume.

The Claims Center management provided statistics for those callers who were successful in reaching the Claims Center through the automated telephone system. According to these statistics, for August 2012, 47,000 calls reached the automated system. Of the 47,000 calls, only 15,000 (32%) were answered by division interviewers, with an average wait time of two hours, and those remaining calls, approximately 32,000 (68%), were abandoned. The division has no way to know how many call attempts were made by callers who were unable to connect with the division's automated system.

Claims Center management also stated the number of interviewers, including part-time workers, increased from 95 statewide at the beginning of July 2011 to 122 at the end of October 2012. Based on the statistics above, the additional 27 interviewers had a negligible impact on reducing the Claims Center backlog.

Background: Adjudicators

Adjudicators approve or deny claims based upon their evaluation of the information collected. The adjudicators record their approvals and denials in the division's ESCOT system.

In addition to initial pending claims, when the division receives new information from other state departments, claimants, or employers, the division places the current claim of unemployment in a pending status until the new information can be considered by an adjudicator. New information may include reports from other departments on new hires, death certifications reported to the state, claimants reporting that they have found employment, employers reporting they have hired claimants, or employers reporting wages paid to claimants. Generally, the department continues to pay on pending claims (other than initial pending claims) until claimants are determined to be ineligible.

The Division's Adjudicators Were Unable to Process the Backlog of Pending Claims

Based on our observation of the division's pending claims process, we determined that adjudicators were unable to handle the current volume. In fact, the number of pending claims has doubled from 5,219 at the beginning of the audit period, July 2011, to 10,968 in August 2012. Claims Center management responded to this backlog by increasing the number of adjudicators and supervisors by 2 from 41 in July 2011 to 43 in October 2012. Also, division officials stated that due to the backlog, it typically takes eight weeks before an adjudicator is assigned to a claim. As a result of the backlog and delays in assigning the claims to adjudicators, claimants may not receive their first unemployment benefit for eight weeks or more, depending on the complexity of the issues surrounding that claim.

The pending claims backlog had become so large that claims older than 180 days were abandoned by the division. Pending claims are tracked by the division through an internal report. Division management informed us that the division's prior management had the pending report reprogrammed so that claims that were over 180 days old and under 28 days old from the file date would no longer appear on the pending claims report.

We discussed the reasons for the report changes with the former Employment Security Division managers, who stated that the claims less than 28 days old were not processed because the backlog noted above was so large that the claims under 28 days would eventually be reported on the pending report and adjudicators could focus on the older claims. The former Employment Security Division managers also stated that for those claims over 180 days old, the claimant would likely have filed a second time or abandoned the claim request.

We determined that for the period July 1, 2011, through August 2012, management removed 77 initial claims (not yet approved) over 180 days old from the pending reports, which resulted in the division's failure to adjudicate these 77 claims.

The department has reported to the U.S. Department of Labor (USDOL) that its processing of initial UI benefits payments is below government standards. According to the USDOL's *Employment and Training Handbook 336*, to achieve an acceptable level of promptness, the department must pay 87% of all first-benefit payments to eligible claimants within 14 days from the filing of the claim. The department's reported monthly percentage of benefit payments processed within 14 days of the claim was 82.9% in July 2011 and went as high as 86.1% for January 2012. Subsequently, it has declined every month since and fell to a rate of 69.3% in June 2012 due to processing delays presented in this finding. The department's reported monthly percentage has been below the USDOL's acceptable level of promptness since January 2009.

The percentages above incorporate all claim types, including the non-disputed lack-of-work claims that are approved automatically within 14 days. If lack-of-work claims were removed from the percentages above, the actual rate for those claims processed by adjudicators and paid within 14 days would be zero percent due to the eight-week backlog.

Background: Benefit Charge Unit

ESCOT generates and sends benefit charge cards to employers each time the division approves a claimant for benefits. The benefit charge cards are notices to employers that their former employee has been approved for UI benefits. The division calculates employer premiums yearly based on a formula which considers the number of employees that separated from that employer, at no fault of their own. The division does not include separations in the premium calculation when those separations result because the employee quits or is dismissed because of misconduct. Employers must communicate to the department those instances where they can justify that the separation should not be charged to them. Employers are required to complete and return the benefit charge cards for this purpose. The cards are processed by the one employee in the Benefit Charge Unit.

The Division Was Unable to Process the Backlog of Returned Employer Benefit Charge Cards

The division had only one employee in the Benefit Charge Unit to process the benefit charge cards returned by the employers during the audit period. We noted for the week of August 17, 2012, that this one employee in the Benefit Charge Unit processed 547 benefit charge cards based on a first-in, first-out methodology; however, 839 total benefit charge cards were received by the unit. The inability of this one employee to process all the cards for this one week resulted in an addition of 292 benefit charge cards to the existing backlog, which totaled 22,877 at that time.

By not processing these charge cards and removing any incorrect charges from employers' accounts promptly, the division's Employer Services Unit may be charging employers higher premiums than warranted. For example, the employer's tax rate is determined every September based in part on the number of charges assessed against the employer during the previous calendar year. When the unit cannot process the employer's dispute of charges within a reasonable period and certainly within nine months of receipt, the division could calculate the employer's tax rate incorrectly.

We contacted the staff member in the Benefit Charge Unit to obtain the current backlog and determine the date of the oldest charge card. As of February 23, 2013, the existing backlog is 31,433, and the division received the oldest charge cards in mid-October 2012, resulting in four months of unprocessed charge cards.

The Department Failed to Fully Implement the Case Management System

The department's attempt to improve the efficiency of the claims process involved efforts to implement a new case management system. This new system contained a document imaging feature used to scan claim documentation and a workflow feature to manage the processing, reviewing, and tracking of claims. The purpose of the workflow feature was to automatically forward claims to appropriate units along each step of the claims process.

The department partially implemented the case management system on March 5, 2012, with only the document imaging feature operational. Based on inquiry and observation, we

determined that the workflow feature for tracking claims was not implemented with the new system. When we requested eligibility documentation to support our testwork, the Claims Center staff were only able to produce a few supporting documents from the new system—the vast majority of support was obtained from the old imaging system.

The department spent approximately $800,000 of federal funds for the implementation of the system. The department's IT Administrator informed us that most of the modules of the system had not been implemented because the work request prepared for the vendor to describe system requirements was poorly written; both the general and specific system requirements were incomplete. Additionally, the IT Administrator stated that inadequate testing and monitoring of the project also contributed to the lack of implementation of the new case management system. The previous project managers are no longer with the department, and a new project manager has been assigned and is working with the vendor to address issues with the case management system, according to the IT Administrator. Based on our discussion with management and review of project proposals, revisions, and status reports, we question whether management used appropriate care when spending federal award funding to implement this system. The $800,000 cost of this system will be questioned because it was not used efficiently and effectively for the purpose of the program.

Conclusion

Given management's inability to address the high volume of Claims Center calls, the growing pending claim and benefit charge backlog, and failure to fully implement the information system that would improve its claims processes, the viability of the state's UI program is threatened. In fact, management has not performed its due diligence to provide available UI program services and benefits to program applicants, eligible claimants, and employers. Continuing delays resulting from backlogs for initial claims, resolution of pending claims, and employer benefit charges creates an undue burden on those dependent on UI benefits and the employers and governments that fund the program.

## Recommendation

The Commissioner should immediately take steps needed to restore the integrity of the Unemployment Insurance program. To address the failed processes noted above, the Commissioner should develop an action plan that includes deadlines for specific improvements, regular meetings, and assessments with Employment Security Division management charged with specific tasks. Further, the Commissioner should determine appropriate staffing and training needs to support the division's Claims Center, the adjudication process, the benefit charge card process, and departmental IT functions governing the new case management system implementation.

Division management should continue to evaluate and modify the self-help module on the telephone system to speed the average wait times for claimants calling the Claims Center. They should also consider alternatives to taking claims over the telephone, simplify the interview claims process, and consider expanding the hours of operation of the Claims Center.

Division management should address the backlog of initial pending claims through available means. For example, division management should consider expanding the department's "SIDES" application, which is already used by employers to communicate separation notifications. This application could assist adjudicators in resolving pending claims through communications with employers. Division management should also ensure pending reports include all pending claims that have not been resolved.

Division management should address the needs of premium-paying employers, who support the majority of the benefits paid in the UI program, by reducing the backlog of returned employer benefit charge cards. Division management should immediately fill vacancies in the Benefit Charge Unit.

The department's management should review and evaluate the case management system to determine if it can be salvaged and modified to meet its intended purpose. Department and Employment Security Division management should also ensure that information system implementations are properly planned, the requirements are attainable and documented effectively, and that the vendor's work is adequately supervised.

**Management's Comment**

We concur. Within the next 90 days, a plan with timelines will be developed by the Commissioner and executive leadership that will address the failed processes and systems.

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|---|---|
| **Finding Number** | 12-LWD-04 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | $138,856 |

**One of the Employment Security Division's key controls for detecting fraudulent claims was ineffective and failed to identify ineligible payments of $138,856 to state employees and deceased individuals**

## Finding

The Employment Security Division (division) of the Department of Labor and Workforce Development (LWD) is responsible for ensuring not only that unemployment benefit claimants meet eligibility requirements before claims are paid, but also that the claimants continue to remain eligible for benefits. If claimants continue to collect benefits when they are no longer eligible, it is either a result of a fraudulent claim or an unintentional overpayment. The division relies on data matches as its main control to detect benefit fraud and overpayments. We found that these controls were not always effective and discovered the department paid unemployment benefits totaling over $135,000 to ineligible individuals who were either state employees or recently deceased.

### Background

The division performs data cross-matches by comparing data in the unemployment benefits computer system to data obtained from third parties. Cross-matches of data are intended to provide independent verification of the information provided by claimants. For example, the division compares unemployment benefit recipients to state payroll to ensure that no active state employees are receiving unemployment benefits. The division also performs other cross-matches, which include comparing unemployment benefit recipients with the following: deceased individuals (vital statistics), new hires for Tennessee and national employers, and prison inmates.

In order for management to use the data cross-matches as an effective control to detect ineligible benefit recipients, the data matches must be programmed correctly, the cross-match results have to be reviewed by management and staff, and staff must take any necessary corrective action to follow up on potential benefit overpayments due to error or fraud. We performed testwork on the state employee and vital statistics cross-matches and found that

management and staff did not ensure these cross-match controls were effective, as described below.

State Employee Cross-Match

In order to determine if the division's state employee cross-match was effective, we performed our own cross-match, comparing unemployment benefit recipients to state payroll for the month of July 2011, to ensure that no active state employees received unemployment benefits. Our cross-match identified 24 state employees who inappropriately received unemployment benefits. Twenty-three of the employees left state employment before our audit. We reported the one current state employee to the Commissioner of the respective department, and that employee was terminated.

We communicated the results of our cross-match to the division, so it could investigate how the overpayments occurred and determine why the cross-match was ineffective in detecting the overpayments. Eighteen of the state employees fraudulently certified that they were unemployed while they were working for the state. The six other employees were overpaid through no fault of their own, due to the short time lag between benefits received and state employment, which appeared reasonable.

These 24 former state employees owed LWD a total of $126,469 in overpayments and penalties. We confirmed that the division recorded the amounts owed in October and November 2012 and that it has taken actions to collect these amounts.

The division determined, and we confirmed, that these 24 employees were not identified in LWD's cross-match because the employees received emergency or extended benefits. LWD failed to reprogram the state employee cross-match when the United States Congress passed the Emergency Unemployment Compensation Act of 2008. As a result, any state employees receiving emergency and extended benefits were omitted from the match from 2008 through October 2012, when we brought this issue to the division's attention. At that time, the division reprogrammed the cross-match to include state employees who were recipients of emergency and extended benefits.

Vital Statistics Cross-Match

In order to determine if the division's vital statistics cross-match was effective, we performed our own cross-match comparing unemployment benefit recipients to deceased individuals for our entire audit period, July 1, 2011, to June 30, 2012. We specifically used the Department of Health's Office of Vital Records quarterly data for individuals who died in Tennessee; our office has received and maintained that data in a cumulative file since January 1990. We identified seven individuals reported as deceased but who received benefit payments at least three weeks after their date of death. We allowed a three-week time lag in order to avoid matches resulting from unavoidable timing issues on the part of LWD staff in processing claimant information. The Department of Health's Office of Vital Records provides its vital statistics files every two weeks. This file contains only those individuals who died in Tennessee in a two-week period.

We communicated the results of our cross-match to the division so it could investigate how the overpayments occurred and determine why the cross-match was ineffective in detecting the overpayments. For all seven individuals, it appears that someone fraudulently made certifications on the deceased individual's behalf in order to continue receiving benefit payments. These certifications were made online and included answering questions concerning whether the claimant was still unemployed and actively looking for work.

The division determined, and we confirmed, that these seven individuals were not identified in LWD's cross-match due to one of two reasons. Six of the seven individuals were not identified by the cross-match due to a flaw in the programming logic described below. The other individual was not included in the date-of-death files sent to LWD every two weeks by the Department of Health's Office of Vital Records.

We found that LWD made benefit overpayments totaling $12,387 to these seven individuals after they were deceased. The division sent letters to the families of the deceased claimants in an effort to collect the overpayments.

As a result of our testwork, we determined that the division management had programmed the vital statistics cross-match parameters incorrectly. Specifically, we found that if a claimant had more than one unemployment claim (multiple unemployment claims filed based on separation from different employers), then the most recent claim for benefits was omitted from the cross-match; thus, division staff would never identify the most recent claim as one paid subsequent to the date of death. According to the LWD's Information Technology administrators, they corrected this flaw in the programming logic in October 2012, after we brought it to management's attention.

We also noted that the division did not maintain or use the cumulative quarterly file of death certifications available from the Department of Health's Office of Vital Records for the cross-match but instead used the separate files provided every two weeks by the Department of Health. These separate files contain only the deceased that have been recorded since the last two-week file. Because the division did not use the cumulative file, which contains all individuals that died in Tennessee during the last quarter, there was an increased risk that an individual could use the identity of a deceased individual to fraudulently obtain unemployment benefits. After we brought this to management's attention in October 2012, LWD took steps necessary to use cumulative data for future vital statistics cross-matches.

In addition, we found that division staff did not review or follow up on the vital statistics cross-match results at all from June 19, 2012, through September 10, 2012. Based on inquiries with management, we determined that a former supervisor unintentionally changed the distribution of the printed cross-match error report to a different section in the division. No one questioned the change or reviewed the cross-match results after the change was made. After we brought this to the attention of division staff, they reviewed the respective reports and found one improper payment of $90 to a deceased individual. The division has since recorded this overpayment and requested payment from the respective family. The division also corrected the distribution of the cross-match report.

Issues With Both Cross-Matches

During our testwork, we noted that LWD included unnecessary data in both cross-matches every time the matches were performed. For both the state employee and vital statistics cross-matches, LWD included all benefit payments as far back as 10 years, regardless of the employee's date of hire or the individual's date of death, respectively. As a result, the division's staff were forced to sort through more historical data than was necessary to search for potential overpayments of fraud.

For the state employee match, the division should match only a current benefit period to a current pay period. For the vital statistics match, management should compare a current benefit period to the cumulative dates of death to identify payments made to deceased beneficiaries. With properly designed matches, management can avoid having to follow up on match results that are not truly overpayments.

We also determined that division staff failed to perform supervisory reviews of either of the cross-matches during our audit period, July 1, 2011, through June 30, 2012. If the vital statistics cross-match had been reviewed by a supervisor, the issue with the redistribution of the report could have been detected in a timely manner rather than discovered through our audit. Without proper supervision, management cannot be certain that staff followed up on match results and performed necessary corrective actions to address benefit overpayments due to error or fraud.

The department's payment of unemployment benefits to ineligible individuals who were either state employees or recently deceased resulted in questioned costs of $138,856. For a detailed description of all questioned costs involving unemployment benefits, see finding 12-LWD-01.

## Recommendation

In light of the issues noted in this finding, the Employment Security Division management, in conjunction with Information Technology staff, should analyze the input and output of all of the division's cross-matches to ensure the data match programs are actually working as intended to provide effective controls. Division management should request that IT staff make any necessary program changes as a result of this review, including removing the unnecessary data from the state employee and vital statistics cross-matches that we identified above.

Division management should ensure that cross-match reports are properly reviewed and retained. Also, division management and IT Administrators should ensure that any changes to the distribution of reports are properly approved and that the approved requests are maintained.

Division management, in conjunction with Information Technology staff, should evaluate match parameters again for the vital statistics records after determining what data is available to

them. Division and IT management should explore other resources, such as national databases or other state department databases, which could be utilized to enhance their current cross-matches.

Furthermore, division management should continue to pursue collection of overpayments and penalties identified in this finding.

**Management's Comment**

We concur. Changes have been made to the cross-matching process to make sure that the programs are working as intended and unnecessary data is removed. A periodic review of the cross-matching process will be conducted by management to ensure all processes are functioning properly.

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|---|---|
| **Finding Number** | 12-LWD-05 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | N/A |

**The Department of Labor and Workforce Development failed to comply with state law and federal regulations when the Information Technology Division and Claims Center Management jointly failed to verify the identities of unemployment claimants**

## Finding

The Department of Labor and Workforce Development (LWD) failed to comply with state law and federal regulations when the Information Technology (IT) Division and Claims Center management jointly failed to verify the identities of unemployment claimants. Based on inquiries with management and review of corroborating documentation, we learned that LWD had not verified the social security numbers (SSNs) for the vast majority of claimants for almost three years. Also, for those claimants whose SSN information was verifiable, Claims Center staff failed to investigate all claimants' information that was returned by the U.S. Social Security Administration (SSA) with non-matching data. Although our eligibility testwork of 200 paid claims did not reveal claimants with an invalid SSN, LWD's failure to verify the identities of claimants significantly increased the risk that the department made benefit payments to ineligible individuals.

Requirements

LWD is responsible for ensuring that unemployment benefit claimants meet eligibility requirements before claims are paid. For example, LWD is required by the *Social Security Act*, Section 1137(a), to ensure that the name and SSN used in establishing eligibility actually belongs to the claimant. In addition, LWD is required by the Social Security Act and Section 4-58-103, *Tennessee Code Annotated*, to verify that each applicant who applies for public benefits is a U.S. citizen or lawfully present in the U.S. In order to determine if these eligibility requirements have been met for U.S. citizens, LWD compares the SSN reported by the claimant with the SSN on file with the SSA. For non-U.S. citizens, who account for less than 2% of all Tennessee unemployment claims, LWD compares the claimants' information with the U.S. Department of Homeland Security's database for verification of identification. During the course of our audit, however, we learned that, unbeknownst to LWD, the SSA was unable to process the majority of

claimants who were U.S. citizens because LWD failed to provide SSA with properly formatted claimant data.

Background

Prior to 2006, unemployment claims could only be filed in person. Claims Center and local office interviewers were required by LWD policy to verify the claimant's identity through inspection of the claimant's social security card and driver's license.

In 2006, LWD began accepting unemployment claims filed via telephone and internet. At that time, Claims Center staff started electronically verifying the identities of new claimants. This was accomplished through computer programs which transmitted the claimant's first and last name, SSN, gender, and date of birth from LWD's unemployment insurance database, Employment Security Combined Online Technology (ESCOT), to the SSA's database.

LWD would transmit the data from ESCOT to the SSA in real time during the day (while the SSA's system was online) to determine if the claimant's information, including their SSN, was valid and agreed with the SSA's database. The SSA transmitted back to LWD the results of the verification, which included specific error codes for those claimants whose information did not match. According to LWD's policies and procedures, Claims Center staff were required to contact those claimants for proof of identity.

In November 2009, LWD also began transmitting data from ESCOT to the SSA by batch. LWD used this processing method for online claims that were filed after operating hours (when the SSA's system was off-line).

Electronic Verification of Claimant Identification Failed

While conducting inquiries with LWD management, they informed us that in July 2012, the regional SSA office notified them that the SSA was only able to successfully process verifications for about 20% (approximately 65,000) of the claimants. The SSA was unable to process the remaining 80% (approximately 225,000) of the claimants because the data was formatted incorrectly. Consequently, there were no error codes generated by the SSA for these claimants, which would have indicated to LWD that there was a problem.

When the regional SSA office notified LWD of the processing issue, the SSA only stated that the format of the data was the problem, but they did not identify the specific formatting issue. LWD IT staff looked into the matter and determined that the format LWD used for the claimant's date of birth was inconsistent with the format required by the SSA. Specifically, the issue was only with those claims that were batch processed (claims submitted online after operating hours). The SSA program requires a format of month-day-year for the date of birth; however, LWD was sending the batch requests in a year-month-day format. As a result, the SSA was unable to process any of the verification requests that were sent by batch. The format used by LWD for claims processed in real-time (claims submitted online during operating hours and telephone claims) was determined to be consistent with the SSA's format. In August 2012, LWD's IT staff corrected the date of birth format for batch processing.

As a result of the improper formatting, LWD approved unemployment benefit payments for approximately 225,000 of the 290,000 claimants during the audit period ended June 30, 2012, without performing any identity verification procedures. In addition, LWD IT staff informed us that the format of the data sent to the SSA had been the same since the implementation of batch processing of online after-hour claims. So, unbeknownst to LWD until July 2012, the data had been incorrectly formatted and was unable to be processed by the SSA since November 2009. As a result, Claims Center staff approved the majority of unemployment benefit claims, those that were filed online and batch processed, without performing any identity verification procedures either for those claims within our audit period or for claims filed for the last three years.

We asked the regional SSA office why it took them almost three years to inform LWD about the SSA's inability to verify the identities of the majority of Tennessee's claimants. A regional SSA office representative stated that they just happened to notice Tennessee's processing issue while they were reviewing the traffic of verification requests on their system for other reasons. The regional office was unable to confirm that Tennessee's processing issue had started almost three years prior to their communication with LWD. Despite the lack of an earlier communication from the SSA, however, Claims Center management should have understood the contents of the responses from SSA and established controls to detect this problem. If the Claims Center staff had reconciled the number of identification requests sent to the SSA to the total number of verifications and errors received back from the SSA, they would have detected this problem quickly.

Manual Verification of Claimant Identification Was Not Performed

For those claimants whose data was able to be processed by the SSA, the SSA transmitted back to LWD the verification results, which included specific error codes for those claimants whose information did not match. According to LWD's policies and procedures, Claims Center staff were required to contact those claimants for proof of identity; however, during our inquiries of management, we were told that the Claims Center staff failed to do so. In fact, according to Claims Center staff, they only rejected the claims with invalid SSNs. They processed other claims with errors [i.e., those with names, SSNs (as opposed to invalid SSNs), and date of birth that did not match the SSA] without obtaining verification of the claimants' identities. Claims Center management stated that their staff were not requesting proof of identity for those claims with specific errors because of the high volume of workload in new claims, which occurred at the same time the Claims Center management were centralizing the claims process away from the local offices.

Conclusion

We tested the eligibility of a sample of 200 paid unemployment claims for the fiscal year ended June 30, 2012. Although our testwork did not reveal claimants with an invalid SSN, the lack of verification significantly increased the risk that payments were made to ineligible individuals.

LWD's risk assessment states that the verification of a claimant's identity through the SSA's database would act as a control to prevent a claimant from filing a fraudulent claim using another SSN. If LWD does not verify claimants' identities when SSA has identified errors in claimants' data, the risk of LWD paying claimants' benefits either in error or as a result of fraud increases.

## Recommendation

Claims Center staff should follow department policies and obtain proof of identification for those claims that are returned from the SSA with error codes. Claims Center management should properly supervise their staff to ensure that this is done.

IT management should ensure that a program is developed to enable the display of record counts from the SSA. Once this is accomplished, Claims Center management should ensure that record counts from the SSA are reconciled to the count of records submitted to the SSA.

Finally, the Commissioner should ensure that controls identified in the department's annual risk assessment are actually in place and working effectively.

## Management's Comment

We concur. The formatting error that caused the problems with the SSA matching process has been corrected. The Commissioner will ensure that controls identified in the department's annual risk assessment are actually in place and working. Management will determine the appropriate frequency of review.

| | |
|---|---|
| **Finding Number** | 12-LWD-06 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | $3,898 |

**The Department of Labor and Workforce Development's staff improperly classified overpayments of unemployment claims with fraud indicators as overpayments due to errors rather than frauds, which increased the risk that claimants submitting fraudulent claims could remain in the system for possible future benefits**

## Finding

The Commissioner of the Department of Labor and Workforce Development (LWD) reported to us that former Employment Security Division (division) management allegedly overrode LWD's procedures for processing unemployment claims with fraud indicators at the end of the 2011 calendar year. Fraud indicators are documents or statements that are misleading or are intended to conceal earnings and/or other facts regarding a claimant's eligibility for unemployment benefits. LWD procedures require claims with fraud indicators to be reviewed exclusively by division investigators within the Benefit Payment Control (BPC) unit.

BPC unit investigators are responsible for determining whether LWD has overpaid claimants and whether penalties and any corresponding interest should be assessed on claimants when their claims have fraud indicators. The investigators also determine disqualification periods for claimants who have submitted fraudulent claims, based on the number of weekly benefit payments made as a result of fraud on the part of the claimant, as mandated by state law. The Commissioner reported that former division management allegedly directed staff working in the local unemployment offices to process the Unemployment Insurance (UI) claims without regard to fraud indicators. Our audit confirmed that staff other than the BPC unit investigators processed unemployment claims with fraud indicators, which increased the risk that claimants who had committed fraud were not properly disqualified from the program. Additionally, this increased the risk that LWD was not collecting penalties and interest for fraudulent claims as prescribed by state law.

Section 50-7-303 (a) (7), *Tennessee Code Annotated*, states that a claimant will be disqualified for benefits

> for the week or weeks in which the administrator finds that the claimant has made any false or fraudulent representation or intentionally withheld material information for the purpose of obtaining benefits contrary to this chapter and for not less than four (4) nor more than the fifty-two (52) next following weeks, beginning with the week following the week in which the findings were made, as determined by the administrator in each case according to the seriousness of the facts. In addition, the claimant shall remain disqualified from future benefits so long as any portion of the overpayment or interest on the overpayment is still outstanding.

**Staff Reviews of New Information**

The division approves claims and pays unemployment benefits based on weekly certifications made by claimants. Division staff flag current claims for review when they receive new information from other departments, claimants, or employers. New information includes other departments reporting on new hires and deaths, claimants submitting a second unemployment claim based upon separation from a second employer during the period the claimant is receiving unemployment benefits from their first unemployment claim, employers reporting they have hired recipients, or employers reporting wages paid to recipients. Generally, payments of unemployment benefits are continued until staff can consider the new information. Local office staff are responsible for processing the new information on a daily basis and reevaluating claimants' eligibility accordingly.

**Local Staff Procedures**

Local office staff frequently determine that a claimant received an overpayment (an unemployment benefit payment issued to a claimant who is no longer eligible for such benefits or is only eligible for a reduced amount) in their review of new information. Division policy directs local office staff to first gather pertinent documentation regarding the reevaluation of the claimant's eligibility. Local office staff are then responsible for resolving any issues regarding the claimant's eligibility. For example, when wages are reported by an employer for a claimant receiving unemployment benefits, a written statement from the employer regarding the weekly earnings of the claimant is required. The local office staff must calculate any resulting overpayment of benefits for claims when the overpayment is the result of an error. LWD policy regarding claims with fraud indicators requires the local office staff to gather sufficient information regarding the claimant's eligibility and then forward the information to the investigators in the BPC unit. As stated above, fraud indicators, which are intended to mislead or conceal facts that make a claimant ineligible for continuing or future benefits, include unreported wages, claimant misrepresentations, or falsified eligibility documents.

## BPC Unit Staff Procedures

The BPC investigators are responsible for reviewing all cases with fraud indicators and making rulings on disqualifications and overpayments. The outcome of the BPC unit review can result in either a continuation of payments or the placement of a stop order on the claim. If the claim is determined to be fraudulent, the investigator enters a stop code into the Employment Security Combined Online Technology (ESCOT) system, which ends payments to the claimant. Investigators also establish an overpayment of benefits to the claimant if the claimant received unemployment benefits to which they were not entitled. BPC investigators also include penalties and interest associated with the fraudulent claims in their overpayment calculations.

## Results of Our Inquiries and Testwork

To address the potential override of controls regarding the overpayment review process, we interviewed staff of both the local offices and the BPC unit. We also interviewed former members of division management regarding the alleged instructions to staff.

### Backlog of Claims

We determined through inquiries with division management that they were not prepared for the state's significant rise in UI claims and had not staffed the BPC unit accordingly. Division management also stated that they had a backlog of approximately 300 flagged claims waiting to be reviewed by the BPC unit in the fall of 2011.

To gain a better understanding of the backlog of overpaid claims, we obtained the total overpayments during the last two fiscal years from the ESCOT system. We noted that the total number of overpayments during this time increased by 4,822. We also determined that the local office staff handled 84% of this increase, issuing decisions for 4,031 overpayments.

### Assignment of Backlog to Local Office Staff

According to some local office staff, former division upper management redirected these backlogged claims with fraud indicators from the BPC unit, instructing local staff to treat the flagged claims as claims with errors rather than as claims with fraud indicators, presumably to expedite the claims overpayment review. Typically the BPC unit takes longer to investigate claims with fraud indicators because of the high risk of fraud. This investigation review period also includes the unit's assessment of penalties and disqualification periods. Former division management stated that those flagged claims with fraud indicators were originally assigned to BPC unit investigators but were determined to be the result of errors and were given to local staff to resolve.

### Perceived Change to Division Policy on Fraudulent Claims

Based on our interviews with local office staff, we were told that they perceived a change in the division's policy regarding the definition of fraudulent claim indicators. This change apparently occurred when BPC staff told former division management that many claims

overpayments did not contain fraud indicators and should be analyzed as claim errors by local office staff.

Former division management stated that, although they did not make any significant change in policy as a result of the backlog, they subsequently wrote a new policy to clarify the definition of fraud indicators.

Lack of Communication Between Management, Staff, and Various Units

Based on our interviews, we found that division management, local office staff, and the BPC unit had not fully communicated with each other to ensure the overpayment review process was operating efficiently, which contributed to the backlog.

Testwork Identifies Local Office Staff Improperly Handled Claims

We performed procedures to determine whether selected overpayments, processed predominantly in the fall of 2011, contained fraud indicators and to determine if the overpayment amounts were calculated correctly. LWD's internal audit staff initiated testwork relating to this issue. Their working papers contained a random sample of 69 overpayment decisions made by local office staff and labeled as errors. Of the 69, we reviewed the 15 claims that the internal auditor identified as having possible fraud indicators. We also reviewed the 5 highest-dollar overpayments processed as errors that we obtained from the division's computer system.

Based on our testwork of the 20 claims, we determined that 11 of the 15 claims related to internal audit's 69 item sample (11 of 69 or 16%) and all 5 high-dollar overpayments (100%) had fraud indicators that had not been identified as such by local office staff. Based on our review, all of these 16 claimants should have been assessed penalties and disqualified from the program. Although the claimants were not disqualified from the program, we found that LWD has not paid any additional benefit payments to these 16 claimants. We referred these 16 claims back to the division for its determination of the amount of penalties and interest that should have been assessed but was not.

Testwork Identifies Incorrect Calculations on Overpayments

From the testwork performed, we also noted that for 3 of 20 overpayments (15%), the local office staff did not correctly identify the proper number of weeks or benefit amounts used to calculate the overpayment of benefits (not including penalties and interest). In all three cases, staff calculated the overpayment at an amount less than what was due to the state, resulting in an understatement of the accounts receivable totaling $3,898 for these claims. This amount will be considered questioned costs. For a detailed description of all questioned costs involving unemployment benefits, see finding 12-LWD-01.

**Conclusion**

As noted above, management has made the local offices responsible for overpayments due to error and the BPC unit responsible for overpayments with fraud indicators. Based on the

discussions with local office staff and based on the results of our own testwork, we believe management may have improperly classified the claims as claims with errors to avoid further delays and an increased backlog in the claims analyzed for fraud indicators.

Through observation and inquiry, we determined that the following factors contributed to the local office staff improperly processing fraudulent claims:

- the large volume of claims submitted with new information without a significant increase of staff to handle the influx of claims;
- the lack of consistent interpretations of policy and examples of fraudulent claims included in the policy;
- the local office staff's failure to gather all necessary information and resolve all eligibility issues before sending claims to the BPC unit;
- the local office staff's failure to provide the BPC unit with an explanation for why the claim was considered fraudulent;
- the lack of training of local office and BPC unit staff on assessing fraud; and
- the former and current management's overreliance on the federally mandated reviews performed by other departmental units. (Several division units are required to test the timeliness and accuracy of determinations the local office staff makes on claims and overpayments. Upper management has stated that they rely on these tests to detect problems with the overpayment determination process. The tests performed by other division units did not, however, detect the issues noted in this finding.)

When division management does not ensure that overpayments are properly classified as to error or fraud indicators, and when management does not provide adequate resources for the local office or the BPC unit to perform required functions, management's risk that claimants who commit fraud will not be properly disqualified from the program is increased. Additionally, management is at an increased risk that the division will not collect penalties and interest for fraudulent claims as prescribed by state law.

**Management's Subsequent Corrective Action**

In order to address some of these issues, management of the local office and the BPC unit implemented a new policy on April 27, 2012. This policy clarifies existing definitions of fraud in LWD's manual; establishes the fact-finding steps the local office staff should take to resolve outstanding eligibility issues; and requires local office staff to provide written explanation of the suspected fraud with claims forwarded to the BPC unit. Even though the new policy went into effect during our audit period, its effectiveness is yet to be determined.

## Recommendation

Upper management of the Employment Security Division, in conjunction with the management of the local office staff and the BPC unit, should consider staffing needs and develop a plan of action to handle future claims should the number of claims increase again. Additionally, management of the local office staff and the BPC unit should further refine the

definition of potentially fraudulent claims and include more examples of those types of claims that should be sent to the BPC unit.

Management of the local office staff and the BPC unit should continue to train staff on the use of the new policy.

Upper management of the division should reevaluate the information they receive from the federally mandated reviews of claims by other division units. They should determine whether those reviews can be relied upon to potentially detect issues such as the overpayments of claims due to frauds rather than errors.

Upper management, in conjunction with management of the BPC unit, should review the 16 fraudulent claims identified in our testwork and determine what corrective actions should be taken, including the collection of any applicable penalties and interest.

Upper management, in conjunction with the internal auditor, should periodically monitor overpayment decisions made by the local office staff, including high-dollar overpayments, to determine whether local office staff are properly processing only those overpayments due to errors rather than fraud and similarly to determine whether the BPC unit is properly processing overpayments with fraud indicators.

The Commissioner should ensure that the risk of fraud overpayments being adjudicated as errors is specifically addressed in LWD's risk assessment and that mitigating internal controls, in addition to the federally mandated reviews mentioned above, are placed into operation.

**Management's Comment**

We concur. In the next 90 days, a plan will be in place to address staffing needs when claims dramatically increase. Local office training and compliance with the new policies will continue.

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|---|---|
| **Finding Number** | 12-LWD-07 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Material Weakness |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | N/A |

## The Department of Labor and Workforce Development's lack of controls over its online automated approval process for unemployment claims increased the risk that payments were made to ineligible claimants

### Finding

The Department of Labor and Workforce Development did not have adequate controls over its online automated Unemployment Insurance Claims (UI) approval process to prevent or detect improper payments to ineligible claimants. Before the initiation of our audit fieldwork, the Commissioner expressed specific concerns related to this process. To address our (and management's) concerns, we performed audit procedures and found that the controls over the department's online automated approval process were not sufficient to provide management and staff with a mechanism for proper verification of eligibility of all claimants who requested UI benefits due to lack of work.

We were unable to test the online automated approval process because UI management could not provide us with the population of payments made specifically through this process. In total, the department processed over 5,313,157 checks for 290,620 claimants in the amount of $1,175,939,586 for the fiscal year ended June 30, 2012. Management estimated that approximately 35 to 47% of all claims were automatically processed and approved through the online process.

Although we could not test the population of online automatically approved claims, we did perform eligibility testwork, and we have reported the number of ineligible claims and questioned costs related to management's lack of controls for both the online and manually processed claims in our overpayment finding (12-LWD-02).

Background

According to state regulations, individuals filing UI claims with the department must meet certain earnings requirements (monetary) from past employment and must be currently unemployed or earning less than their weekly benefit amount and/or the $275 maximum. Once

the monetary requirements are met, other eligibility requirements (non-monetary) must be met before a claim is approved. Claimants must have separated from their most recent employer through no fault of their own. Claimants' circumstances generally fall into one of three non-monetary categories:

1. lack of work – where the employer lays off the employee,
2. quit – where the employee has voluntarily quit with just cause, or
3. discharge – where the employee's employment was terminated because of performance issues other than misconduct.

Separation issues and personal eligibility issues (those issues that involve claimants' ability and availability for work) often need to be evaluated by department staff before a decision to approve benefits can be made. For departmental staff, lack of work is generally the easiest issue to resolve as it only involves verification with the employer that the separation was due to lack of work available for the claimant.

Online Automated Approval Process

In 2007, due to an increase of unemployed individuals filing claims for UI benefits, UI management implemented a computer program to assist in processing lack-of-work claims. This program automated the approval process for online lack-of-work claims and lack-of-work claims filed over the telephone at the Claims Center or local offices.

The online claims were processed daily in the department's Employment Security Comprehensive Online Technology (ESCOT) system. This system assigns a decision/issue code of 45/00 when the claimant separated from the employer for lack of work with no other issues (for example, additional earnings from a second source). Once a code 45/00 claim is filed, the system generates a verification letter that is mailed to the separating employer stating that the claimant has filed a claim for lack of work. The department requests that the employer respond to the department within 14 days, but only if the employer disagrees with the employee's assertion that he or she separated employment due to lack of work. If the department does not receive a response from the employer within 14 days of the claim date, the computer program automatically approves the claim (virtually approving online claims without a department staff member reviewing any part of the claim) and benefits begin. Again, the employers' responses verify employment and identify only those employees who separated for reasons other than lack of work since all other claim types must be approved manually.

Problem Identified by Management

Within the last several years, UI management determined that verification letters relating to the online lack-of-work claims were not always reaching the separating employers. According to UI management, several employers received notice that their unemployment premiums had risen due to claimants for which they had not received verification letters. UI management's review of this issue revealed programming issues with ESCOT and the online claims processing.

To address the problem, UI management changed the programming in an attempt to correct the problem; however, we found that the first attempt failed. Although we provided management with detailed information regarding our programming concerns, the wording of this finding does not identify the specific vulnerabilities that could allow someone to exploit them. UI management then made a second effort to correct the problem, as described below.

Additional Departmental Measures

In April 2012, UI management implemented a manual review of code 45/00 claims. Management's intent was to ensure that each code 45/00 claim would be examined by department staff before approving the claimant's request for benefits (before the 14-day period expired).

Our Testwork on the Additional Departmental Measures

Management did not design the database to capture and maintain details related to the initial coding for 45/00 claims, and the codes change to 01/00 once the claims are approved. Therefore, the department could not provide us with the complete population of 45/00 claims.

We were able to identify and test 12 code 01/00 claims that were previously 45/00 claims and determine if Claims Center staff reviewed the claims before approval. We found that only 6 of the 12 claims (50%) were reviewed by Claims Center staff. As a result, management failed to ensure that the additional measures implemented served as a compensating control for the programming issue.

Procedures Over Undeliverable Mail Were Unreliable

We also discussed with Claims Center management the procedures they followed when the department received returned mail containing undeliverable lack-of-work verification letters. Although the Claims Center staff stated they attempted to resolve the issue before payment, we found that staff did not prevent the code 45/00 claims from being automatically approved and paid.

In August 2012, after our inquiries about the process for handling returned mail, the Claims Center initiated a procedure to place stop codes on the 45/00 claims, preventing them from automatically approving when the lack-of-work verification letters were returned as undeliverable.

Additional Audit Procedures Performed

Our audit procedures also included interviews with current and prior management of the UI program as well as our observation of the current process. Given the nature of this online automated approval process and the fact that department staff have no interaction with the lack-of-work benefit claim type, we performed specific audit procedures to determine whether current and prior management of the UI program or their friends and family members had improperly received benefits through this process. We found no evidence of improper benefits or manipulation of specific claims involving any current and prior management. Furthermore, we

found no evidence to suggest the online automated approval program was installed for the purposes other than expediting the claims process as stated by prior management.

We also discussed the installation of the online automated approval program with the Regional UI Division Director of the U.S. Department of Labor, and she was clear that the responsibilities for the system applications used in the state's UI program are completely the state's responsibility and that the installation did not require the approval of the U.S. Department of Labor. The director also stated that most states use a similar version of the online automated approval program that sends a lack-of-work verification letter to the separating employers and only requires a response if the claimant was not separated for lack of work.

State Information Data Exchange System (SIDES)

The department is currently working on the State Information Data Exchange System project, which will assist the department in communications with employers and could significantly improve the lack-of-work verification process. The project is being developed through a strategic partnership with the U.S. Department of Labor and is not yet fully implemented. Based on our understanding from discussions with management, if employers sign up to participate in SIDES, they can have information posted electronically to their account. Employers can view and respond to this information electronically by logging into their account. If employers have a SIDES account, the lack-of-work verification letter would be posted so the employers could view and respond electronically through the account.

Conclusion

If employers do not receive the lack-of-work verification letter, they do not get a chance to dispute the assertion by claimants that the separation was due to lack of work, or that claimants were even employed by them at all. Since the only verification of the lack-of-work claim is contingent upon an employer's response to the letter, this is all the more reason to require additional departmental review of code 45/00 claims before final approval of UI benefits, when the lack-of-work verification letter is returned as undeliverable.

Furthermore, because the department's manual review process of all code 45/00 claims was not completely effective, the department paid UI claims automatically without a proper review process in place. The combination of these weaknesses created a risk that claimants applying online due to lack of work could be approved although they were not eligible for UI benefits. The Commissioner and top management did not identify the risks addressed above in the department's annual Financial Integrity Act Risk Assessment.

## Recommendation

The Commissioner should ensure controls over the department's online automated approval processes are sufficient to provide for proper verification of claimants' requests for UI benefits when separation occurs as a result of lack of work.

The Claims Center Director, working in conjunction with the Information Technology Administrator, should correct the programming issue by requiring claimants to call the Claims Center and file a claim. The Commissioner should consider the additional workload for the Claims Center as a result of implementing this recommendation and adequate staffing noted in 12-LWD-03.

After the change identified above is implemented, the Commissioner should reassess the necessity of department staff reviewing all 45/00 claims.

The Claims Center Director, working in conjunction with the Information Technology Administrator, should develop a method to provide an audit trail for lack-of-work claims that change from 45/00 to 01/00 claims after approval.

When the lack-of-work verification letters to employers are returned as undeliverable, the Claims Center Director should ensure the staff continue placing stop codes on the 45/00 claims, thereby preventing automatic approval of benefits.

Finally, the Commissioner should incorporate the risks identified in this finding in the department's annual risk assessment.

**Management's Comment**

We concur. Controls over the online automated approval process will be reviewed by executive management for adequacy. This will include the verification of audit trails and any information technology issues.

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|---|---|
| **Finding Number** | 12-LWD-08 |
| **CFDA Number** | 17.225 |
| **Program Name** | Unemployment Insurance |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | ES-22091-11-55-A-47, UI-22341-12-55-A-47, UI-21127-11-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | N/A |

## The Department of Labor and Workforce Development's Employment Security Division did not obtain certifications from certain claimants, which increased the risk that ineligible individuals received unemployment benefits

### Finding

The Department of Labor and Workforce Development's (LWD) Employment Security Division (division) did not require all unemployment benefit claimants to make weekly certifications regarding their eligibility status. The division's failure to require these certifications increased the risk that ineligible individuals received benefits.

Although we provided management with detailed information regarding our concerns, the wording of this finding does not identify the specific vulnerabilities that could allow someone to exploit them.

Under the state's unemployment insurance program, claimants can apply for benefits when they become unemployed, are temporarily laid off, or have had their work hours significantly reduced and are earning less than the weekly benefit amount ($275 maximum). The division is responsible for obtaining certifications from either employees or employers to determine whether claimants' eligibility status has changed.

Claimants may apply for regular benefits or partial benefits depending on their circumstances. Regular unemployment claims are filed by claimants when they become unemployed or are earning less than the weekly benefit amount. The division requires these claimants to make weekly certifications via telephone or internet regarding their eligibility status. Partial unemployment claims are filed by employers (rather than claimants) each week on behalf of employees that employers must either lay off temporarily or significantly cut employees' work hours (less than four full days), and the employee's earnings are less than the weekly benefit amount. Employers can submit partial claims in hard copy through the mail or electronically through the internet. Approximately one-fourth (70,000) of all claims processed by the division are partial claims, and the majority of the partial claims are filed online.

We obtained and reviewed the different formats provided by the division and used by employers to file partial claims each week. Some of these formats included a "worker's statement" section, which is completed and signed by employees to attest to their eligibility status, but the division does not require this attestation for all partial claims.

The division cannot be assured that claimants who qualify for partial benefits are eligible each benefit period without additional requirements, such as an initial statement from each worker and weekly certifications. The Commissioner and top division management did not identify this risk in LWD's annual Financial Integrity Act risk assessment.

## Recommendation

Employment Security Division management should consider requirements for employers filing partial claims so that all formats of claims include weekly certifications from the employees. Division management should add these requirements to LWD's policies and procedures and include the requirements in instructions for employers. Employers should maintain weekly worker's statements for verification by division staff. Finally, the Commissioner and top division management should include the risk identified above in LWD's annual risk assessment.

## Management's Comment

We concur. Over the next 90 days, the department will review the partial claims process for improvement. Additionally, all risks included in this finding will be included in the department's annual risk assessment.

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|---|---|
| **Finding Number** | 12-LWD-09 |
| **CFDA Number** | 17.259 |
| **Program Name** | Workforce Investment Act Cluster |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | AA-22963-12-55-A-47, AA-21423-11-55-A-47, AA-20221-10-55-A-47, AA-18669-09-55-A-47, and AA-17149-08-55-A-47 |
| **Federal Award Year** | 2009 through 2015 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Activities Allowed or Unallowed<br>Allowable Costs/Cost Principles |
| **Questioned Costs** | $172,859.04 |

## Override of controls by one subrecipient's board resulted in the overexpenditure of $172,859.04 in Workforce Investment Act funds

### Finding

In our testwork on the Department of Labor and Workforce Development's (LWD) subrecipient monitoring for the Workforce Investment Act (WIA) and our follow-up on the findings noted in the monitoring reports, we found that one subrecipient's board authorized the expenditure of funds in excess of the approved contract amount, resulting in federal questioned costs of $172,859.04.

Office of Management and Budget (OMB) Circular A-133 and the *Code of Federal Regulations* require LWD to monitor the activities of its subrecipients to ensure that subrecipients comply with applicable program requirements. LWD's Office of Program Accountability and Review (PAR) has the responsibility to conduct annual monitoring visits at each of the department's 13 Local Workforce Investment Areas (LWIAs) to satisfy the subrecipient monitoring requirement. In addition, LWD is required by the Department of Finance and Administration's Policy 22, *Subrecipient Contract Monitoring*, to monitor subrecipients and to issue reports summarizing any deficiencies noted during monitoring visits within 30 business days after completion of fieldwork. Upon completion of the monitoring visit, PAR provides the monitoring report to the subrecipient.

In our subrecipient monitoring testwork, we reviewed the monitoring reports for the fiscal year ended June 30, 2012, for the department's 13 subrecipients. In the PAR monitoring report for the Southwest Human Resource Agency - Local Workforce Investment Area 11 (LWIA 11), dated May 17, 2012, the monitors noted in finding 1 that the expenditures for contract LW11P101YOUTH11 were over-reported by $172,859.04. The finding also noted:

> The amount over reported represents program expenses that were incurred prior to the beginning of the contract period. These expenses could not be charged to the

> prior year's contract because the contract was fully expended. It is recognized, however, that prior contract period expenses were legitimate program expenses.
>
> According to management of Southwest Human Resource Agency (SWHRA) and corroborated by the Department, the Department agreed to provide additional funding to cover these expenses. As of the monitoring date, no additional funds had been provided.
>
> The contracts between the Department of Labor and Workforce Development and SWHRA states the grant contract shall be effective according to the beginning date and ending date. The contract further states, "The Grantee hereby acknowledges and affirms that the State shall have no obligation for Grantee services or expenditures that were not completed within this specified contract period."
>
> While a deficiency of $172,859.04 is recognized, it is also recognized that the deficiency arises due to the failure of the Department to timely provide the additional funding to which it committed.

In response to finding 1 in the monitoring report, the Executive Director of the Southwest Human Resource Agency stated:

> The $172,859.04 was legitimate program expenses incurred in the Youth Program. When it was brought to the attention of the LWIA 11 Board that funds were not available to pay existing subcontractors by the administrative entity, the recommendation to stop subcontractor payments was over ruled by the board. In a discussion with the DOL [LWD] it was recommended that the subcontractors continue to be paid and the state would provide additional funds.

Based on our review of supporting documentation and our inquiry of LWIA 11 management, we determined that a deliberate override of controls by the LWIA 11 Executive Committee and board contributed to the overexpenditure. According to the January 11, 2010, Youth Council meeting minutes, staff of LWIA 11 decided that the council would recommend to the Executive Committee to cancel current contracts with vendors, effective January 31, 2010, in order to not overexpend the youth program maximum contract amount. According to the January 12, 2010, Executive Committee meeting minutes, the motion was tabled and would be dealt with at a specially called meeting of the Executive Committee and Youth Council. According to the minutes of the January 22, 2010, specially called meeting, a motion was made and carried to continue the contracts through June 30, 2010. A memorandum from the Executive Committee to the board members dated January 25, 2010, recommended continuing the current contracts and acknowledged that in order to continue youth services through June 30, 2010, additional funds would be needed from the next fiscal year funding. According to the January 28, 2010, board meeting minutes, the board approved the continuation of the current contracts. We believe that the board was fiscally irresponsible in doing so, since the contract between LWIA 11 and the department specified a maximum contract liability for the state.

We discussed this issue with LWD's Deputy Commissioner on October 8, 2012. She stated that LWD management was aware of the overexpenditure. Although the grant agreement between LWD and the LWIA 11 stated that the maximum liability of the state is the amount specified in the contract, the Deputy Commissioner stated that LWD intended to cover the overexpenditure with state funds. As of our meeting date, no state funds had yet been used to offset those costs; therefore, the overexpenditure on the program year 2010 Youth Program that was improperly allocated to the WIA program is not an allowable cost.

Management identified the risk of improper control over the expending of federal funds at the subrecipient level and established control procedures within the subrecipient monitoring guidelines; however, when the overexpenditure was noted by the monitors, the department apparently communicated to the subrecipient that the department would take care of it.

## Recommendation

Department management should better communicate to the WIA subrecipients the consequences of not following the WIA program requirements as well as the contract agreements. The Commissioner should take the necessary steps to adequately resolve the questioned costs.

## Management's Comment

We concur. Management will communicate with WIA subrecipients the consequences of not following WIA program requirements, and the Commissioner will take the necessary steps to adequately resolve the questioned cost.

| | |
|---|---|
| **Finding Number** | 12-LWD-10 |
| **CFDA Number** | 17.258, 17.259, and 17.278 |
| **Program Name** | Workforce Investment Act Cluster |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | AA-17149-08-55-A-47, AA-18669-09-55-A-47, AA-20221-10-55-A-47, AA-21423-11-55-A-47, and AA-22963-12-55-A-47 |
| **Federal Award Year** | 2008 through 2015 |
| **Finding Type** | Noncompliance |
| **Compliance Requirement** | Reporting |
| **Questioned Costs** | N/A |

## Management at the Department of Labor and Workforce Development and management at its Local Workforce Investment Areas did not comply with the Workforce Investment Act program reporting requirement

### Finding

Management at the Department of Labor and Workforce Development (department) and management at its Local Workforce Investment Areas (LWIAs) did not comply with the U.S. Department of Labor's Employment and Training Administration (ETA) reporting requirement ETA-9091, *WIA Annual Report* (*OMB Number 1205-0420*) and *Standardized Record Data* (WIASRD). The WIASRD data records contain relevant data on individual participants' characteristics, activities, and outcomes.

Programs under the Workforce Investment Act of 1998 (WIA) help prepare workers for good jobs through formula grants to states. Using a variety of methods, states provide employment and training services through a network of One-Stop Career Centers. The WIA Adult and Dislocated Worker programs provide training services and help jobseekers achieve gainful employment. The adult component focuses more on low-skilled, low-income workers, whereas the dislocated worker component supports the reemployment of laid-off workers. An additional youth program provides employment and educational services to eligible low-income youth, ages 14 to 21, who face barriers to employment. The program serves in-school as well as out-of-school youth, youth with disabilities and low literacy rates, and youth who may require additional assistance to complete an educational program, acquire an industry-recognized credential, or enter employment. When a WIA participant completes an activity (e.g., training), management is required to update its records to document that the participant completed the activity and is no longer receiving services funded by the WIA program.

Improper Exit Activity Reporting of WIA Program Participants

For the period July 1, 2011, through June 30, 2012, we selected a sample of 195 WIA participants reported as active from a population of 38,624 participants and reviewed the related documentation to evaluate the participants' eligibility, activities, and outcomes. Our inspection

of the participants' documentation revealed that for 56 of the 195 participants (29%) whose files we examined, LWIA management did not exit the participants from the WIA program in accordance with the U.S. Department of Labor's Training and Employment Guidance Letter (TEGL) 17-05, which states in Part 6 (B) (3),

> Once a participant has not received any services funded by the program or a partner program for 90 consecutive calendar days, has no gap in service, and is not scheduled for future services, the date of exit is applied retroactively to the last day on which the individual received a service funded by the program or a partner program.

Also, the Workforce Investment Act of 1998, Section 185, entitled Reports; Recordkeeping; Investigations, states in (a) (1),

> Recipients of funds under this title shall keep records that are sufficient to permit the preparation of reports required by this title and to permit the tracing of funds to a level of expenditure adequate to ensure that the funds have not been spent unlawfully.

Below is a summary of the results of our review of participants' exits from the program.

| WIA Funding Grant | Population | Sample Size | Number of Participants Not Exited | Percentage of Participants Not Exited |
|---|---|---|---|---|
| Adult Program | 21,169 | 65 | 21 | 32% |
| Dislocated Workers Program | 9,751 | 65 | 19 | 29% |
| Youth Program | 7,704 | 65 | 16 | 25% |
| Total | 38,624 | 195 | 56 | 29% |

Discussions With Management as to the Improper Exit Activity Reporting

In our review of the enhanced Consolidated Management Activity and Tracking System (eCMATS) database information, we found that participants who should have been exited from the WIA program more than five years ago were reported as active during the current audit period. When we asked LWIA management about the length of time participants were allowed to stay in the WIA program, management disclosed that the LWIAs did not exit participants from the program in order to avoid a negative impact on their performance measures. Based on our inquiries, LWIAs kept participants who did not successfully complete the program in the eCMATS database for years to show that these participants were still active in the program and thereby to avoid reporting those participants as unsuccessful exits from the program. LWIA management also told us that some participants did not respond to phone calls or mail, and other participants dropped out of the training and were not issued certificates. The program director at one LWIA told us that this has been the practice of the LWIAs due to strict and unachievable

performance measures. The program director at another LWIA also told us that the agency would not close cases that would have a negative impact on the agency's performance measures.

We brought this issue to department management, and they agreed that the participants who did not receive services should have been exited from the WIA program as required by the TEGL 17-05. Department management communicated this issue to the LWIAs and sent a list of participants who had been in the WIA program for three or more years for the LWIAs to evaluate and report back to the department. The following is the e-mail correspondence from department management to LWIA management.

> Attached is an excel spreadsheet which list active participant files currently in the system with enrollment dates of 2008 and earlier. Please review each participant record to ensure the participant is indeed still active. In accordance to TEGL 17-05:
>
> 1. What is the definition of program exit?
>  The term program exit means a participant has not received a service funded by the program or funded by a partner program for 90 consecutive calendar days, and is not scheduled for future services. The exit date is the last date of service.

No Evidence of WIA Program Participants' Completion of Training

We also reviewed participant files for evidence of completion of the training requirements to determine if the department reported accurate data to the U.S. Department of Labor relative to WIA program participants' training. Our review of the 195 participant files disclosed that 138 participants had received some training, but 41 of the 138 files (30%) did not contain the certificates of completion of training. Below is a summary of the results of our review.

| WIA Funding Grant | Sample Size | Number of Participants Exited with No Evidence of Completion of Training | Percentage of Exited Participants with No Evidence of Completion of Training |
|---|---|---|---|
| Adult Program | 44 | 18 | 41% |
| Dislocated Workers Program | 46 | 8 | 17% |
| Youth Program | 48 | 15 | 31% |
| Total | 138 | 41 | 30% |

In our follow-up work on these 41 participants, we found that there were 13 participants who dropped out of the training program, 11 participants whose files did not contain training

progress notes or completion documentation, and 17 participants whose files contained training progress notes but did not contain a certificate of completion. As mentioned above, since the LWIAs decided not to report data that would have a negative impact on their performance measures, this data was not included on the ETA-9091, *WIA Annual Report* (*OMB Number 1205-0420*) and *Standardized Record Data* (WIASRD), as required by the U.S. Department of Labor.

The reliance on improper data and inaccurate information due to the inaccurate reporting of WIA program participants' activities, progress, and outcomes of training increases the risk of improper funding and reporting on the WIA program participants' performance at the state and federal levels.

## Recommendation

The Commissioner or her designee should ensure that management at the Local Workforce Investment Areas report accurate and up-to-date information in federally required reports. LWIA management should ensure that the eCMATS database is updated regularly with accurate information about each WIA program participant's activity, progress, and outcome. Also, department management should ensure that LWIA personnel obtain and keep on file the certificates of completion for the WIA participants who complete training funded by the program.

## Management's Comment

We concur. Appropriate action will be taken by the Commissioner to ensure that the local managers of the WIA report accurate and up-to-date information.

| | |
|---|---|
| **Finding Number** | 12-LWD-11 |
| **CFDA Number** | 17.258, 17.259, and 17.278 |
| **Program Name** | Workforce Investment Act Cluster |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | AA-17149-08-55-A-47, AA-18669-09-55-A-47, AA-20221-10-55-A-47, and AA-21423-11-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Noncompliance |
| **Compliance Requirement** | Program Income |
| **Questioned Costs** | $36,101.32 |

**The Department of Labor and Workforce Development was unaware that one of its subrecipients failed to report revenue generated from Workforce Investment Act funds, resulting in $36,101.32 of federal questioned costs**

## Finding

The Department of Labor and Workforce Development (LWD) was unaware that one of its subrecipients, the Knoxville-Knox County Community Action Committee - Local Workforce Investment Area 3 (LWIA 3), failed to report to LWD program income that it generated using Workforce Investment Act (WIA) funds. As a result, we questioned costs of $36,101.32.

LWD defines program income as gross income earned from any WIA program-supported activities (e.g., receipts from goods or services provided as a result of activities funded by the program). WIA recipients and subrecipients are required by federal regulations to report program income. These regulations allow the recipients and subrecipients to use the generated program income to pay other costs incurred under the grant. Based on LWD's *Supplementary Financial Guide*, the receipts and disbursements of program income are to be submitted quarterly to the department on the WIA program income status report and reported on the appropriate quarterly status report.

While reviewing accounting records at Workforce Solutions (LWIA 6), we learned that it made allowable payments to LWIA 3 for training services; however, LWIA 3 did not report to LWD the revenues earned (gross or net program income) or expenses incurred for this training, as required. Through a series of discussions with management at LWIA 3, they confirmed that the LWIA 3 Assistant Director (whose salary and benefits were charged to the WIA grant) provided training to other LWIAs. As a result, the revenue that LWIA 3 earned from the training services the Assistant Director provided is considered program income. Since management at LWIA 3 failed to report the gross program income, associated costs, and net program income, LWD management was unaware of the program income and unable to report it to the U.S. Department of Labor as required.

In addition to the failure to report program income, LWIA 3 management did not use the program income in accordance with LWD's guidelines and Section 3.10 of the Workforce

Investment Act of 1998. LWD's *Supplementary Financial Guide* states that subrecipients are allowed to use the program income generated ". . . to carry out any authorized WIA activities. Any program income not used during the funding period must be returned to the Tennessee Department of Labor and Workforce Development." Also, the *Supplementary Financial Guide* states that the "WIA program income status report should be submitted to the Tennessee Department of Labor and Workforce Development with the associated quarterly report by the quarter due date."

Based on our discussion with the LWIA 3 Fiscal Services Manager, the program income earned from the training services was used to offset costs of LWIA 3's expenditures, but not specifically the WIA program expenditures. He also stated that a reconciliation was to be performed at the end of the fiscal year to determine if there was program income that needed to be transferred to the WIA program; however, based on our review of the accounting records, we determined that LWIA 3 management did not transfer any program income to the WIA program. Therefore, the total net program income of $36,101.32 is questioned costs.

According to the LWIA 3 accounting records, the amounts recorded as revenue and expenses for training services for the fiscal year ended June 30, 2012, were as follows:

| | |
|---|---|
| Gross program income | $48,320.28 |
| Total expenses | 12,218.96 |
| Net program income | $36,101.32 |

In LWD's annual risk assessment, management identified the risk of subrecipients not reporting program income and established procedures for reporting program income, but those procedures were not effective. Without effective procedures and proper follow-up, the risk of misuse of revenue generated with federal funds increases.

## Recommendation

The Commissioner should ensure that management at the LWIAs report revenue generated using the WIA funds as program income as required by state and federal regulations. The Commissioner or her designee should ensure that personnel at the LWIAs are aware of the program income reporting requirements. The Commissioner or her designee should ensure that effective procedures are established to effectively mitigate the risk of subrecipients not reporting program income.

## Management's Comment

We concur. Appropriate action will be taken by the Commissioner to ensure that the local managers of the WIA properly report program income.

| | |
|---|---|
| **Finding Number** | 12-LWD-12 |
| **CFDA Number** | 17.258, 17.259, and 17.278 |
| **Program Name** | Workforce Investment Act Cluster |
| **Federal Agency** | Department of Labor |
| **State Agency** | Department of Labor and Workforce Development |
| **Grant/Contract No.** | AA-17149-08-55-A-47, AA-18669-09-55-A-47, AA-20221-10-55-A-47, and AA-21423-11-55-A-47 |
| **Federal Award Year** | 2008 through 2014 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Activities Allowed or Unallowed<br>Allowable Costs/Cost Principles<br>Procurement and Suspension and Debarment |
| **Questioned Costs** | $17,926.50 |

**Subrecipients of the Department of Labor and Workforce Development did not follow proper procurement procedures when awarding service contracts funded by the Workforce Investment Act program and paid for unallowable costs, which resulted in $17,926.50 of federal questioned costs**

## Finding

Department of Labor and Workforce Development (LWD) subrecipients did not follow proper procurement procedures when awarding service contracts for training and technical assistance. In addition, as noted in the prior audit, the department's subrecipients paid a service provider for unallowable costs.

Our inquiries of LWD management and the subrecipients, as well as our follow-up on the prior audit finding, disclosed that 2 of 13 subrecipients contracted with the Center for Workforce Learning, Inc. (the center) during the fiscal year ended June 30, 2012. The two subrecipients were the Southwest Human Resource Agency - Local Workforce Investment Area 11 (LWIA 11) and the Workforce Investment Network - Local Workforce Investment Area 13 (LWIA 13). We obtained and reviewed the contracts, invoices, and other documentation relative to the center's services and found the problems discussed below.

### LWIA 11 Did Not Award Service Contract on a Competitive Basis

LWIA 11 contracted with the center to provide training and technical assistance. We determined that the contract was not awarded on a competitive basis as required by the Workforce Investment Act of 1998. Subtitle B—Statewide and Local Workforce Investment Systems - Section 118, Local Plan, Part (b) states, "The local plan shall include . . . (9) a description of the competitive process to be used to award the grants and contracts in the local area for activities carried out under this subtitle . . ."

The contract with the center also was not in accordance with the contract between LWD and LWIA 11, Section D, Standard Terms and Conditions, D.17, Procurement, which states:

> If other terms of this Grant Contract allow reimbursement for the cost of goods, materials, supplies, equipment, and/or contracted services, such procurement(s) shall be made on a competitive basis, including the use of competitive bidding procedures where practical. The Grantee shall maintain documentation for the basis of each procurement for which reimbursement is paid pursuant to this Grant Contract. In each instance where it is determined that the use of a competitive procurement method is not practical, supporting documentation shall include a written justification for such decision and non-competitive procurement. Further, and notwithstanding the foregoing, if such reimbursement is to be made with funds derived wholly or partially from federal sources, the determination of cost shall be governed by and reimbursement shall be subject to the Grantee's compliance with applicable federal procurement requirements.

In addition, this contract was not in accordance with LWIA 11 purchasing procedures, Chapter 2 (B)(11), which states, "general policy statement – It is the policy that every contract representing the procurement of services shall be made on a competitive basis where practicable and appropriate, considering factors such as the type of service, cost, competence, reputation, and technical proposals made by vendors."

Chapter 2 (C)(2)(a) states, "A request for proposal (see Appendix 1 for example) shall be prepared by the SWHRA." Chapter 2 (C)(2)(c) states, "Advertising. The SWHRA shall formally advertise and/or send a request for proposal to all potential contractors known to the SWHRA, except that it is not necessary to send requests to more than 15 different vendors. The SWHRA office is designated as the place to which proposals are to be delivered." Chapter 2 (C)(2)(d) states, "Opening of Proposals – public record – proposals for each contract shall be opened at the time specified in the request for proposal. After a contract is made and finally approved, all proposals received pertaining to that contract shall be held open to public inspection by the SWHRA during reasonable hours on working days."

Based on our discussion with the WIA Director at LWIA 11 regarding the requests for proposals from vendors for this contract, advertisement of the proposal period, and whether LWIA 11 prepared the request for proposal, the WIA Director stated that no other vendors bid on the contract. Also, he could not provide us with support for the advertisement of the contract proposal period, and he did not provide us with supporting documentation to show that LWIA 11 staff had prepared the request for contract proposals.

**LWIA 11 Management Exhibited Lack of a Basic Understanding of or Disregard for Prescribed Contract Procedures**

During our follow-up on the prior year audit finding, we noted that LWD awarded LWIA 11 a contract using the Incentive Grants - WIA Section 503 (CFDA 17.267) so that it could contract with the center. This contract was for the center to provide guidance, consultation, technical assistance, and training to assist the department and LWIA 11 in reengineering LWD and LWIA 11's workforce policies, procedures, and organizational structure. Under the provisions of the contract, the center was to be compensated based on the payment rates in the contract for units of service authorized by the state in a total amount not to exceed $86,400. The

compensation rate for the service was $249.00 per hour, and the center was not to be compensated or reimbursed for travel, meals, lodging, or incidental expenses such as calls, postage, or materials.

We inquired about the procedures LWIA 11 used in awarding this contract to the center. Based on our inquiry and inspection of the contract document, request for proposals, and advertising for this contract, we found that LWIA 11 placed an ad in the local newspaper on April 4, 2012, that stated, "All proposals are due by 4:30 PM on April 17, 2012." Based on our review of the contract approvals, the contract between LWIA 11 and the center was approved on April 13, 2012, four days prior to the closing date stated in the ad. Also, based on our review of the center's invoice, the center invoiced and was reimbursed by LWIA 11 for services the center provided on April 14, 2012.

The WIA Director told us that "there must be an error in the date," but the WIA Director did not provide additional information about the "error." LWD management stated that the center agreed to provide services free of charge until the contract was awarded. They also said that the center's bid was the only bid received, and the contract was retroactively dated to April 13, 2012, so the center would be reimbursed for the services provided prior to the end of the last day of proposal submission (April 17, 2012). We asked the WIA Director if LWIA 11 intended to award the contract to the center regardless of competitive bids, since the evidence suggested that the contract was awarded without regard to LWIA 11 procurement procedures. The WIA Director told us that LWD awarded LWIA 11 a contract for $96,000 for the purpose of entering into a contract with the center. Based on our review of the contract between LWD and LWIA 11, the contract's section A, Scope of Service – part A.3 states, "The Grantee shall establish programs for technical assistance and consultation services that will provide guidance, consultation, technical assistance and training through a contract with the Center for Workforce Learning, Inc." The LWD Commissioner signed the contract on May 8, 2012, and the LWIA 11 Executive Director signed the contract on May 3, 2012. However, the beginning date for this contract was retroactive to April 13, 2012.

Based on our review of the center's invoices for this contract, there were two invoices submitted to LWIA 11 that totaled $86,400, as follows:

- June 5, 2012 (for 4/14 - 6/5/2012) $40,836
- June 30, 2012 (for 6/7 - 6/30/2012) $45,564

In addition, based on our review of the contract between the department and LWIA 11, Section D, Standard Terms and Conditions, parts D.1 and D.5:

> Part D.1 – required approval – The State is not bound by this Grant Contract until it is signed by the contract parties and approved by the appropriate officials in accordance with applicable Tennessee laws and regulations.
>
> Part D.5 – Subcontracting (a) – The Grantee shall not assign this grant or enter into a subcontracting for any of the services performed under this Grant without obtaining the prior approval of the State. If such subcontracts are approved by the

> State, they shall contain at a minimum, sections of this Grant Contract below pertaining to "Lobbying," "Nondiscrimination," "public Accountability," "public Notice," and "Records" (as identified by the section headings). Notwithstanding any use of approved subcontractors, the Grantee shall be the prime contractor and shall be responsible for all work performed.

Our review of the subcontract between LWIA 11 and the center disclosed that the required Part D.5 (a) was not included in the contract. Also, as mentioned above, LWIA 11 approved the center's contract at least three weeks prior to the LWD Commissioner's approval of the state contract between the department and LWIA 11 for the training. Given the noted discrepancies in the contract, we believe LWIA 11 management lacked a basic understanding of contracting procedures or disregarded the prescribed contract process.

Additionally, LWD awarded a contract to LWIA 11 so that LWIA 11 could contract with the center for the period July 1, 2012, through June 30, 2013. The new contract is identical to the previous contract; however, the maximum liability for the 2012-2013 contract is $110,000. Based on our review of the latest contract between LWD and LWIA 11, the contract's section A. Scope of Service – part A.3 is a continuation of the prior year's contract. The section states, "The Grantee shall establish programs for technical assistance and consultation services that will provide guidance, consultation, technical assistance and training through a contract with the Center for Workforce Learning, Inc. . . ." Therefore, this contract continuation also resulted in LWD and LWIA 11's continued noncompliance of *Office of Management and Budget (OMB)* Circular A-133 procurement procedures that require the recipient of federal funds to award contracts on a competitive basis.

**LWIA 11 Paid for Unallowable Costs in Violation of WIA Program Requirements**

Based on our review and testwork and according to the original contract, LWIA 11 agreed to pay the center $1,500 for eight hours ($187.50 per hour) of on- and off-site work, and the center would charge four hours travel to and four hours travel from LWIA 11 for on-site sessions. The initial agreement covered 120 hours, or a total of $22,500, for the period July 1, 2011, to June 30, 2012. However, on January 15, 2012, the contract was amended to add $15,000, making the total contract maximum liability $37,500. On April 2, 2012, the contract was amended again to extend the contract to December 31, 2012. The amendment also increased the hourly rate from $187.50 to $249.00 for actual hours worked on- and off-site and increased the total contract maximum liability to $50,000 without LWIA 11 management documenting justification for the increases. The third amendment also provided that the center would not be compensated for travel or for travel time to and from on-site visits.

We determined that LWIA 11 paid $41,989 to the center from WIA program funds for the adult, dislocated workers, and youth programs. Of this amount, $8,250 was unallowable because the costs were not in accordance with OMB Circular A-87 requirements, and $676.50 was unallowable due to an unjustified hourly increase, resulting in total federal questioned costs of $8,926.50.

Unallowable Travel Time in Violation of OMB Circular A-87

LWIA 11 paid the center $8,250 (44 hours x $187.50) for travel time, which was classified as "time in route." Therefore, the time in route was not for actual travel expense; rather, it was for time lost during travel to and from LWIA 11. OMB Circular A-87 requires that reimbursement be made based on goods or services that were received. Compensation for loss of an economic opportunity is not an actual service. Because OMB Circular A-87 requires that expenditures of federal awards be necessary and reasonable, we questioned the $8,250.

Unjustified Hourly Increase in Violation of LWIA Policies and Procedures

LWIA 11 paid the center $676.50 (11 hours x $61.50) for the increase in the hourly rate from $187.50 to $249.00 without written justification for the increase. LWIA 11 Purchasing Procedures, Chapter I (F) (9) states, ". . . as the terms of the contract allow, all request for price increases must be in writing to the SWHRA and must contain data established or supporting the general or industry wide nature of the change." Therefore, we questioned the $676.50.

**LWIA 13 Did Not Award Service Contract on a Competitive Basis**

The Workforce Investment Network (WIN) - Local Workforce Investment Area 13 (LWIA 13) also awarded a contract to the center to provide "professional services related to enhancing the operational and administrative functions associated with the local development system." According to the contract, LWIA 13 agreed to pay the center the all-inclusive daily rate of $1,500 for travel expenses and materials not to exceed $35,000, which represented 23 days of work. The contract provided for the work to be on- or off-site as appropriate to complete the project, and the contract period was July 1 to December 31, 2011.

On September 20, 2011, the contract was amended to increase the contract maximum liability amount by $10,000. On December 28, 2011, the contract was amended to revise the contract item 5 to state ". . . WIN shall pay the daily rate of $1500 for onsite visit, inclusive of materials, etc. plus a charge of 4 hours travel to and from each onsite visit. Off-site work will be pro-rated based on $1500 divided by 8 hours . . ." The rate established was $187.50 per hour.

The Contracting Manager at LWIA 13 informed us that the procurement procedures for LWIA do not require competitive bids for procuring professional services, but as we cited above, the WIA law requires that procurement of goods or services be on a competitive basis. Therefore, LWIA 13 did not comply with the procurement requirements of the WIA law.

**LWIA 13 Paid for Unallowable Costs**

Our inspection of the invoices and payment documents disclosed that LWIA 13 paid $9,000 (48 hours x $187.50) for travel time to the center from WIA program funds for the adult, dislocated workers, and youth programs. As discussed above, the cost for travel time in route to and from location did not provide an actual benefit, resulting in $9,000 of federal questioned costs.

Without LWD management ensuring that the subrecipients of federal awards follow the proper procurement procedures and that costs charged to the WIA program are allowable, management's risk of fraud, waste, abuse, and noncompliance with federal requirements increases.

## Recommendation

The Commissioner should ensure that subrecipients of federal funds adhere to the procurement procedures required by the WIA law, departmental procedures, and subrecipient procedures. LWD management should ensure that WIA program funds are only used for expenditures made in accordance with the WIA program regulations and the requirements of OMB Circulars A-133 and A-87.

The Commissioner and appropriate WIA program staff should recover any costs paid to the subrecipients and the center which were unallowable under the WIA regulations.

## Management's Comment

We concur. Appropriate action will be taken by the Commissioner to ensure that WIA funds are only expended for allowable costs under federal guidelines and program regulations.

| | |
|---|---|
| **Finding Number** | 12-DOT-05 |
| **CFDA Number** | 20.205 |
| **Program Name** | Highway Planning and Construction Cluster |
| **Federal Agency** | Federal Highway Administration |
| **State Agency** | Department of Transportation |
| **Grant/Contract No**. | Various |
| **Federal Award Year** | Various |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Questioned Costs** | $73,605.33 |

**The department's right-of-way offices in regions 1, 3, and 4 did not follow established internal control procedures; in addition, the region 3 right-of-way office did not monitor consultants, which created an atmosphere for fraud to occur and resulted in federal questioned costs of $73,605.33 and state questioned costs of $18,401.34**

## Finding

The department's Right-of-Way (ROW) Division is responsible for acquisition and clearance of real property that is needed to complete highway construction projects. The central office is responsible for establishing policies and procedures, monitoring field office operations, and utility contracting. Personnel in the four regional offices are responsible for the acquisition of right-of-way property, relocation assistance for people and businesses, utility adjustments, property management, and monitoring and reporting on excess lands. According to the *Code of Federal Regulations*, Title 23, Part 710, Section 201(h), the department "may enter into written agreements with other State, county, municipal, or local public land acquisition organizations or with private consultants" for right-of-way acquisitions. However, the department must "monitor any such real property acquisition activities to assure compliance with State and Federal law and requirements." Based on an investigation performed by the department's Internal Audit Office and our own compliance testwork, the department's ROW offices in regions 1, 3, and 4, which used third parties for right-of-way acquisitions, failed to adequately monitor these private consultants.

According to the department's *Right-of-Way Procedures Manual*, Part IV, Section II B,

> The contract for title work and closings will require the closing agents to complete all closings within 45 days if possible. If an extension is necessary, closing agents will be required to make a written request for extension.

While the manual does not provide further detail on this time span, the Transportation Director for the ROW Division in the central office stated that the 45-day period starts when a consultant receives payment for a planned right-of-way acquisition and ends on the closing date, when the property deed is transferred to the state by the property owner.

Based on our audit work, we found that staff in the department's regional ROW offices did not adequately monitor or supervise right-of-way consultants to ensure that the department received property deeds in exchange for the payments it made to consultants. In order to facilitate closings on properties with lienholders, payments were often issued solely to the department's consultants instead of being issued to the property owners or jointly to consultants and property owners. While the region 1 and region 4 ROW offices maintained some contact with consultants who did not close on properties within 45 days, these offices did not obtain the written extension requests required by the *Right-of-Way Procedures Manual*. In the region 3 ROW office, we found that staff did not perform any substantive monitoring of consultants after issuing payments to them. Based on discussion with the acting Transportation Manager for the region 3 ROW office, the office had several vacancies, which contributed to the lack of monitoring effort. Specifically, the position for the ROW Agent 4, responsible for monitoring consultants, has been vacant since 2007. Additionally, the region 3 office did not have a reliable information system for identifying the payments issued to consultants where property deeds had not been received. According to the acting Transportation Manager, the office also lacked any established procedures for following up with consultants on right-of-way acquisitions that were not completed. Additionally, the acting Transportation Manager noted that region 3 consultants and staff were uncertain as to when the 45-day time frame for closing on a property began.

We tested a sample of 60 payments to private consultants charged to the Highway Planning and Construction program for the period July 1, 2011, through June 30, 2012, to determine whether the consultants completed the right-of-way purchases and closings in a timely manner after the department paid them. For 36 of 60 payments to consultants (60%), we found that staff in the department's regions 1, 3, and 4 ROW offices did not obtain property deeds from the consultants within the 45-day period specified in the *Right-of-Way Procedures Manual* and did not receive written extension requests from the consultants. As stated above, the region 3 office did not obtain any updates from its consultants on the status of property acquisitions that had not been completed; the region 1 and 4 offices kept in contact with their consultants but did not ensure that consultants who could not meet the 45-day requirement filed the appropriate extensions. The consultants submitted the property deeds for these right-of-way acquisitions from 2 to 172 days late, with an average of 55 days late.

Additionally, as a result of not monitoring ROW acquisition payments issued to consultants, the region 3 ROW office did not obtain property deeds for 7 of the 60 planned acquisitions in our testwork (12%), representing right-of-way payments issued to two consultants. One of these consultants admitted to misappropriating the funds paid to him for right-of-way acquisitions. Following actions by the department's Internal Audit Office, the United States Department of Transportation Office of the Inspector General (OIG), and the United States Department of Justice, this consultant agreed to forfeit the assets derived from his fraudulent activities. The department requested that the other consultant repay all monies for incomplete right-of-way acquisitions, and as a result of his failure to do so, the department referred this matter to the OIG as well. Based on our sample, the department's ROW offices issued payments to consultants who failed to complete property closings, resulting in federal questioned costs of $73,605.33 and state questioned costs of $18,401.34. Based on our discussions with Internal Audit Office staff, neither of these consultants is presently doing business with the department.

As noted above, the department has already identified instances where right-of-way funds were misappropriated. The ongoing investigation of the payments made to right-of-way consultants may also identify further instances of fraud. The department's issuance of payments directly to private consultants and its failure to monitor planned right-of-way acquisitions increases the risk of these acts of fraud. Additionally, when the department does not ensure that closings occur in a timely manner, the likelihood of changes in property ownership during the intervening period and additional settlement costs increase. As a result of these deficiencies in the acquisition of right-of-way properties, the completion of roadway projects may also be delayed.

We also reviewed the department's risk assessment, and we found that management had not identified any of the risk events related to the use of private consultants for right-of-way acquisitions, nor did they describe internal controls mitigating the risks of the use of these consultants.

## Recommendation

The Commissioner should ensure that a thorough review of the payments issued to right-of-way consultants is conducted to determine that all related property acquisitions have been closed timely and that property deeds are obtained for any planned acquisitions. In addition, the Commissioner should ensure that the department's regional offices are adequately staffed and trained. The Commissioner should also ensure that, when consultants are used by the department, they are adequately monitored for compliance with their contract specifications and the *Right-of-Way Procedures Manual*. The department's ROW Division and regional offices should develop adequate tracking systems and procedures to monitor consultants' right-of-way acquisitions to ensure that property deeds are obtained for any real property acquisitions for which the department has made payment.

The Transportation Director for the ROW Division should ensure that regional staff and right-of-way consultants are fully aware of the applicable requirements and deadlines. Additionally, the Transportation Director should consider revising the right-of-way policies, so that payments are not made solely payable to consultants.

The Commissioner should ensure that plans of corrective action are developed immediately to implement the recommendations in this report. To determine whether satisfactory progress is made, the Commissioner and the department's Internal Audit Office should frequently monitor the activities of the individuals responsible for correcting the problems. The Commissioner should take appropriate action if the problems are not corrected in accordance with the plans of corrective action.

Management should include the risks noted in this finding in management's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the Commissioner.

## Management's Comment

We concur. A review of right-of-way payments issued to consultants to perform closings has been completed by each applicable region and the issue of misappropriation of funds seems to be isolated to region 3. At present, the department is undergoing a reorganization which will affect the regional offices. Certain positions within the right-of-way office and other functional areas as well will be moved to a "Studio." As the "Studio" concept is implemented, adequate staff will be obtained and trained. Our IT Division is working with the Right-of-Way Division and a consultant to develop a new comprehensive work flow data base. This new system, Integrated Right-of-Way Information System (IRIS), will enhance the region's ability to monitor consultant closings by IRIS' precise recordkeeping, robust reporting capabilities, and automated notification system. It is estimated that the data base will be fully operational by late 2014. In the interim, a program has been written to monitor the closing of tracts utilizing the information in our current data base. Each regional office has implemented this program. The process for monitoring closing was discussed with the regional right-of-way managers at the statewide meeting held the first of October 2012, with a supporting memo explaining the process sent in late November 2012. The elimination of escrow accounts was implemented the first of October 2012, and a memo was sent to each regional Right-of-Way Manager instructing them to proceed accordingly. It is the goal of the department for each regional right-of-way office to perform closings with in-house staff. One or more regional right-of-way offices may still utilize title work/closing consultants until vacant positions are filled. Depending upon workload, the department may utilize acquisition/relocation consultants. Under these types of contracts, the consultant will perform the closing function. Current consultants have been notified of the elimination of escrow accounts and the proper procedures to follow.

| | |
|---|---|
| **Finding Number** | 12-DOT-01 |
| **CFDA Number** | 20.509 |
| **Program Name** | Formula Grants for Other Than Urbanized Areas |
| **Federal Agency** | Federal Transit Administration |
| **State Agency** | Department of Transportation |
| **Grant/Contract No**. | TN-18-X025, TN-18-X030 |
| **Federal Award Year** | 2007 and 2011 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Program Income |
| **Questioned Costs** | N/A |

**The Division of Multimodal Transportation Resources did not have adequate controls in place to ensure that subrecipients properly calculated and deducted fare revenue on the reimbursement requests they submitted to the department**

## Finding

Under the Formula Grants for Other Than Urbanized Areas (Formula Grants) program, the department's Division of Multimodal Transportation Resources (DMTR) is required to ensure that subrecipients properly report their collected fare revenue since the fare revenue should be deducted from the subrecipients' operating expenses on the reimbursement requests they submit to DMTR. Based on our testwork, the Program Manager for the Formula Grants program failed to ensure that subrecipients properly deducted fare revenues from their operating expenses. The Formula Grants program circular 9040.1F, "Nonurbanized Area Formula Program Guidance and Grant Application Instructions," states, "[n]et operating expenses are eligible for assistance. Net operating expenses are those expenses that remain after the provider subtracts operating revenues from eligible operating expenses. States may further define what constitute operating revenues, but at a minimum, operating revenues must include farebox revenues."

DMTR's Formula Grants Program Manager received both monthly ridership reports and reimbursement requests from the 12 subrecipients that participated in the program. The Program Manager stated that the fare revenues on the monthly ridership reports should match the amounts deducted from the operating expenses on the subrecipients' reimbursement requests. However, she also stated that she did not compare the ridership reports with the subrecipients' reimbursement requests to verify that the amounts were the same and that the revenue was properly deducted from the operating expenses.

Based on our review of monthly ridership reports, reimbursement requests, and in the case of the City of Gatlinburg, other documentation provided by the City Treasurer, we found that for 7 of 10 subrecipients tested (70%), the subrecipient did not properly report and deduct fare revenues from the operating expenses before invoicing DMTR under the grant program.

As shown in the table below, the fare revenues related to five reimbursement requests were underreported (fare revenues actually collected exceeded the amount deducted from

operating expenses on the reimbursement requests). Therefore, the operating expenses were overstated and subrecipients overbilled DMTR. We found that DMTR did not ensure that the City of Gatlinburg included fare revenue information on the monthly ridership reports which they submitted to DMTR; therefore, we had to obtain information from the City Treasurer in order to perform the comparison.

| Reimbursement Period | Subrecipient | Fare Revenues Per Ridership Report or Other Documentation | Fare Revenues Reported on Reimbursement Request | Fare Revenues Underreported Resulting in Overbilling DMTR |
|---|---|---|---|---|
| July 2011 - March 2012 | City of Gatlinburg | $283,166.00 | $123,218.00 | $159,948.00 |
| August 2011 | East Tennessee Human Resource Agency | $28,606.00 | $21,695.50 | 6,910.50 |
| July 2011 | Southeast Tennessee Human Resource Agency | $8,871.00 | $8,296.00 | 575.00 |
| July 2011 | Southwest Tennessee Human Resource Agency | $8,511.50 | $ - | 8,511.50 |
| September 2011 | Upper Cumberland Human Resource Agency | $15,055.50 | $13,475.49 | 1,580.01 |
| | | **Total fare revenues underreported** | | **$177,525.01** |

As shown in the table below, the fare revenues related to three reimbursement requests were overrreported (fare revenues deducted from operating expenses exceeded the amount actually collected). Therefore, the operating expenses were understated and the maximum allowable amount (50% of operating expenses) for federal assistance was understated. As a result, subrecipients were eligible for more federal assistance than they requested.

| Reimbursement Period | Subrecipient | Fare Revenues Per Ridership Report | Fare Revenues Reported on Reimbursement Request | Fare Revenues Overreported Resulting in Underbilling DMTR |
|---|---|---|---|---|
| August 2011 | Delta Human Resource Agency | $1,637.00 | $3,535.50 | $1,898.50 |
| September 2011 | Mid-Cumberland Human Resource Agency | $18,709.00 | $19,817.00 | 1,108.00 |
| October 2011 | Southeast Tennessee Human Resource Agency | $419.00 | $489.00 | 70.00 |
| | | **Total fare revenues overreported** | | **$3,076.50** |

Although the two tables reflect a total of eight items, one of the seven subrecipients, Southeast Tennessee Human Resource Agency, had an overbilling for the month of July 2011 and an underbilling for the month of October 2011.

DMTR submits the Rural Public Transit Service Summary (RU-30) annually (by October 31 for the period ended June 30) to the National Transit Database with revisions allowed until

March of the following year. The RU-30 is a summary of transportation data reported by the subrecipients and includes a line item for fare revenues under "Sources of Operating Revenue Expended." Based on the most recent finalized RU-30 report available for the state fiscal year ended June 30, 2011, total fare revenues were $2,317,941.

DMTR had no controls in place to ensure that fare revenue (program income) was properly deducted from operating expenses as required. As a result of management's failure to establish adequate controls, subrecipients were allowed to submit reimbursement requests to the state which had not been properly adjusted by the subrecipients' fare revenue. Since DMTR did not verify the fare revenues, the exact amounts that may have been overcharged or undercharged to the Federal Transit Administration or the state could not be determined.

## Recommendation

The Director of the Division of Multimodal Transportation Resources should ensure that adequate policies and procedures are developed for the proper handling of program income. These procedures should include a comparison of the fare revenue reported by subrecipients on the ridership reports with the fare revenue deducted from operating expenses on the reimbursement requests. The Formula Grants Program Manager should ensure that each subrecipient reports the fare revenue as a part of the monthly ridership reports so that the amounts deducted from operating expenses on the reimbursement requests can be verified. The Program Manager should also ensure that any fare revenues not previously deducted from operating expenses are applied to future invoices.

## Management's Comment

We concur. The Division of Multimodal Transportation Resources (DMTR) will correct prior overpayments/underpayments by reviewing prior invoices with subrecipients. DMTR will address the finding with the following corrective actions. (1) DMTR will define the information that subrecipients must report with each invoice to enable staff to evaluate the proper treatment of fare box revenue. (2) An Invoice Approval Checklist will be developed that program managers will use as a guide to check for compliance issues. Revenues required to be deducted from operating expenses will be included in the items to check. Also, verification of fare revenue to monthly ridership reports will also be done, along with a check of any unused revenues to be deducted on future reports. The checklist will be emailed to subrecipients and a conference call will be scheduled to discuss the requirements and answer questions. The anticipated completion date for the above items is February 28, 2013. (3) DMTR will create a task-level Procedures Manual for staff that includes the invoice payment process. This will be accomplished in multiple steps. The current invoice process will be documented at a work task-level description after discussions with staff and then compared to FTA Program Circulars, the State Management Plan and subrecipient contract documentation. From this review, the final administrative process document will be drafted. The anticipated completion date is June 30, 2013. With the assistance of TDOT Internal Audit, DMTR will monitor the efficiency of

internal control measures by reviewing a sample of transactions to ensure the corrective action is adequately designed and functioning as intended.

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|---|---|
| **Finding Number** | 12-DOT-02 |
| **CFDA Number** | 20.509 |
| **Program Name** | Formula Grants for Other Than Urbanized Areas |
| **Federal Agency** | Federal Transit Administration |
| **State Agency** | Department of Transportation |
| **Grant/Contract No**. | TN-18-X029, TN-18-X030 |
| **Federal Award Year** | 2010 and 2011 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles |
| **Questioned Costs** | $2,130.03 |

**As noted in the prior two audits, staff in the Division of Multimodal Transportation Resources failed to adequately review subrecipients' reimbursement requests and paid subrecipients for unallowable costs with funds from the Formula Grants for Other Than Urbanized Areas program, resulting in federal questioned costs of $2,130.03 and state questioned costs of $996.81**

## Finding

As noted in the prior two audits, staff in the Division of Multimodal Transportation Resources (DMTR) did not adequately review subrecipients' reimbursement requests. For the third year, we found unallowable charges to the Formula Grants for Other Than Urbanized Areas (Formula Grants) program that were not found during the Program Manager's review. The Formula Grants program provides federal financial assistance for capital, operating, and administrative expenses to initiate, improve, or continue public transportation service in nonurbanized areas. DMTR administers the Formula Grants program through subrecipients that act as transit providers in rural areas. In our testwork, we found that the department charged $2,130.03 to the Formula Grants program for expenditures on subrecipient reimbursement requests that were not allowable under federal guidelines.

In response to the 2010 finding, management concurred and stated that the division would provide all staff and subrecipients with the state's "Comprehensive Travel Regulations." Management also stated that the division developed and distributed guidelines regarding the supporting documentation required to process invoices [reimbursement requests] and also provided training to address allowable and unallowable costs. In response to the 2011 finding, management concurred in part and stated, "To underscore the importance of allowable costs, in December 2011, subrecipients were sent information regarding the types of costs for which reimbursement may be submitted, in particular the use of federal funds for holiday gifts, and/or promotional items."

We tested 60 randomly selected expenditure transactions charged to the Formula Grants program for the period July 1, 2011, through May 31, 2012, which included 9 transactions from American Recovery and Reinvestment Act of 2009 (ARRA) funds and 51 transactions from non-ARRA funds. For 9 of 60 transactions tested (15%; all non-ARRA), we found 11 unallowable charges, as summarized in the table below and discussed in detail after the table.

**UNALLOWABLE COSTS**

| Item | Subrecipient | Type of Expenditure | Federal Questioned Costs | State Questioned Costs |
|---|---|---|---|---|
| 1 | Northwest Tennessee Human Resource Agency | Duplicate payment | $33.67 | $4.21 |
| 2* | South Central Tennessee Development District | Entertainment | 88.00 | 44.00 |
| 3** | Southeast Tennessee Human Resource Agency | Entertainment | 33.20 | 16.60 |
| | | Entertainment subtotal | 121.20 | 60.60 |
| 4 | Southeast Tennessee Human Resource Agency | Flowers | 97.52 | 12.19 |
| 5* | South Central Tennessee Development District | Flowers | 43.46 | 21.73 |
| 6** | Southeast Tennessee Human Resource Agency | Flowers | 23.30 | 11.65 |
| 7 | Southwest Tennessee Human Resource Agency | Flowers | 22.50 | 11.25 |
| 8 | Southwest Tennessee Human Resource Agency | Flowers | 12.50 | 6.25 |
| | | Flowers subtotal | 199.28 | 63.07 |
| 9 | Northwest Tennessee Human Resource Agency | Promotional items | 1,413.15 | 706.57 |
| 10 | Northwest Tennessee Human Resource Agency | Promotional items | 225.98 | 112.99 |
| | | Promotional items subtotal | 1,639.13 | 819.56 |
| 11 | City of Gatlinburg | Travel | 136.75 | 49.37 |
| | | **Total questioned costs** | **$2,130.03** | **$996.81** |

* Items 2 and 5 are from the same reimbursement request for South Central Tennessee Development District.

****** Items 3 and 6 are from the same reimbursement request for Southeast Tennessee Human Resource Agency.

### Duplicate Payment

As a part of its reimbursement request, Northwest Tennessee Human Resource Agency (agency) billed DMTR twice for an invoice for supplies that the agency had paid twice in error. The subrecipient's duplicate payment should not have been charged to the Formula Grants program or to the state.

### Entertainment

As a part of its reimbursement request, the South Central Tennessee Development District included food and supplies purchased from Kroger for a Christmas party. Office of Management and Budget Circular A-87, Attachment B, Section 14, states, "Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals,

transportation, and gratuities) are unallowable." A Christmas party is a social activity and is not an allowable cost.

As part of its reimbursement request, Southeast Tennessee Human Resource Agency included a retirement lunch for one of the county office managers. Similar to the Christmas party noted above, a retirement lunch is a social activity and is not an allowable cost.

**Flowers**

The Office of Management and Budget (OMB) Circular A-87 states that to be allowable under federal awards, costs must "be necessary and reasonable for proper and efficient performance and administration of Federal awards." The purchase of flowers as an expression of sympathy, while well-intended, is not necessary and reasonable for proper and efficient performance and administration of federal awards. Further, the circular states, "Costs of goods or services for personal use of the governmental unit's employees are unallowable regardless of whether the cost is reported as taxable income to the employee." Flowers sent to employees and their families, regardless of the reason, are for personal use and are not allowable costs.

**Promotional Items**

As a part of its reimbursement request, Northwest Tennessee Human Resource Agency included 150 extendable flashlights printed with its logo, which the agency ordered from a promotional products distributor. According to the agency's Assistant Transportation Director, the flashlights have an emergency flashing feature and were purchased to keep on grant-funded buses; however, the flashlights were purchased from a promotional products distributor and were printed with the agency's logo.

In addition, as a part of another reimbursement request, Northwest Tennessee Human Resource Agency included a charge for 1,000 ink pens printed with its logo, which the agency ordered from the same promotional products distributor noted above. The Assistant Transportation Director stated the pens were "purchased as both advertising and for NWTHRA staff to use" and were given to clients and left at local doctors' offices, dialysis clinics, hospitals, and other businesses frequently visited.

According to Attachment B, Section 1.D., of OMB Circular A-87, "costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of Federal awards" are allowable public relations costs since "these costs are considered necessary as part of the outreach effort for the Federal award." However, OMB Circular A-87, Attachment B, Section 1.F., states, "Unallowable advertising and public relations costs include . . . 3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs." The purchase of promotional flashlights and pens is not an allowable cost.

**Travel**

The City of Gatlinburg's reimbursement request included two travel claims that were not in accordance with state policy. Tennessee Department of Finance and Administration's Policy

8 – "Comprehensive Travel Regulations" (F&A Policy 8) provides guidance for travel claims for reimbursement of travel expenses.

One travel claim was paid to the Transportation Manager, who traveled with another city employee to a conference. According to the City Treasurer, the two employees shared a room. The Transportation Manager submitted one travel claim, on which he claimed the meals and incidentals rate for both himself and the other employee. This was not in accordance with F&A Policy 8, which states that in the event employees share rooms, each employee would note that fact on each individual travel claim as well as the name of the other occupant. Additionally, the Transportation Manager included an expense for valet parking at the hotel when self-parking was available. F&A Policy 8 states, "When traveling, state employees should be as conservative as circumstances permit. The lower cost should be selected whenever practical." The self-parking rate was $8 per day, while the valet parking rate was $12 per day.

The second travel claim was for Gatlinburg's secretary who reports to the Transportation Manager. The secretary did not stay overnight; however, she claimed meals and incidentals for the day. According to F&A Policy 8, "Reimbursement [for meals & incidentals] is made only when overnight travel is required"; therefore, the reimbursement of meals and incidentals was not in accordance with state policy.

The Program Manager responsible for reviewing Formula Grants reimbursement requests would not have been able to identify any of the items discussed above as unallowable costs because the division did not request supporting documentation. According to the department's invoice documentation requirements, the human resource agencies that are subrecipients in the Formula Grants program are not required to provide supporting documentation for operating or administrative costs because of the Department of Finance and Administration's Policy 3. Policy 3, "Uniform Reporting Requirements and Cost Allocation Plans for Subrecipients of Federal and State Grant Monies," is intended to standardize the information required of subrecipients receiving grant funds from multiple state agencies and to streamline reporting requirements. Although the Policy 3 instructions for completing the Invoice for Reimbursement form do not specifically require supporting documentation to be submitted, Policy 3 does not prohibit the division from requiring supporting documentation from subrecipients.

The total of all federal questioned costs noted in this finding is $2,130.03 from a sample of $2,272,438.97 expenditures tested. The total of the population sampled was $12,243,651.22. Office of Management and Budget Circular A-133 requires us to report all known questioned costs when known or likely questioned costs exceed $10,000 for a federal compliance requirement. We believe likely questioned costs exceed $10,000 for the condition noted in this finding.

## Recommendation

The Director of Multimodal Transportation Resources (DMTR) should take further steps to ensure that subrecipients are aware of the types of costs that can be submitted for reimbursement and that these costs are grant-related and are adequately documented. Also, the

Director of DMTR should ensure that subrecipients are aware of the state's travel policy and travel regulations and that they have proper controls in place to prevent improper travel reimbursements.

The Director of DMTR must also take additional steps and implement policies and procedures to ensure that subrecipients' reimbursement requests have sufficient documentation to ensure only allowable expenditures are approved for payment/reimbursement. As necessary, the Director of Finance and the Director of DMTR should require subrecipients to provide supporting documentation for expenditures on reimbursement requests. Additionally, the Director of Finance and the Director of DMTR should ensure that the Federal Transit Administration and the state are reimbursed for questioned costs.

Although the risks associated with noncompliance with federal regulations were identified and assessed in the Finance Office's risk assessment, management should continue to assess risks of noncompliance with federal regulations and ensure controls are in place to mitigate those risks.

**Management's Comment**

We concur. The DMTR will address the finding with the following corrective actions. (1) Subrecipients and staff will be directed to review the FTA requirements for eligible grant expenditures. Staff will engage in discussions with subrecipients about eligible expenses and provide examples. (2) The DMTR will clarify the information that subrecipients must report with each invoice and will require that agencies itemize expenses included in the "Other Costs" category. Grantees will be provided with clear instructions on the required documentation. (3) The Invoice Approval Checklist will include a step for review of "Other Costs" to verify sufficient detail is supplied to make a determination as to eligibility of costs. Full documentation will be requested for any suspect charges. The anticipated completion date for items (1) – (3) is February 28, 2013. (4) The task-level Procedures Manual, described above, will also be of assistance to staff when reviewing invoices for allowable cost. (5) DMTR will develop a Handbook for Grantees. The Grantee Handbook will be an allowable expense guide for subrecipients use when preparing requests for reimbursement of program expenses and will include specific expectations of compliance. The anticipated completion date for items (4) and (5) is June 30, 2013. With the assistance of TDOT Internal Audit, DMTR will monitor the efficiency of internal control measures by reviewing a sample of transactions to ensure the corrective action is adequately designed and functioning as intended.

| | |
|---|---|
| **Finding Number** | 12-DOT-03 |
| **CFDA Number** | 20.509 |
| **Program Name** | Formula Grants for Other Than Urbanized Areas |
| **Federal Agency** | Federal Transit Administration |
| **State Agency** | Department of Transportation |
| **Grant/Contract No**. | Various |
| **Federal Award Year** | Various |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Equipment and Real Property Management |
| **Questioned Costs** | N/A |

**As noted in the prior two audits, controls over the vehicle inventory for the Formula Grants for Other Than Urbanized Areas program were inadequate, increasing the risk of misuse of grant program assets; in addition, an equipment inventory list was not maintained**

## Finding

As noted in the prior two audits, the department's controls over the Formula Grants for Other Than Urbanized Areas (Formula Grants) vehicle inventory were not adequate to ensure that the vehicle inventory was properly safeguarded or inspected. The Formula Grants program provides funding, including capital assistance for vehicle purchases, to public transportation services in rural areas. The department's Division of Multimodal Transportation Resources (DMTR), which administers the Formula Grants program, is responsible for keeping an inventory of the vehicles purchased under this program and periodically inspecting them to verify their existence and to ensure that they are maintained.

In response to the 2010 finding, management concurred and stated that the division would retain ownership titles for all vehicles purchased with federal and state funds; collaborate with the Tennessee Public Transportation Association Maintenance Alliance's "Peer to Peer Inspections Program" to ensure all vehicles are inspected; require the public transit agencies to provide information from vehicle inspections required by TennCare and performed by authorized representatives of the Managed Care Organizations Program; require the public transit agencies to provide information from vehicle safety inspections performed by the Tennessee Department of Safety; and incorporate a review of vehicle inspection records as part of the Policy 22 Subrecipient Programmatic Review Process. Management also stated that the State Management Plan would be updated to reflect these changes.

In response to the 2011 finding, management concurred and stated, "The Division of Multimodal Transportation Resources (DMTR) amended the Capital Asset Inventory Form to address all required items. In addition, responsibilities for vehicle management and inventory were reassigned from the Transportation Specialist to a Planner 3." The division also stated that it would provide training on the new procedures outlined in the State Management Plan to subrecipients of Federal Transit Administration funding.

We reviewed DMTR's inventory and the inspection records for the Formula Grants vehicles and performed testwork on all disposals for the fiscal year ended June 30, 2012. Our testwork revealed problems with vehicle inventory, equipment inventory, inspections, and disposal records as discussed below.

**Vehicle Inventory**

As also noted in the prior two audits, DMTR maintains a vehicle inventory list based on information supplied by the program subrecipients instead of information in DMTR's purchasing and accounting records. The Transportation Planner 3, who is responsible for maintaining the vehicle inventory, was unable to describe the process for recording new vehicle purchases in inventory. Based on discussion with the Coordinator of Transit Programs, a vehicle is added to the inventory after the subrecipient purchases the vehicle and submits a Capital Asset Inventory Form, along with supporting documentation and the vehicle title. Based on this description, DMTR's inventory is based entirely on information provided by the subrecipient. As stated in the prior two audit findings, purchasing and accounting records were not used as a basis for DMTR's inventory, nor were they used in any reconciliation of the inventory data reported by the subrecipients, even though DMTR's invoice and purchasing files would be the most accurate and reliable source for the inventory file since DMTR is involved in the procurement of all new grant vehicles. Information from subrecipients should be used primarily for reconciliation purposes to ensure DMTR's vehicle inventory list is accurate.

We reviewed the inventory list provided by the Transportation Planner 3 and found that the inventory list did not contain complete information. The inventory list did not include the purchase date and funding source/grant program number for each vehicle. Without properly recording this vehicle and grant information on the inventory list, division management does not have an accurate record for determining which grant vehicles have met their useful life and may be sold or otherwise disposed of and for ensuring that proper disposal requirements were followed. The grant program number (e.g., 5311 for Formula Grants for Other Than Urbanized Areas) should be recorded on the inventory list since the disposal requirements differ for each grant program. Once this was brought to the attention of the Transportation Planner 3, she provided an inventory list with the funding source listed. The second inventory list was created in response to the audit request because the inventory list had not been properly maintained. Based on our discussion with the Coordinator of Transit Programs and the Transportation Planner 3, there are no written procedures for inventory record maintenance.

**Equipment Inventory**

We also requested an equipment inventory list. Based on discussion with the Transportation Planner 3 and her direct supervisor, the Coordinator of Transit Programs, DMTR did not maintain an equipment inventory list for equipment purchased with Formula Grant funds. The *Federal Transit Administration (FTA) Programs State Management Plan* requires subrecipients to report capital items valued at $5,000 or more to DMTR. Without an equipment inventory list, DMTR cannot be certain that Formula Grant-funded equipment is properly used and disposed.

**Inspections**

As we also noted in the prior two audits, DMTR did not inspect all grant vehicles. The *FTA Programs State Management Plan* states that "each project vehicle is inspected annually at the sub-recipients agency by a staff member or a contractor of Division of Multimodal Transportation Resources . . . to determine if the vehicle has been properly maintained and is in safe operating condition." The Coordinator of Transit Programs stated that the vehicles must be inspected each calendar year.

To determine if the inspection procedures were adequate, we requested a list of vehicle inspections. A list was created by the Transportation Planner 3 at our request. The Transportation Planner 3 stated that she did not maintain a list of inventory with both the funding source and the inspection information. Based on our review of the inspection list, 229 of 560 vehicles (41%) had not been inspected as of November 6, 2012. The Transportation Planner 3 stated that she would contact agencies that had not submitted inspection information by December 14, 2012. Although the Transportation Planner 3 explained her plan of action, we were unable to verify that all Formula Grant-funded vehicles were inspected for calendar year 2012 during our fieldwork procedures.

Additionally, the Transportation Planner 3 did not keep track of vehicle inspections for the Formula Grant-funded service vehicles which are used by the subrecipients to assist buses and vans that have mechanical troubles or other issues. Every day that they are used, the vehicles are inspected by the subrecipients' maintenance staff, who document the inspection results on a checklist; however, an inspection is not completed by an independent party. As stated in the *FTA Programs State Management Plan*, each grant-funded vehicle should be inspected annually by "a staff member or designee of the Division of Multimodal Transportation Resources."

**Disposal Records**

As also noted in the prior two audits, we found that DMTR did not have an accurate system to track the sale or disposal of vehicles from inventory. According to the Transportation Planner 3, the subrecipients submitted Disposal of Capital Asset Forms that reported the vehicle sales proceeds or insurance settlements for vehicles that were disposed. For our vehicle disposal testwork in the current audit, the Transportation Planner 3 originally provided us a list of 251 vehicles sold or otherwise disposed of; however, the list did not contain the funding source, date of disposal, sale price, or insurance proceeds for each vehicle. Once we brought this to the attention of the Transportation Planner 3 and Coordinator of Transit Programs, the Transportation Planner 3 provided us a new list of 30 vehicles sold or otherwise disposed of during the fiscal year ended June 30, 2012 (from 6 of the 12 subrecipients in the program). We contacted the other six subrecipients and found that two of them had disposed of five vehicles during the fiscal year. Yet this information was not included on the new list provided to us. In addition, based on our review of the Disposal of Capital Asset Forms and the vehicle titles, we found that the Transportation Planner 3 recorded the vehicle identification number incorrectly for 3 of 35 vehicles (9%). Without an adequate tracking system, the Transportation Planner 3

cannot ensure that she has properly accounted for all vehicle disposals, as required by federal regulations.

Additionally, DMTR did not require subrecipients to submit copies of buyers' checks with the Disposal of Capital Asset Forms to support the sale. DMTR only required that the subrecipients send in a copy of the receipt given to the buyer. For 5 of 35 disposals (14%), the subrecipient submitted a copy of the receipt instead of the buyers' checks. Without proof of payment, DMTR cannot be sure that vehicle disposals occurred properly and in accordance with the policies and procedures outlined in the FTA Programs State Management Plan.

When program management does not establish adequate controls for managing and disposing of equipment, or does not follow established controls over grant vehicles and other program assets, there is an increased risk that assets, including vehicles, may be improperly maintained or misappropriated. In addition, without adequate equipment management procedures, there is an increased risk that problems, including fraud, waste, abuse, and noncompliance by subrecipients and/or employees, will occur and not be detected timely by the department.

Given the problems identified in our testwork, we also reviewed the department's risk assessment, and we found that management's risk assessment did not fully address the issues noted in this finding. Although DMTR's risk assessment includes the risk of the misuse, mismanagement, and inappropriate disposal of grant equipment and property, management did not list any internal controls for managing or mitigating this risk.

## Recommendation

The Director of the Division of Multimodal Transportation Resources (DMTR) should ensure that written policies and procedures for maintaining inventory, disposal, and inspection records are developed and that the new policies and procedures are communicated to the Transportation Planner 3. The Director of DMTR should also ensure that equipment purchased with Formula Grants money is properly maintained by the Transportation Planner 3, in accordance with the policies in the *Federal Transit Administration Programs State Management Plan*. In addition, the Transportation Planner 3 should ensure that vehicle inspections are performed for all grant vehicles, including service vehicles. The Transportation Planner 3 responsible for vehicle inventory should take the necessary steps to ensure that the vehicle inventory and disposal records are accurate. Specific steps should include

- keeping the vehicle inventory, inspection, and disposal records up-to-date;
- maintaining a complete vehicle inventory list with appropriate detail;
- updating the vehicle inventory list based on the purchase information submitted to the division;

- reconciling the vehicle inventory list based on the purchasing records to the information submitted by subrecipients biannually;

- reconciling the vehicle inventory list to the disposal list to ensure that disposal information is accurate and that disposed vehicles have been removed from inventory; and

- requiring subrecipients to submit copies of buyers' checks for vehicle disposals.

Finally, in the division's risk assessment, the Director of DMTR should document the mitigating controls for addressing the risks noted in this finding.

**Management's Comment**

We concur. The DMTR will address the finding with the following corrective actions. (1) DMTR will verify existing assets for which oversight is provided. DMTR will use FTA TEAM application forms, TDOT financial information and subrecipient records to compile the list of vehicles and other assets for which "satisfactory continuing control" is required. The anticipated completion date is June 30, 2013. (2) The previously mentioned Invoice Approval Checklist and definition of reporting requirements for subrecipients will also address vehicle inventory issues. Staff will note when capital assets are acquired and verify that required documentation accompanies the invoice. (3) DMTR will create an Administrative Manual for maintaining inventory, disposal, and inspection records. Included in this Manual will be policies and procedures to ensure that purchased equipment is properly maintained, that maintenance and inspections are documented, and that disposals are properly handled. The anticipated completion date is March 31, 2013. With the assistance of TDOT Internal Audit, DMTR will monitor the efficiency of internal control measures by reviewing a sample of transactions to ensure the corrective action is adequately designed and functioning as intended.

| | |
|---|---|
| **Finding Number** | 12-DOT-04 |
| **CFDA Number** | 20.509 |
| **Program Name** | Formula Grants for Other Than Urbanized Areas |
| **Federal Agency** | Federal Transit Administration |
| **State Agency** | Department of Transportation |
| **Grant/Contract No**. | TN-18-X025, TN-18-X029, TN-18-X030, TN-86-X001 |
| **Federal Award Year** | 2006, 2009 through 2011 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Subrecipient Monitoring |
| **Questioned Costs** | N/A |

**As noted in the prior two audits, the Division of Multimodal Transportation Resources did not always comply with the Department of Finance and Administration's subrecipient monitoring requirements, thereby increasing the risk of not detecting fraud, waste, abuse, and noncompliance by subrecipients**

## Finding

As noted in the prior two audits, the Department of Transportation did not always comply with the state's subrecipient monitoring guidelines as described in the Department of Finance and Administration's Policy 22, "Subrecipient Contract Monitoring," and the *Tennessee Subrecipient Contract Monitoring Manual.*

Management concurred with both the 2010 and 2011 findings. In response to the 2010 finding, management stated, "The various program areas of the Department will take steps to ensure that an annual risk assessment is completed for all subrecipients and that risk factors are properly documented." In response to the 2011 finding, management stated that the Local Programs Development Office had developed a Risk Assessment Form for all projects, would provide a list of contracts documenting assigned risk levels to the External Audit Director, and would complete monitoring reports in accordance with the requirements. Management also stated that the Division of Multimodal Transportation Resources (DMTR) had contracted with a consultant to develop a Compliance Monitoring Program for subrecipients, which would include developing a Subrecipient Monitoring Manual, training subrecipients, conducting onsite monitoring reviews, preparing monitoring reports, and conducting follow-up reviews.

Based on our testwork, the department has resolved the parts of the prior audit finding related to the completion of fiscal monitoring reviews by the Local Programs Development Office. However, we found that DMTR, which administers the Formula Grants for Other Than Urbanized Areas (Formula Grants) program, again failed to adequately document its risk assessments or complete program monitoring reviews.

Policy 22, which establishes uniform monitoring of subrecipients by state agencies, states that all monitoring activities should address "[t]he applicable core monitoring areas, as defined by the OMB [Office of Management and Budget] Circular A-133 Compliance

Supplement." The *Tennessee Subrecipient Contract Monitoring Manual, which provides Policy 22 implementation guidance, describes the following steps as part of subrecipient monitoring:*

- *Risk assessment and assignment* - When selecting and prioritizing contracts for monitoring each year, one of the factors that agencies should consider is the risk the subrecipient poses to the state. A risk assessment should be completed for each subrecipient on an annual basis in order to make this determination.

- *Reporting* - Following each monitoring review subrecipients should be notified of the outcome of the review. If findings and observations were identified, state agencies must issue a report that, at a minimum, summarizes the findings and observations noted. Because development of an appropriate corrective action plan during the term of the contract is critical to ensuring compliance, the issuance of reports in a timely manner is essential. For this reason, reports shall be issued within 30 business days after the completion of all fieldwork . . . If no findings or observations were noted, subrecipients should be notified in writing of this fact.

Based on our discussions with the External Audit Director, who is in charge of the department's subrecipient monitoring efforts, the individual program areas are responsible for preparing the risk assessment forms for each of their subrecipients and for preparing a list of all subrecipient contracts that includes the assigned risk level resulting from completion of the risk assessment form. In September of each year, the program areas are supposed to send their subrecipient lists to the External Audit Director so that he can select the monitoring sample for the upcoming monitoring cycle, which runs from October to the following September. The program areas are responsible for maintaining the individual risk assessment forms to support the assigned risk for the subrecipients. The department's subrecipient monitoring efforts for grants chosen for monitoring are divided between the Finance Office's External Audit Section and the program areas. The program areas' reviews address the following compliance requirements: activities allowed or unallowed, the Davis-Bacon Act, eligibility, reporting, special tests and provisions (if programmatic in nature), and Title VI (which is an additional state-specific requirement); the remaining core monitoring areas are under the External Audit Director's responsibility.

We tested the department's during-the-award monitoring of 40 contracts, 13 involving American Recovery and Reinvestment Act of 2009 (ARRA) funds and 27 non-ARRA contracts. We selected 13 contracts for the Formula Grants program and 27 contracts for the Highway Planning and Construction program, the two major federal programs being audited. We did not find any significant problems in our testwork on the Highway Planning and Construction Program.

Based on our testwork for the Formula Grants program, we found that DMTR's Transportation Manager 2 and the Transportation Planner 3, who were responsible for preparing the subrecipient list for External Audit, did not prepare annual risk assessment forms for any of the 13 Formula Grants subrecipient contracts tested (3 ARRA and 10 non-ARRA). Instead, all

of the subrecipient grant contracts were identified as low risk, unless a previous issue had been noted (which would elevate it to medium risk) or the grant was for ARRA funds or for the 5311(f) Intercity Bus Service program (which would elevate it to high risk). These factors appear to be relevant in the determination of the risk level, but the individual factors considered for each subrecipient were not documented on a risk assessment form as required by the *Tennessee Subrecipient Contract Monitoring Manual* in order to select and prioritize contracts for monitoring each year.

We also found that program monitoring reviews were not completed for 12 of the 13 Formula Grants subrecipient contracts tested (92%, 2 ARRA and 10 non-ARRA). Based on our discussion with DMTR's Coordinator of Transit Programs, the division had focused its efforts on conducting thorough reviews, and as a result, only one monitoring review was done during the FY 2012 monitoring cycle. The draft report for this review states that the field guide for conducting reviews was not developed until March 2012. In our review of this report, we noted that the consultant conducted the onsite monitoring review on August 28 and 29, 2012, but did not issue the draft monitoring report until October 19, 2012. Therefore, the monitoring team did not meet the deadline for issuing reports 30 business days after the completion of all fieldwork specified by the *Tennessee Subrecipient Contract Monitoring Manual*. Additionally, while the draft report states that the subrecipient had three construction projects, it does not address whether the subrecipient complied with the Davis-Bacon Act, one of the required programmatic monitoring areas which relates to federally funded construction projects.

When the department fails to fully complete subrecipient monitoring activities that address all applicable compliance requirements, there is an increased risk of inappropriate expenditures, noncompliance, and unmet program objectives. There is also an increased risk that fraud, waste, and abuse will occur and that they will not be detected and handled appropriately and timely by the department.

Given the problems identified in our testwork, we also reviewed the division's risk assessment. We found that the risk assessment did not fully address the issues noted in this finding. The risk assessment does include the risk of program staff not effectively monitoring subrecipients each year. However, all of the internal controls and risk responses listed by the division reference either the fiscal monitoring reviews conducted by the Finance Office's External Audit Section or the activities conducted by DMTR as a part of grant administration and do not address the fact that DMTR has engaged a consultant to handle the subrecipient monitoring function. Additionally, none of the risk events in the assessment indicate that the division has contracted with a consultant for program monitoring reviews or describe the related risks and internal controls.

## Recommendation

The Commissioner should ensure that DMTR complies with the policies and procedures for program monitoring activities in order to meet state and federal monitoring requirements. DMTR's Director should ensure that annual risk assessments and programmatic reviews are

properly completed and that reports are issued timely. If necessary, DMTR program staff should be required to submit these forms and reports to the department's External Audit Section.

Although the risks associated with noncompliance were identified in the division's risk assessment, management should reassess its risks and establish appropriate controls to mitigate the risks.

**Management's Comment**

We concur. The DMTR will address the finding with the following corrective actions. (1) A substantive risk assessment will be developed and used. DMTR will compile information for each subrecipient from the following: TDOT audits and monitoring reviews, Comptroller audits, and substantive customer complaints. Based upon this assessment, each agency will be rated as high, medium or low risk. The level of risk will impact the level of documentation required from each subrecipient and the frequency of monitoring. (2) All subrecipients will be identified to ensure they are included in the annual Subrecipient Monitoring Plan and TDOT's specific expectations for compliance will be communicated through receipt of the Subrecipient Handbook. (3) The current method of using a consultant to monitor subrecipients will be continued. The monitoring responsibilities and roles of staff will be clearly delineated and communicated with the possibility of DMTR staff resuming monitoring in the future.

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|---|---|
| **Finding Number** | 12-DHS-10 |
| **CFDA Number** | 81.042 |
| **Program Name** | Weatherization Assistance for Low-Income Persons |
| **Federal Agency** | Department of Energy |
| **State Agency** | Department of Human Services |
| **Grant/Contract No.** | DE-FG26-07NT43135<br>DE-EE000014 |
| **Federal Award Years** | 2007 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Activities Allowed or Unallowed<br>Allowable Costs/Cost Principles |
| **Questioned Costs** | $1,839 |

**As noted in the two prior audits, the Department of Human Services did not ensure that the subrecipients followed key controls over the Weatherization Assistance for Low-Income Persons program, resulting in federal questioned costs for fiscal year 2012 totaling $1,839 and an increased risk of fraud, waste, abuse, and additional noncompliance**

## Finding

As noted in the prior two audits, which covered the period July 1, 2009, through June 30, 2011, the Department of Human Services (DHS) again did not ensure that the subrecipients followed key controls over the Weatherization Assistance for Low-Income Persons (WAP) program, resulting in federal questioned costs for fiscal year 2012 totaling $1,839 and an increased risk of fraud, waste, abuse, and continued noncompliance.

In the prior audit, we noted the following problems:

- weatherization measures were not completed,
- weatherization measures were not properly completed,
- weatherization measures were not verified,
- duplicate measures were paid,
- duplicate pre-energy audit expenses were paid,
- unallowable weatherization expenses were paid,
- payments were made for change orders that were not properly approved,
- contracts were not properly approved,
- post-energy audits were not properly performed,
- post-energy auditors did not certify post-energy audits,
- post-energy auditors were not properly trained,
- post-energy auditors improperly delegated audit responsibilities to others,
- post-energy auditors could not be identified, and
- contractor insurance and license documentation were not in the file.

Management concurred in part with the prior audit finding.

During the current audit of the weatherization program for the fiscal year ended June 30, 2012, we did not find evidence that the following problems were repeated:

- weatherization measures were not verified,
- duplicate measures were paid,
- duplicate pre-energy audit expenses were paid,
- unallowable weatherization expenses were paid,
- contracts were not properly approved,
- post-energy auditors did not certify post-energy audits,
- post-energy auditors were not properly trained,
- post-energy auditors improperly delegated audit responsibilities to others,
- post-energy auditors could not be identified, and
- contractor insurance and license documentation were not in the file.

However, the remaining uncorrected issues were repeated for the fiscal year ended June 30, 2012:

- weatherization measures were not completed,
- weatherization measures were not properly completed,
- payments were made for change orders that were not properly approved, and
- post-energy audits were not properly performed.

## WAP PROGRAM INFORMATION

On April 1, 2009, the U.S. Department of Energy (DOE) awarded the state $99 million in American Recovery and Reinvestment Act of 2009 (ARRA) funds for the WAP program. The ARRA funds were available for a three-year period, which ended March 31, 2012. To administer the program, DHS contracted with 18 subrecipients (nonprofit organizations) across the state. During fiscal year ended June 30, 2012, DHS expended $3.7 million of ARRA funds and $7.2 million of non-ARRA funds.

Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," requires us to plan and perform our audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements that could have a direct and material effect on a major federal program.

### Program Objectives

According to the OMB Circular A-133 Compliance Supplement:

> The objective of the Weatherization Assistance for Low-Income Persons (WAP) program is to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditures on energy, and improve their health and safety. WAP has a special interest in addressing these needs for low-income persons who are particularly vulnerable, such as the elderly, disabled

persons, and families with children, as well as those with high energy usage and high energy burdens.

As the pass-through entity, DHS was responsible to administer the program and to advise subrecipients and monitor the subrecipients' activities to ensure that federal awards are used for authorized purposes and in accordance with the grant award, grant requirements, and OMB Circular A-133.

**Overview of the Weatherization Process**

DHS contracted with the following 18 subrecipients to administer the weatherization program:

- Blount County Community Action Agency
- Bradley-Cleveland Community Services Agency
- Chattanooga Neighborhood Enterprise, Inc.
- Clarksville-Montgomery County Community Action Agency
- Delta Human Resource Agency
- East Tennessee Human Resource Agency
- Highland Rim Economic Corporation
- Knoxville-Knox County Community Action Committee
- Metropolitan Development and Housing Agency
- Mid-Cumberland Community Action Agency
- Mid-East Community Action Agency
- Northwest Tennessee Economic Development Council
- Shelby County Community Services Agency
- South Central Human Resource Agency
- Southeast Tennessee Human Resource Agency
- Southwest Human Resource Agency
- Upper Cumberland Human Resource Agency
- Upper East Tennessee Human Development Agency

Applicants seeking to obtain weatherization assistance under the program must apply at the subrecipient that serves their location. The applicants must meet the eligibility requirements of the weatherization program, and the subrecipients' weatherization coordinators are responsible for ensuring that all eligibility requirements are met and fully documented.

To meet eligibility requirements, the applicant's income must be at or below 200% of the poverty level. In addition, the dwelling may not have more than four units. If the dwelling is more than two units, half of the units must meet the eligibility requirements. Furthermore, the dwelling cannot have been weatherized since September 30, 1994.

In addition, to be eligible for weatherization assistance, the homeowners are required to certify that weatherization work is allowed on the home. Rented dwellings are eligible for the program. However, if the dwelling is rented, a homeowner authorization form is to be signed by

the homeowner (landlord) approving the weatherization work. The subrecipients' weatherization coordinators are responsible for ensuring that there is proper documentation of home ownership and that homeowners granted permission for the weatherization work.

Once the subrecipient weatherization coordinators approve the applicants and the dwellings, the weatherization coordinators send a certified energy auditor to the dwelling to perform a pre-energy audit to determine the weatherization work needed. The energy auditor completes the pre-energy audit using the National Energy Audit Tool (NEAT) or Mobile Home Energy Audit Tool (MHEA) to determine which weatherization measures should be installed on the home, based on a savings-to-investment ratio. The approved weatherization measures are then placed onto a NEAT or a MHEA, which becomes the work order.

All work orders were displayed on the DHS website for 10 days. Approved weatherization contractors are allowed to submit sealed bids during this time period. After the 10 days, bids are opened by at least two individuals during a bid award ceremony. The subrecipient weatherization coordinator and either a board member or an individual who does not work in the weatherization program open the bids. Contractors are invited to attend the bid award ceremony but are not required to. The contracts are awarded to the lowest bidder.

The contractors are responsible for properly completing the weatherization work within the contracted time period. Once the contractors complete the work, the subrecipients' weatherization coordinators send a certified energy auditor to the home to perform a post-energy audit. The energy auditor inspects the contractors' work to ensure that the work was properly completed. Because it determines if the home was properly weatherized, the post-energy audit is a critical point in the process. The energy auditor can either pass or fail the contractors' work. These final inspections are a key control for DHS and the subrecipients because the results of the inspections initiate the payment to the contractors.

The contractors invoice the subrecipients for the work performed. The subrecipient weatherization coordinator is responsible for comparing the bids, contractors' invoices, and the post-energy audits to ensure the contractors' invoices are correct and that the work was properly completed. Then the subrecipient pays the contractors and invoices DHS for reimbursement.

**Scope of the Review**

To determine whether DHS and the subrecipients complied with WAP federal activities allowed or unallowed/allowable costs requirements, we reviewed the related client files, energy auditor files, and contractor files for 64 files from a population of 1,091 weatherized homes at the following subrecipient agencies:

- Chattanooga Neighborhood Enterprise, Inc. (Chattanooga)
- Metropolitan Development and Housing Agency (Metro)
- Mid-Cumberland Community Action Agency (Mid-Cumberland)
- Northwest Tennessee Economic Development Council (Northwest)
- Shelby County Community Services Agency (Shelby)
- Upper East Tennessee Human Development Agency (Upper East)

Our work also included site visits at 60 of the 64 weatherized homes.

## RESULTS OF OUR FILE REVIEW AND SITE VISIT TESTWORK

### *Weatherization Measures Not Completed or Properly Completed*

Weatherization Measures Not Completed Based on Site Visits

Based on our site visits, we determined that the weatherization coordinator at one subrecipient (Shelby) approved and paid weatherization contractors for weatherization measures that had not been completed. According to Title 10, *Code of Federal Regulations* (CFR), Part 440.16(g), "No dwelling unit may be reported to DOE as completed until all weatherization materials have been installed and the subgrantee, or its authorized representative, has performed a final inspection(s) including any mechanical work performed and certified that the work has been completed in a workmanlike manner and in accordance with the priority determined by the audit procedures required by §440.21."

Specifically, we found that contractors at Shelby had not completed weatherization measures for 4 of 60 homes (7%). For example, we found that the kitchen sink and pipe penetrations were not caulked. The weatherization coordinator approved and paid $883 for weatherization measures on the 4 homes even though the measures had not been completed, resulting in federal questioned costs of $883. Subsequent to our initial review, the weatherization coordinator provided documentation that the work was later corrected for two homes. However, for the 2 remaining homes, the weatherization coordinators approved and paid $394 for weatherization measures even though the measures had not been completed.

Weatherization Measures Not Completed Based on File Review

Based on our file review, we determined that the weatherization coordinator at Upper East approved and paid a weatherization contractor for a weatherization measure that was not completed. As noted above, 10 CFR, Part 440.16(g), requires all work to be completed in a workmanlike manner.

We found that for one of 64 files (2%) the weatherization coordinator paid contractors for measures not completed. Based on review of the work orders and contractor invoices, we found that the weatherization coordinator at Upper East paid for lead safety precautionary measures although no lead safety precautions were required. For this one home, the weatherization coordinator approved and paid $100 for the weatherization measure even though the measure was not completed, resulting in federal questioned costs of $100.

Weatherization Measures Not Properly Completed Based on Site Visits

Based upon our site visits, we determined that weatherization coordinators at three subrecipients (Mid-Cumberland, Shelby, and Upper East) approved and paid weatherization contractors for weatherization measures that were not properly completed. As noted above, 10 CFR, Part 440.16(g), requires all work to be completed in a workmanlike manner.

We discovered that contractors had not properly completed weatherization measures for 7 of 60 site visits (12%). For example, at Mid-Cumberland we observed a window was only half replaced. At Shelby, windows were not properly caulked. At Upper East, the siding was not replaced properly, which allowed water to flood the client's home.

For five of the seven homes, the cost will not be questioned because the measures not properly completed were minor details. For the remaining homes, the weatherization coordinators approved and paid for the weatherization measures even though the measures were not properly completed, resulting in federal questioned costs of $350.

### *Change Orders Not Properly Approved*

Based on our file review, we determined that the weatherization coordinators at three subrecipients (Chattanooga, Shelby, and Upper East) did not follow the change order procedures when making changes to bids. As a result, contractors were paid for weatherization measures performed but not properly approved because the subrecipient did not follow established change order procedures.

According to the U.S. Department of Energy State Plan/Master File Worksheet, Section III.1.1, ". . . client files shall include the following documentation . . . Written justification for installation of measures not recommended by energy surveys and/or omission(s) of allowable measures recommended on energy surveys. . . ." Furthermore, WAP Memorandum 10-43 states, ". . . a site visit must be conducted by the agency weatherization program manager, coordinator, or auditor if the change order value is $100 or greater…" in order to determine if the change order is necessary to the home.

Specifically, we found that of the 64 files reviewed, 43 files contained change orders. For 5 of the 43 files (12%), changes to the initial bid were not properly approved. For example, at Chattanooga a change order did not contain a signature by the energy auditor, a signature by an approved agency official, or proof of a site visit. At Shelby, a change order was issued deleting a measure after the post-energy audit was completed. Based on our site visit to the homes, we determined that the measures were properly completed even though the change orders were not properly approved; therefore, we did not question any costs.

### *Energy Audits Not Properly Completed*

Based on our file review and site review, we determined that the energy auditors at four subrecipients (Chattanooga, Mid-Cumberland, Shelby, and Upper East) did not properly complete the post-energy audits. The Grant Contract between the State of Tennessee Department of Human Services and Subrecipient A.18 states, "The Grantee shall only pay the weatherization installer following a satisfactory post-energy audit of the dwelling."

We found that the energy auditors did not verify that weatherization measures invoiced by the weatherization contractors were installed for 8 of 64 files reviewed (13%), and the weatherization coordinators did not ensure that the energy auditors verified that all of the measures on the invoices were properly installed. Therefore, the coordinators paid $506 to

energy auditors for instances in which the energy auditors did not verify the measures were installed on the homes, resulting in federal questioned costs of $506.

**Summary of Questioned Costs**

| Deficiency | Amount Questioned |
|---|---|
| Weatherization Measures Not Completed Based on Site Visits | $883 |
| Weatherization Measures Not Completed Based on File Review | 100 |
| Weatherization Measures Not Properly Completed Based on Site Visits | 350 |
| Change Orders Not Properly Approved (But Measure Complete) | 0 |
| Post-Energy Audits Not Properly Performed | 506 |
| **Total questioned costs** | **$1,839** |

**Conclusion**

Our testwork included a review of 64 client files, which represented $263,065 of home weatherization costs, and our home site visits to 60 of the 64 clients represented $246,678 of home weatherization costs from a total population of $8,223,173. Based on the results of our sample testwork, we questioned costs totaling $1,839 related to activities allowed or unallowed/allowable costs errors noted. The Office of Management and Budget Circular A-133 requires us to report known questioned costs when likely questioned costs are greater than $10,000 for a type of compliance requirement for a major program. We believe that likely questioned costs could exceed $10,000.

**Recommendation**

During our audit period the Department of Human Services was responsible for administrating the Weatherization Program. Effective July 1, 2012, responsibility for the weatherization program was transferred to the Tennessee Housing Development Agency. Given the large number of homes weatherized through the weatherization program, the Commissioner and department management responsible for the program must rely on all parties involved in the weatherization process to perform their responsibilities in accordance with contract terms and federal regulations. It is critical that those individuals charged with the responsibility for reviewing invoices and approving payments to weatherization contractors and energy auditors realize that there are real consequences for failure to meet their obligations.

Because the Commissioner and department management must rely on subrecipients to carry out the program, and in light of the ongoing potential for risks of noncompliance, fraud, waste, and abuse in the program, it is imperative that management continues to carefully monitor the work performed by subrecipients. The department should use the knowledge gained from these monitoring efforts to identify and mitigate these and other risks promptly.

Specifically, management should ensure that

- weatherization coordinators ensure that the energy auditors verify that all measures are properly completed;
- weatherization coordinators ensure all changes to the initial bid are properly approved; and
- weatherization coordinators ensure that all post-energy audits are performed correctly.

**Management's Comment**

We concur. As noted in the two previous audits, the Department has put into place processes and procedures that resulted in substantially lower error rate with each subsequent year. Put into context, the questioned costs identified in this audit (0.07 percent of the jobs reviewed) have decreased by almost 95 percent, as compared to the last audit. While we have always strived towards zero questioned costs, it is clear that the processes in place are working and considerable improvements have been made. Additionally, it is important to note that the Department has already questioned all of the costs identified in this audit to the sub-recipients responsible for the errors.

The Department of Human Services no longer administers the Weatherization Assistance Program. The information contained in this audit, as well as the risk assessment, has been shared with the Tennessee Housing Development Agency, who administers the program effective July 1, 2012.

Weatherization Measures Not Completed Based on Site Visits

We concur. The Department has or will recoup some of the questioned costs, and the rest of the measures have been corrected. It is also important to note that the error rate for this particular area has reduced by 80 percent, and the questioned costs have reduced by 85 percent, as compared to the last audit.

Weatherization Measures Not Completed Based on File Reviews

We concur. The Department agrees that all measures should be completed and installed correctly. While we would prefer no questioned costs it is evident that the processes put into place have resulted in 75 percent reduction in questioned costs, as compared to the last audit. Additionally, we would like to note that the Department has already recouped the cost of the measure in question from the sub-recipient.

Weatherization Measures Not Properly Completed Based on Site Visits

We concur. It is important to note that the Department already has or will recoup all questioned costs regarding the jobs in question. While we would prefer to have no questioned

costs, it is clear that the processes put into place have resulted in 30 percent reduction in error rate, as compared to the last audit.

Change Orders Not Properly Approved (But Measures Were Complete)

We concur. It is important to note that there are no questioned costs due to the fact that all the measures were properly completed.

Post Energy Audits Not Properly Performed

We concur. It is important to note that the error rate in this area has decreased by approximately 95 percent as compared to the last audit.

| | |
|---|---|
| **Finding Number** | 12-DHS-11 |
| **CFDA Number** | 81.042 |
| **Program Name** | Weatherization Assistance for Low-Income Persons |
| **Federal Agency** | Department of Energy |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | DE-FG26-07NT43135<br>DE-EE000014 |
| **Federal Award Year** | 2007 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | $6,700 |

**As noted in the two prior audits, the Department of Human Services did not ensure that the subrecipients followed key controls over the Weatherization Assistance for Low-Income Persons program, resulting in federal questioned costs for fiscal year 2012 totaling $6,700 and an increased risk of fraud, waste, and abuse**

## Finding

As noted in the two prior audits, which covered the period July 1, 2009, through June 30, 2011, the Department of Human Services (DHS) and its subrecipients again did not accurately determine eligibility for applicants in the state's Weatherization Assistance for Low-Income Persons (WAP) program and did not maintain adequate eligibility documentation, resulting in federal questioned costs for the year ended June 30, 2012, totaling $6,700 and an increased risk of fraud, waste, and abuse.

In the prior audit, we noted the following problems:

- eligibility recertifications were not performed,
- files lacked income eligibility documentation,
- files lacked documentation of homeowner's permission, and
- ineligible multi-unit dwellings were weatherized.

Management concurred in part to the prior audit finding.

During the fiscal year ended June 30, 2012, we found that for the files reviewed, management had documentation to support income eligibility and homeowner permission. We also did not find evidence of ineligible multi-unit dwellings weatherized. However, we did find that staff had not properly performed eligibility recertifications for the fiscal year ended June 30, 2012, as discussed in this finding.

### WAP Program Information

On April 1, 2009, the U.S. Department of Energy (DOE) awarded the state $99 million in American Recovery and Reinvestment Act of 2009 (ARRA) funds for the WAP program. The

ARRA funds were available for a three-year period, which ended March 31, 2012. During fiscal year ended June 30, 2012, DHS expended $3.7 million of ARRA funds and $7.2 million of non-ARRA funds. See finding 12-DHS-10 for an overview of the weatherization process and specific roles and responsibilities.

**DHS Subrecipients**

DHS contracted with the following 18 subrecipients to administer the weatherization program:

- Blount County Community Action Agency
- Bradley-Cleveland Community Services Agency
- Chattanooga Neighborhood Enterprise, Inc.
- Clarksville-Montgomery County Community Action Agency
- Delta Human Resource Agency
- East Tennessee Human Resource Agency
- Highland Rim Economic Corporation
- Knoxville-Knox County Community Action Committee
- Metropolitan Development and Housing Agency
- Mid-Cumberland Community Action Agency
- Mid-East Community Action Agency
- Northwest Tennessee Economic Development Council
- Shelby County Community Services Agency
- South Central Human Resource Agency
- Southeast Tennessee Human Resource Agency
- Southwest Human Resource Agency
- Upper Cumberland Human Resource Agency
- Upper East Tennessee Human Development Agency

**Scope of the Review**

To determine whether DHS and the subrecipients complied with WAP federal eligibility requirements, we reviewed the related client files, energy auditor files, and contractor files for 64 files from a population of 1,091 weatherized homes at the following subrecipient agencies:

- Chattanooga Neighborhood Enterprise, Inc. (Chattanooga)
- Metropolitan Development and Housing Agency (Metro)
- Mid-Cumberland Community Action Agency (Mid-Cumberland)
- Northwest Tennessee Economic Development Council (Northwest)
- Shelby County Community Services Agency (Shelby)
- Upper East Tennessee Human Development Agency (Upper East)

**RESULTS OF OUR FILE REVIEW**

Based on our file review, we found that for one of the 64 files reviewed (2%), the weatherization coordinator did not ensure the eligibility recertification was properly performed.

According to the U.S. Department of Energy State Plan/Master File Worksheet, "**Procedures to determine that units weatherized have eligibility documentation:** client files shall include the following documentation: . . . 3. Date of re-certification (completed every 12 months). . . ." The U.S. Department of Energy State Plan/Master File Worksheet is prepared by DHS and includes DHS's internal policies and processes it will use to carry out the federal program. The State submits the State Plan/Master File Worksheet to DOE, which approves the plan prior to awarding weatherization funds.

Based on our file review at Mid-Cumberland, we determined that the weatherization coordinator did not properly perform an eligibility recertification. The client applied for weatherization assistance during fiscal year 2008 but was placed on a waiting list. According to the weatherization coordinator, instead of recertifying the client's eligibility, she was automatically approved for weatherization assistance based on her application for the Low-Income Home Energy Assistance Program (LIHEAP). However, DHS does not have a policy that allows clients who are eligible for the LIHEAP program to be automatically eligible for the weatherization program. In addition, based on our review of the LIHEAP application on file, the client's LIHEAP application was dated and approved after the home was weatherized and the contractors were paid. Since the weatherization coordinator did not recertify the client prior to weatherization work performed, we could not determine if the client was eligible at the time the weatherization work was completed on the home. The coordinator paid $6,700 to the weatherization contractor for work on this client's home, resulting in federal questioned costs of $6,700.

**Conclusion**

Our testwork included a review of 64 client files, which represented $263,065 of home weatherization costs, from a total population of $8,223,173. Based on the results of our sample testwork, we questioned costs totaling $6,700 related to eligibility determination and documentation issues. The Office of Management and Budget (OMB) Circular A-133 requires us to report known questioned costs when likely questioned costs are greater than $10,000 for a type of compliance requirement for a major program. We believe likely questioned costs could exceed $10,000.

Management has not identified and assessed the risk associated with the eligibility errors noted above in its annual risk assessment.

## Recommendation

The Department of Human Services was responsible for administrating the Weatherization Program during fiscal year ended June 30, 2012. Effective July 1, 2012, the program was transferred to the Tennessee Department of Housing Development Agency (THDA). Given the large number of homes weatherized through the weatherization program, the Commissioner and department management must rely on all parties involved in the weatherization process to perform their responsibilities in accordance with contract terms and federal regulations. It is critical that those individuals charged with the responsibility for

reviewing and approving eligibility for the program realize that there are real consequences for failure to meet their obligations.

Because the Commissioner and department management must rely on subrecipients to carry out the program, and due to the ongoing potential for risks of noncompliance, fraud, waste, and abuse in the program, it is imperative that management continues to carefully monitor the work performed by subrecipients. The department should use the knowledge gained from these monitoring efforts to identify and mitigate these and other risks promptly.

Specifically, management should ensure that eligibility recertifications are properly performed as required. In addition, management should assess and include the risk associated with the error noted above in its annual risk assessment.

**Management's Response**

We concur. The State did not have a policy that would allow LIHEAP eligible clients to be automatically eligibility for the Weatherization program. We have already recouped questioned costs for this finding from the sub grantee. Subsequently, WAP funds were not used to pay for this job. Department of Human Services no longer administers the Weatherization program. This finding, and the risk associated with it, was shared with the Tennessee Housing Development Agency, who now administers the Weatherization program.

| | |
|---|---|
| **Finding Number** | 12-APSU-01 |
| **CFDA Number** | 84.007, 84.063, and 84.268 |
| **Program Name** | Student Financial Assistance Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | Austin Peay State University |
| **Grant/Contract No**. | P007A113852, P063P112217, and P268K122217 |
| **Federal Award Year** | 2011 and 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Questioned Costs** | $4,486.50 |

**The Student Financial Aid Office did not always perform Title IV return-of-funds calculations, did not always properly verify documents, incorrectly awarded Title IV funds, and did not always comply with satisfactory academic progress policies, resulting in federal questioned costs of $4,486.50**

## Finding

The Student Financial Aid Office did not comply with certain special tests and provisions of the Student Financial Assistance Cluster as discussed below.

### Return of Title IV Funds Not Properly Calculated

The Student Financial Aid Office did not properly calculate the amount of Title IV funds to be returned for a student who had withdrawn during the semester for which federal student aid was received.

According to the *Code of Federal Regulations*, Title 34, Part 668.22,

> When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date . . . [The] percentage of the payment period or period of enrollment completed [is determined] by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date.

Also, the *Federal Student Aid Handbook*, Volume 5, Chapter 2, page 31, states, "Up through the 60% point in each payment period or period of enrollment, a prorata schedule is used to determine the amount of Title IV funds the student has earned at the time of withdrawal." In addition, page 53 states, "A school must return the amount of Title IV funds for which it is responsible as soon as possible, but no later than 45 days after it determines or should have determined that the student withdrew."

For one of 8 students who withdrew and required a return-of-funds calculation (12.5%), no return calculation was performed. According to the Director of Student Financial Aid and Veterans Affairs, the Office of the Registrar did not process the student's withdrawal until May 7, 2012, even though the student withdrew on March 9, 2012. On July 25, 2012, we notified the Student Financial Aid Office that a return calculation had not been performed for the student after the withdrawal occurred. Costs of $1,655 are questioned for this student. The institution subsequently returned the $1,655 on July 26, 2012, to the Department of Education.

**Verification Not Completed and Overaward Made**

The Financial Aid Office did not comply with the institution's verification policy for students selected for verification during the 2011-2012 award year. According to the verification policy, "Required documents must be submitted by our priority deadline of June 1 for Fall term and November 1 for Spring term for the most efficient processing. The financial deadline for submitting verification documents is 90 days after your last day of enrollment for the current year or September of that award year, whichever is earlier. After that time, you forfeit eligibility for federal student aid for the award year."

The *Federal Student Aid Handbook*, Application and Verification Guide, Chapter 4, pages AVG-89 and AVG-92, states,

> [Institutions] can make an interim disbursement of some Title IV funds before verification is complete if you [the institution] have no reason to believe the application information is inaccurate. Your school is liable for the interim disbursement if verification shows that the student received an overpayment or if he fails to complete verification . . . If a student fails to provide the required documentation by the deadline . . . [and] if the student already received Pell, FSEOG, or Perkins funds in a disbursement prior to being selected for verification, he must return that money. If he received it as an interim disbursement you [the institution] gave while waiting to complete verification, your school is responsible for returning the money to the programs.

Of the 22 students tested who were selected for verification, one student (4.5%) did not forfeit eligibility after failing to provide verification documents. As a result, the student received $7,558.50 in Title IV funds for award year 2011-2012. Although the school returned $943.50 due to the student's withdrawal from the 2011 Fall Term II, the school did not return the other funds as discussed in the following paragraph. Based on our discussions with financial aid staff, the failure to take the funds back was an oversight.

The Financial Aid Office only returned $943.50, for the student's withdrawal from the 2011 Fall Term II, to the Department of Education. The $2,831.50 Federal Pell and Federal Supplemental Education Opportunity Grant (FSEOG) portion of the student's award was not returned. As a result, the $2,831.50 of the Federal Pell and FSEOG portion of the student's award is questioned. The remaining Title IV funds for the award year were federal direct loans.

In addition, the Student Financial Aid Office did not comply with the *Code of Federal Regulations*, Title 34, part 690.63(g)(1), which states that "the amount of a student's award for an award year may not exceed his or her Scheduled Federal Pell Grant award for that award year."

The *Federal Student Aid Handbook*, Application and Verification Guide, Chapter 5, pages AVG-101 and AVG 104, states, "[Institutions] are required to review all subsequent transactions for a student for the entire processing year . . . If you paid a student based on information that is updated later, you must use the revised EFC to determine the correct award and adjust future disbursements or require a repayment by the student if necessary."

We also noted that the same student received an excess of $1,575 over the Scheduled Federal Pell Grant award amount for applicable Expected Family Contribution (EFC). The Federal Pell Grant Program Payment Schedule for award year 2011-2012 shows a full-time student with an EFC of $3,153 receiving a maximum award of $2,400. Therefore, the student should have been awarded $1,200 per semester; however, the Financial Aid Office awarded this student $2,775 for the Fall 2011 semester. According to the Director of Student Financial Aid and Veterans Affairs, this student had two Institutional Student Information Records (ISIRs) for the 2011-2012 award year. The first ISIR shows the student with an EFC of $0 while the second ISIR shows an EFC of $3,153. The Director of Student Financial Aid and Veterans Affairs stated that the award for the Fall 2011 term was paid based on the first ISIR. The $1,575 Federal Pell Grant overpayment is included in the $2,831.50 amount questioned above for lack of verification.

**Satisfactory Progress Not Always Calculated and Appeals Not Granted When Required**

The Student Financial Aid Office did not comply with the institutional and federal satisfactory academic progress policies.

According to the institution's Satisfactory Academic Progress (SAP) Policy,

> A review of academic progress will be conducted three times each year; at the end of the Fall semester . . . the Spring semester . . . and at the end of summer. [Also,] The maximum time frame must be no longer than 150% of the published length of the educational program. Most undergraduate programs require 120 hours; therefore, 180 hours attempted is the maximum time frame allowed. If at any point it is clear the student will not be able to meet time frame or exceeds the maximum time frame, the student becomes ineligible for aid.

In addition, the *Federal Student Aid Handbook*, volume 1, chapter 1, page 11, states, "Financial aid warning [is] a status a school assigns to a student who is failing to make satisfactory academic progress. The school reinstates eligibility for aid for one payment period and may do so without a student appeal. This status may only be used . . . for students who were making SAP in the prior payment period."

For the year ended June 30, 2012, we reviewed the satisfactory academic progress for 59 students who received federal student aid during the fiscal year. We noted the following discrepancies.

For 3 of 59 students examined to determine if a satisfactory academic progress calculation was made (5.1%), the Student Financial Aid Office did not calculate the students' satisfactory academic progress. The students took classes in the Spring I term at the Fort Campbell campus. According to the Associate Director of Student Financial Aid and Veterans Affairs, the Banner system does not pull a partial term such as Spring I. The students only attended the Spring 1 term at the Fort Campbell Campus and not Spring 2; therefore, the Banner system did not pull the students. This resulted in the satisfactory academic progress calculation not being performed for the students. Based on our testwork, the students were making satisfactory academic progress. However, this flaw in the Banner system could lead to ineligible students receiving aid.

Furthermore, for one of 59 students examined (1.7%), the Student Financial Aid Office did not complete an appeal for the student exceeding the maximum time frame stated in the satisfactory academic progress policies. Per review of Banner, this student exceeded the 180 hours maximum time frame after completing the 2010 Fall I term. The *Federal Student Aid Handbook*, volume 1, chapter 1, page 12, states, "Warning status lasts for one payment period, during which the student may continue to receive FSA [Federal student aid] funds. Students who are still failing to make satisfactory progress after the warning period lose their aid eligibility unless they successfully appeal and are placed on probation." The student was correctly placed on a warning status for the 2011 Spring term. However, satisfactory progress for the 2011 Spring term was not calculated. Since the student had exceeded the maximum time frame after the 2010 Fall and 2011 Spring terms, an appeal should have been required for the student to receive aid for the 2011 Fall term. An appeal was not completed for the 2011 Fall term. The Director of Student Financial Aid and Veterans Affairs believed this student did not need an appeal because the student was placed on warning and then graduated. The Director of Student Financial Aid and Veterans Affairs also stated that when the new satisfactory academic progress regulations were implemented, the institution had to delete the probation status. As a result, the Director of Student Financial Aid and Veterans Affairs stated that the institution had to decide whether to change all warning students to failed students or to reset all of the warning students back to warning. The Director stated that the institution decided to reset all warning students to warning status. As a result, this student was reset to warning status rather than failed status, which would have caused an appeal to be required. Although the Student Financial Aid Office did not have the student go through an appeals process after a warning was received the prior semester, we did not question costs for this student's financial aid since an appeal could have been granted to let the student finish the semester and graduate.

The questioned costs noted above were $4,486.50, and the sample of student financial aid payments was $540,691. The population of student financial aid payments was $37,505,995.

## Recommendation

The President should direct staff to ensure the return-of-funds calculations are performed after students have withdrawn from the institution and to ensure there is proper communication between the Student Financial Aid Office and the Registrar for notification of students' withdrawal from the institution. The Director of Student Financial Aid and Veterans Affairs should ensure that verification documents have been provided by students in the allotted time when students are selected for verification. The Director should also ensure that students' eligibility for federal student aid is cancelled for the award year for which verification documents are not received as required by federal regulations. In addition, the Director should ensure that the most current verification documents received during the award year are used in calculating students' awards. The Director of Student Financial Aid and Veterans Affairs should ensure that the satisfactory academic progress of students is calculated timely to confirm students' eligibility to receive aid and that appeals are completed when necessary. Any templates used in the satisfactory academic progress calculations should be properly reviewed for accuracy by the Director of Student Financial Aid and Veterans Affairs or the Assistant Director of Student Financial Aid.

The President should ensure that risks such as those noted in this finding are adequately identified and assessed in management's risk assessment activities. The President should identify specific staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

## Management's Comment

**Austin Peay State University**
**March 11, 2013**

**Return of Title IV Funds Not Properly Calculated**

- We concur in part. We concur this was an error; however, we do not concur with method used to classify as a finding for the one error from the sample.

- **Correction Measure**. We receive electronic notification from the Registrar on a daily basis. We have met with the Registrar to identify why there was a delay in processing this withdrawal. A procedure has been established to pick up withdrawals not included in the electronic notification that is already in place. We will do whatever is possible to ensure errors will not occur in the future.

- We cite the following reference from both The Blue Book (2013), Volume 4 – Financial Operations and Program Integrity, p. 4-6, and from the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, p. 2-68. The error based on the sample population is within the allowable margin of error as determined by the Department of Education.

http://ifap.ed.gov/bbook/attachments/2013BlueBookVol4.pdf and

http://ifap.ed.gov/fsahandbook/attachments/Vol5Ch1FSAHdbk1213.pdf

***Compliance Thresholds for Timely Return of Funds***

*The Department provides for a small margin of error in determining that a school has paid all required refunds and returns on time. The Department considers a school to have paid returns in a timely manner if—*

♦♦*there is less than a 5% error rate in a sample of returns (composed of students for whom the school was required to return unearned funds) examined* ***in a compliance audit****, an audit conducted by the Office of the Inspector General (OIG), or a program review conducted by the Department or guaranty agency,* ***or***

♦♦*there are no more than two late returns in the sample (regardless of the number or percentage of late returns in the sample).*

- A late return is defined as …When an institution corrects a Return of Title IV Funds calculation and, as a result, returns funds after the 45-day deadline, it is a late return. This is according to the Federal Student Aid Handbook, Volume 5, p. 5-40.

  *http://ifap.ed.gov/fsahandbook/attachments/Vol5Ch1FSAHdbk1213.pdf*

**Verification Not Completed and Overaward Made**

- We concur.

- **Correction Measure**. Our process to monitor subsequent ISIR's has been expanded through the development of a flow chart and quality control reports. We will do whatever is possible to ensure errors will not occur in the future.

**Satisfactory Academic Progress (SAP) Not Always Calculated and Appeals Not Granted When Required**

We concur.

**Correction Measure**. We took immediate action to correct this issue, as well as review all Spring I calculations. All students were making satisfactory academic progress (SAP). Spring I, as well as other part of term calculations will be included by manually calculating.

As an ongoing process of risk assessment by the university, a detailed risk assessment will consider risks that are applicable to the Office of Student Financial Aid and mitigating controls. This assessment will assign all controls to specific managers that will be required to monitor

those controls. The Director of Financial Aid will review the controls to ensure that proper monitoring has occurred. In instances of improper monitoring, progressive discipline will apply.

**Auditor's Comment**

As we discuss in the finding, financial aid staff did not perform a return calculation and return the funds until we brought the matter to management's attention on July 25, 2012. The student withdrew on March 9, 2012. We consider this to be a return not made, rather than a late return, since we informed management of the error. If financial aid staff had discovered the error themselves and returned the funds, we would agree with management that it was a late return and would not have reported a late return in the finding in accordance with the guidance cited.

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| **Finding Number** | 12-ETSU-01 |
| **CFDA Number** | 84.038 |
| **Program Name** | Student Financial Assistance Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | East Tennessee State University |
| **Grant/Contract No**. | N/A |
| **Federal Award Year** | 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Questioned Costs** | N/A |

## Notifications required by federal regulations were not performed for Perkins Loans in default status

### Finding

East Tennessee State University did not ensure that all notification procedures were performed for Perkins Loans in default status. A similar finding was reported in the previous audit.

According to the *Federal Student Aid Handbook*, volume 6, pages 99-100:

If a payment is overdue and you have not received a request for forbearance, deferment, or cancellation, you must send the borrower:

- the first overdue notice 15 days after the payment due date;
- the second overdue notice 30 days after the first overdue notice;
- the final demand letter 15 days after the second overdue notice.

If [a] borrower does not respond to the final demand letter within 30 days, [the school] must try to contact him or her by telephone before beginning collection procedures. As telephone contact is often very effective in getting the borrower to begin repayment, one call may avoid the more costly procedures of collection.

You should make at least two attempts to reach the borrower on different days and at different times. If the borrower has an unlisted telephone number, you must make reasonable attempts to obtain it by contacting sources such as the borrower's employer or parents. If you are still unsuccessful, you should document the contact attempts in your files.

[The school] may accelerate a loan if the borrower misses a payment or does not file for a deferment, forbearance, or cancellation on time. Acceleration means immediately making payable the entire outstanding balance, including interest and any applicable late charges or collection fees.

> Because [loan acceleration] marks a serious stage of default, the borrower should have one last chance to bring his or her account current. For that reason, if the school plans to accelerate the loan, it must send the borrower a written acceleration notice at least 30 days in advance.

For the year ended June 30, 2012, we reviewed the files of 25 students whose Perkins Loans went into default during the fiscal year. We noted the following discrepancies:

- For 11 of 25 students tested (44%), neither the Bursar's Office nor the university's contracted loan servicing agency mailed the final demand letters.

- For 3 of 25 students tested (12%), neither the Bursar's Office nor the university's contracted loan servicing agency made documented additional attempts to contact borrowers with no phone number or an unlisted or invalid phone number. If the student has no additional contact sources (e.g., parents or employers) or additional attempts to contact the student are unsuccessful, this should be documented.

- For 12 of 25 students tested (48%), neither the Bursar's Office nor the university's contracted loan servicing agency mailed the "intent to accelerate" letters at least 30 days prior to the effective date of acceleration. These intent to accelerate letters were mailed, but between 27 and 29 days prior to the acceleration date, rather than the required 30 days.

Based on our discussions with the Bursar, the phone calls and letters described above were the responsibility of the loan servicing agency.

Even though the university uses an outside vendor to perform billing procedures, the responsibility for compliance with federal regulations lies with the university. The *Federal Student Aid Handbook*, volume 6, page 108, states:

> Your school may use a contractor for billing or collection, but it is still responsible for complying with due diligence regulations regarding those activities.

Not ensuring the borrowers were adequately notified before being transferred to a collection agency or before loan acceleration could lead to unnecessary collection costs and/or financial hardship for borrowers in default.

## Recommendation

The Bursar should ensure that the university follows due diligence procedures regarding Federal Perkins Loans in default status. Specifically, the Bursar should ensure that the university or its designee mail final demand letters to students in default. The Bursar should ensure that the university or its designee makes the required phone calls to students before referring loans to collections. If the required phone call cannot be made or additional attempts to contact the

student are unsuccessful, this should be documented. Finally, the Bursar should ensure that the university or its designee mails the intent to accelerate letters at least 30 days prior to the effective date of the loan acceleration.

The Bursar should ensure that risks such as those noted in this finding are adequately identified and assessed in the university's risk assessment activities. The Bursar should identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. The Bursar should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

**Management's Comment**

We concur with the finding and recommendation.

In the instances of the borrowers who were not mailed a final demand letter, the loan processing contractor had an error in its electronic loan system that removed 60-day letters from the automatic process for a small subset of schools. This was identified and corrected in September of 2011. This was a one-time issue that has been corrected and has not recurred.

The university determined the missing phone numbers for borrowers were the result of incomplete migration of data from the university to the loan processing contractor at the inception of the contract. The university will obtain a listing from the loan processing contractor of all borrowers in its system with no phone number and will review institutional records to identify a phone number. This review will be documented. Phone numbers that are identified will be forwarded to the loan processing contractor to update the borrower's record in the contractor's system. All phone calls to borrowers and the response received are logged on a report maintained by the loan processing contractor.

The loan processing contractor requested the Department of Education review the contractor's interpretation of the letter of intent to accelerate. The Department of Education provided the contactor with the department's intent of this regulation. Based on that review, the loan processing contractor changed the system logic that triggered the letters. This logic was changed in March of 2012 and the pre-acceleration letters are now sent out at least 30 days prior to the acceleration date.

The university will ensure risks of compliance with loan servicing are included in the university's risk assessment. A staff member in the Bursar's Office has been assigned the responsibility to review compliance and monitor loan servicing by the contractor. The Bursar will review the results of the monitoring on a periodic basis.

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| **Finding Number** | 12-UT-01 |
| **CFDA Number** | 84.268 |
| **Program Name** | Student Financial Assistance Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | University of Tennessee |
| **Grant/Contract No**. | P268K122842 |
| **Federal Award Year** | 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Questioned Costs** | N/A |

**As reported in the previous audit, the Registrar's Office at the Health Science Center did not properly report enrollment data, increasing the risk of not initiating the student loan repayment process**

## Finding

The Registrar's Office at the University of Tennessee Health Science Center in Memphis did not properly report enrollment data for the Direct Loan borrowers who withdrew from classes or graduated. A similar finding was reported in the previous audit. *Office of Management and Budget Circular A-133 Compliance Supplement*, Part 5, states,

> Schools must complete and return within 30 days the Enrollment Reporting Roster File [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by ED [Department of Education] via NSLDS [National Student Loan Data System] (OMB No. 1845-0035) . . . Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site.
>
> Unless the school expects to complete its next roster within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (Direct Loan, 34CFR section 685.309).
>
> According to the *Federal Student Aid Handbook*, volume 2, page 47:
>
> Student enrollment information is *extremely important*, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds [emphasis added].

We selected a sample from all Direct Loan borrowers who withdrew from classes or graduated during the year ended June 30, 2012. The Registrar's Office did not properly report the enrollment data to the Department of Education for 3 of the 25 borrowers tested.

- One student withdrew on September 21, 2011; however, the Registrar's Office did not report the student as having withdrawn until January 25, 2012, 96 days late.

- One student graduated on May 25, 2012; however the Registrar's Office did not report the student as having graduated until July 26, 2012, 32 days late.

- One student graduated on May 25, 2012; however the Registrar's Office did not report the student as having graduated until August 1, 2012, 38 days late.

The Registrar stated that in the first instance, the College of Medicine did not forward a withdrawal slip to the Registrar's Office in a timely manner. The Registrar could not provide a valid reason for the second instance. In the third case, she stated that the student was not reported as graduated because she enrolled as a non-degree-seeking student in the summer 2012 term. The Banner student information system still considered the student an active student and could not report the student as graduated.

Not accurately reporting enrollment status changes could result in the inappropriate granting of an in-school deferment or the failure to properly initiate the loan repayment process.

## Recommendation

The Registrar should ensure that all enrollment status changes for Direct Loan borrowers are reported timely in compliance with federal regulations. She should develop a process to perform ongoing reviews and implement written procedures to ensure proper reporting. College of Medicine staff should implement procedures to ensure that they submit withdrawal slips to the Registrar's Office in a timely manner.

The Registrar should ensure that risks such as those noted in this finding are adequately identified and assessed in management's risk assessment activities. The Registrar should also identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. She should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

## Management's Comment

We concur with the finding regarding the three UT Health Science Center late reporting instances. We have studied each case to determine necessary changes and additional processes to the corrective action plan that we adopted after the fiscal year 2011 State Audit findings.

For the first student listed, who withdrew September 21, 2011, we found that the fiscal year 2011 corrective action plan was developed in January 2012 and so wasn't in place in time for this reporting error. Additional corrective actions will be necessary to prevent this type of error in the future as follows:

1. The Vice Chancellor for Academic, Faculty, and Student Affairs has already begun the education process with the College Deans and Academic Officers to increase awareness and understanding of timely reporting for both official and unofficial student withdrawals.

2. In the Registrar's Office, student change forms will be entered immediately on the shared drive for the department and will be subject to pre-set reviews, real-time entry to NSLDS, and post-entry checking procedures.

For the second student error involving the reporting of the May 25, 2012, graduation 32 days late, we found that the graduation was correctly entered into Banner, but was missed on the NSLDS entry due to a clerical oversight. To remedy this type of problem, we will:

1. Assign a Registrar's Office team to cross reference the College graduation list, to the Banner graduation file, to the NSLDS "real-time" entries so that clerical oversight or an entry that failed for any reason will be obvious and immediately corrected.

2. Our contract with the National Student Clearinghouse service became fully operational in November 2012 and will provide a back-up reporting mechanism to NSLDS on the fifth of each month.

For the third student error involving the reporting of the student's graduation 38 days late, the above-referenced two procedures are expected to catch this type of error. In this case, the student registered for non-degree classes the summer after her graduation, which caused her Banner graduation status to be cancelled out. Now that Registrar's Office personnel are aware of this Banner program flaw, they will report the graduation status to NSLDS before allowing non-degree program registration.

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| **Finding Number** | 12-UT-02 |
| **CFDA Number** | 84.268 |
| **Program Name** | Student Financial Assistance Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | University of Tennessee |
| **Grant/Contract No**. | P268K122250 |
| **Federal Award Year** | 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Questioned Costs** | N/A |

## The Registrar's Office in Knoxville did not properly report enrollment data, increasing the risk of not initiating the student loan repayment process

### Finding

The Registrar's Office at the University of Tennessee in Knoxville did not properly report enrollment data for the Direct Loan borrowers who graduated. *Office of Management and Budget Circular A-133 Compliance Supplement*, Part 5, states,

> Schools must complete and return within 30 days the Enrollment Reporting Roster File [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by ED [Department of Education] via NSLDS [National Student Loan Data System] (OMB No. 1845-0035) . . . Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site.

Unless the school expects to complete its next roster within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (Direct Loan, 34CFR section 685.309).

According to the *Federal Student Aid Handbook*, volume 2, page 47:

Student enrollment information is *extremely important*, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds [emphasis added].

We selected a sample from all Direct Loan borrowers who withdrew from classes or graduated during the year ended June 30, 2012. The Registrar's Office did not properly report the enrollment data to the Department of Education for 5 of the 25 borrowers tested.

- Four students graduated on May 11, 2012; however, the Registrar's Office did not report the students as having graduated until July 16, 2012, 36 days late.

- One student graduated on December 9, 2011; however, the Registrar's Office did not report the student as having graduated until February 13, 2012, 36 days late.

The Assistant Registrar stated that the first four enrollment status changes were not reported timely because institution personnel in the College of Law had inadvertently placed spring 2012 students that graduated into degree "pending status" on the university's Banner student information system. As to the fifth student, she stated that the student completed a degree requirement late and was added late to the fall 2011 graduate list.

Not accurately reporting enrollment status changes could result in the inappropriate granting of an in-school deferment or the failure to properly initiate the loan repayment process.

## Recommendation

The Registrar should ensure that all enrollment status changes for Direct Loan borrowers are reported timely in compliance with federal regulations. She should develop a process to perform ongoing reviews and implement written procedures to ensure proper reporting. College of Law staff should implement procedures to ensure that all graduating students are properly classified on the Banner student information system.

The Registrar should ensure that risks such as those noted in this finding are adequately identified and assessed in management's risk assessment activities. The Registrar should also identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. She should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

## Management's Comment

We concur. While adding College of Law graduates into Banner, an error was made resulting in the removal of all previously awarded degrees last June 2012. University staff were manually reentering all previously awarded degrees at the time the first report to the National Student Clearinghouse verifying spring 2012 degrees was submitted. Accordingly, the initial report did not include all spring 2012 student degree information because of the data entry in progress. A second degree verification report submission was made in July, and all those previously unreported graduates were reported. Retraining has taken place, and management does not expect this error to reoccur.

Due to the late completion of a degree requirement, a student was not added to the December 2011 graduate list in a timely manner. The student was added in January 2012 after the Clearinghouse report was submitted.

The Clearinghouse recently added a new process that allows the Registrar's Office to update individual student records, mitigating the risk for future timing errors.

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| **Finding Number** | 12-DOE-01 |
| **CFDA Number** | 84.010, 84.389, 84.027, 84.173, 84.391, 84.392, 84.394, 84.397, 84.367, 84.395, and 84.410 |
| **Program Name** | Title I, Part A Cluster<br>Special Education Cluster (IDEA)<br>State Fiscal Stabilization Fund Cluster<br>Improving Teacher Quality State Grants<br>State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act<br>Education Jobs Fund |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Education |
| **Grant/Contract No**. | S010A090042, S010A100042, S010A110042, S389A090042, H027A070052, H027A090052, H027A100052, H027A110052, H173A090095, H173A100095, H173A110095, H391A090052A, H392A090095A, S394A090043, S397A090043, S367A090040, S367A100040, S367A110040, S395A100032, S410A100043 |
| **Federal Award Year** | 2007 through 2014 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Other |
| **Questioned Costs** | N/A |

**As noted in the prior audit, the department and local educational agencies did not always maintain proper information systems security controls, increasing the risk of fraudulent activity**

## Finding

Based on our testwork, Department of Education's and Local Educational Agencies' staff did not always maintain proper information systems security, resulting in increased risk of fraudulent activity. The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the department's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the department management with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

## Recommendation

The Commissioner should ensure that these conditions are remedied through procedures that encompass all aspects of effective access controls. The Commissioner should ensure that risks associated with this finding are adequately identified and assessed in the department's documented risk assessment. The Commissioner should implement effective controls to ensure

compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

### Management's Comment

We concur. The Department of Education will work to improve information systems security controls over the systems and applications cited in the finding. This will involve developing and strengthening procedures where needed, maintaining documentation, improving communication between the Department and LEAs and state agencies regarding the status of users, and improving monitoring over controls. The risks identified in the finding have been added to the Department's risk assessment.

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| **Finding Number** | 12-DOE-03 |
| **CFDA Number** | 84.367 |
| **Program Name** | Improving Teacher Quality State Grants |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Education |
| **Grant/Contract No**. | S367A090040, S367A100040, S367A110040 |
| **Federal Award Year** | 2009 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Matching, Level of Effort, Earmarking |
| **Questioned Costs** | $50,828 |

**The former Fiscal Director did not comply with earmarking requirements applicable to the Improving Teacher Quality program, resulting in federal questioned costs of $50,828**

## Finding

The Tennessee Department of Education (TDOE) receives federal funding under the Improving Teacher Quality program to increase the academic achievement of all students by helping schools and school districts to improve teacher and principal quality and ensure that all teachers are highly qualified. According to Title 20, *United States Code* (USC), 6613(d), "A State educational agency or State agency for higher education receiving a grant under this part may use not more than 1 percent of the grant funds for planning and administration . . ." Once the state has reserved up to one percent of the Improving Teacher Quality funds for planning and administration, the state must reserve the remainder of the grant award in accordance with Title 20, USC, 6613(a), which requires a state to ". . . (1) reserve 95 percent of the funds made available through the grant to make subgrants to local educational agencies . . . (2) reserve 2.5 percent . . . of the funds to make subgrants to local partnerships . . . and (3) use the remainder of the funds for State activities described in subsection (c) of this section."

Based on our review, we determined that TDOE reserved one percent of the state's Improving Teacher Quality (ITQ) award for the fiscal year ended June 30, 2010, for state administration and 2.5 percent of the remainder of the award for state activities. The period of availability for the state's ITQ award for the fiscal year ended 2010 began July 1, 2009, and ended September 30, 2011. Because the United States Department of Education allows the state to carryover any unobligated funds, ITQ funds reserved in one year can be spent in subsequent grant years within a specific period of availability. Under federal regulations, any unobligated funds made available under awards revert to the U.S. Treasury at the end of the period of availability for each award. According to the former Fiscal Director, near the end of the period of availability for the 2010 award, TDOE had not obligated all of the funds made available under the award that were reserved for state activities and state administration. To avoid losing this portion of the 2010 award, the former Fiscal Director transferred $50,828 in expenditures that were originally charged to TDOE's 2011 and 2012 ITQ awards to the 2010 grant. These expenditures were classified as subgrants to the LEAs in the 2011 and 2012 awards, but the former Fiscal Director reclassified the expenditures as state activities or state administration expenditures in the 2010 award. Even though the 2011 and 2012 expenditures met the period of

availability requirement, we determined that these expenditures were for subgrants to LEAs and did not qualify as expenditures for allowable state activities or state administration. As noted above, Title 20, USC, 6613(a)(1) limits the portion of a state's ITQ award that can be subgranted to LEAs to 95 percent of the state's ITQ award. Because TDOE had already subgranted 95 percent of its 2010 ITQ award to LEAs, subgranting the additional $50,828 of TDOE's 2010 grant award to the LEAs violated the 95 percent earmarking requirement for ITQ. As a result, we questioned federal costs of $50,828.

According to the former Fiscal Director, this earmarking violation occurred because she had been told by program personnel that all ITQ grant funds—whether reserved for state activities or reserved for state administration—could be subgranted to LEAs for the purposes of Title 20, USC, 6613(a)(1), and program personnel had instructed the former Fiscal Director to not allow these funds to revert to the United States Treasury. We attempted to identify the program staff who provided this information to the former Fiscal Director; however, the formal Fiscal Director stated that she could not recall who had provided this information to her because this communication took place several years ago.

When we asked the former Fiscal Director if she consulted with program personnel within TDOE before transferring the $50,828 to determine whether these adjustments were allowable or to notify program personnel of these adjustments, the former Fiscal Director indicated that she did not. The Executive Director of the Office of Federal Programs and the Assistant Commissioner of Teachers and Leaders are responsible for determining the manner in which TDOE uses the funds reserved from its ITQ award for state administration and state activities, respectively. Discussions with the Assistant Commissioner of Teachers and Leaders and the Executive Director of the Office of Federal Programs revealed that neither was aware of these adjustments.

A lack of awareness of and compliance with earmarking requirements of federal awards increases the risk that the objectives of these awards will not be met.

## Recommendation

The Commissioner should ensure that fiscal personnel, along with the program personnel that administer the ITQ grant awards, monitor expenditures of ITQ awards to ensure that TDOE obligates all funds provided under each ITQ award within each award's period of availability and in accordance with program requirements. In addition, the Commissioner should require fiscal personnel to obtain and maintain prior, written approval from program personnel before making accounting adjustments to federal awards.

## Management's Comment

We concur. The Department of Education has changed its processes and now requires written program leadership approval prior to making any adjustments to funding source for payments. Accounting and program staff are monitoring the financial status of federal awards/projects.

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| **Finding Number** | 12-DFA-01 |
| **CFDA Number** | 84.394 |
| **Program Name** | State Fiscal Stabilization Fund Cluster |
| **Federal Agency** | Department of Education |
| **State Agency** | Department of Finance and Administration |
| **Grant/Contract No**. | S394A090043 |
| **Federal Award Year:** | 2009 through 2011 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Davis-Bacon Act |
| **Questioned Costs** | N/A |

**The Tennessee Board of Regents and some of its institutions did not obtain and review certified payrolls, as required by the Davis-Bacon Act for federally funded construction contractors' compliance, increasing the risk of workers not being paid the prevailing wage rates**

## Finding

The Department of Finance and Administration provided funding to state higher education institutions for capital construction projects through the American Recovery and Reinvestment Act of 2009 (ARRA) State Fiscal Stabilization Fund program. Under the Davis-Bacon Act, recipients of federal funds must ensure that workers involved in federally funded constructions projects are paid no less than the prevailing wage rates established by the United States Secretary of Labor. We reviewed a detailed list of expenditures for fiscal year 2012 obtained from each institution and determined that five institutions had construction projects that included ARRA funding. For all but one of these projects, the Tennessee Board of Regents (TBR) acted as a contracting agent for the institutions.

Based on our testwork, we found that four of the five institutions did not properly monitor their contractors to ensure the contractors paid workers the prevailing wage rates as required by the Davis-Bacon Act. Our testwork at the five institutions included a review of a total of 12 construction contracts. We found that for construction projects under 8 of the 12 contracts (67%), institutions' staff had not obtained the certified payrolls from the contractors and thus did not review the certified payrolls to determine that the federal prevailing wage rates were paid. We also found for two of the four remaining contracts tested (50%) that the responsible institution did obtain the certified payrolls; however, some of the certified payrolls were missing at the time of our testwork. Therefore, we were unable to confirm that institution staff properly reviewed/monitored wage rates.

According to the *Code of Federal Regulations*, Title 29, Part 5, Section 5.5 (a)(3)(ii)(A), "The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency)." Once an institution receives the contractor's certified payrolls, institution

staff must review the certified payrolls to ensure the contractor has paid the prevailing wage rates.

Also, the contracts between the TBR institutions and the contractors contained the requirement that the contractor submit these certified payrolls to the institutions' business offices. However, neither the institutions nor TBR obtained certified payrolls from the contractors who were parties to these contracts. Additionally, as the contracting agency, TBR did not effectively monitor the institutions' collection and review of the certified payrolls.

The TBR Director of Project Management stated that representatives from each institution, the contractor, and the Tennessee Department of Labor and Workforce Development met to review each contract and ensure an understanding of all the contract requirements, but based on our discussions with personnel at the institutions and with the contractors, there was a lack of clarity as to where the contractor was to send the certified payrolls. Our communication with one of the contractors revealed that the contractor sent the certified payrolls to the Tennessee Department of Labor and Workforce Development but did not send them to the business office of the higher education institution. In addition, TBR did not effectively communicate to its institutions the need to obtain certified payrolls from the contractors in order to monitor compliance. In the absence of proper monitoring, there is a risk that workers who are paid with federal funds may not be compensated at the prevailing wage rate as required by the Davis-Bacon Act.

## Recommendation

The TBR Director of Project Management and the business office staff at the individual institutions should establish procedures to obtain certified payrolls from construction contractors and to review the payrolls to ensure that wages paid are in compliance with the Davis-Bacon Act.

## Management's Comments

Tennessee Board of Regents

We concur with the finding and recommendation. The Tennessee Board of Regents Office of Facilities will improve its current procedures to ensure compliance with Davis-Bacon Act requirements specific to collecting, reviewing, and maintaining contractors' certified payrolls. The Office of Facilities will formally communicate these procedures to appropriate internal staff members and institutional representatives. Written design/construction procedures will be updated to include actions that ensure compliance with the Davis-Bacon Act. Additionally, ongoing training will be provided for internal staff members and institutional representatives. This training effort began with a presentation by a U.S. Department of Labor Wage and Hour Investigator on November 7, 2012. An informative session is also scheduled for the April 2013 Facilities Coordinators meeting.

Department of Finance and Administration

We concur with the finding and recommendation. There is language in the Designer Manual that requires the project management team and the contractor to consider prevailing wage rate requirements at the pre-construction conference and the contractor to submit a copy of the payroll transmittal letter(s) to the Department of Labor and Workforce Development with each pay request. The State Architect's Office will review the Designer Manual and consider changes that will support and improve compliance with the Davis-Bacon Act.

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| **Finding Number** | 12-DHS-02 |
| **CFDA Number** | 93.558, 93.563, 93.575, 93.596, and 96.001 |
| **Program Name** | Temporary Assistance for Needy Families Cluster<br>Child Support Enforcement<br>Child Care and Development Fund Cluster<br>Disability Insurance/SSI Cluster |
| **Federal Agency** | Department of Health and Human Services<br>Social Security Administration |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | G10002TNTANF, G11002TNTANF, G12002TNTANF, G0804TN4004, G0904TN4004, G1004TN4004, G1104TN4004, G1204TN4005, G1001TNCCDF, G1101TNCCDF, G1001TNCCDF, G1101TNCCDF, G1201TNCCDF, G0901TNCCDF, 04-09-04TND100, 04-10-04TND100, 04-11-04TND100, 04-12-04TND100 |
| **Federal Award Year** | 2007 through 2015 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Other |
| **Questioned Costs** | N/A |

**As noted in the prior audit, the Department of Human Services did not follow departmental and state information system security policies, resulting in the increased risk of fraudulent activity or loss of data**

## Finding

Based on our testwork, the Department of Human Services again did not follow departmental and state information system security policies, resulting in increased risk of fraudulent activity or loss of data. The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the department's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the department management with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

## Recommendation

The Commissioner should ensure that these conditions are remedied through procedures that encompass all aspects of effective access controls. Management should reassess their controls to include the risks noted in this finding in management's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the Commissioner. The Commissioner should implement effective controls to ensure compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

## Management's Comment

We concur. We have delivered a confidential response to the detailed finding, but note that steps to address the issues identified are already underway.

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| **Finding Number** | 12-DHS-05 |
| **CFDA Number** | 93.558 |
| **Program Name** | Temporary Assistance for Needy Families Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | G1002TNTANF, G1102TNTANF, G1202TNTANF |
| **Federal Award Year** | 2010 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | N/A |

**For the second year, the department failed to document certifications attesting to Temporary Assistance for Needy Families recipients' disclosure of state or federal criminal convictions when caseworkers renewed recipients' eligibility, increasing the risk that funds will be disbursed to ineligible recipients**

## Finding

As noted in the prior audit, the department failed to document certifications attesting to the disclosure of state or federal criminal convictions when caseworkers renew eligibility for Temporary Assistance for Needy Families (TANF) recipients. In the prior audit, we noted that management failed to ensure that caseworkers document these certifications in ACCENT. Management concurred with the prior finding.

The Department of Human Services (DHS) administers the Temporary Assistance for Needy Families (TANF) program, which is a federal program under the oversight of the Administration for Children and Families under the United States Department of Health and Human Services (HHS). Created to help needy families achieve self-sufficiency, the TANF program gives states a block grant to design and operate its own program. According to HHS' website,

The four purposes of the TANF program are to:

- Provide assistance to needy families so that children can be cared for in their own homes
- Reduce the dependency of needy parents by promoting job preparation, work and marriage
- Prevent and reduce unplanned pregnancies among single young adults
- Encourage the formation and maintenance of two-parent families

To receive TANF benefits, applicants must meet certain eligibility criteria, such as maximum income and resource limits. Applicants must also certify that they have not been convicted of misrepresentation to receive entitlement benefits from two or more states, are not fugitive felons, do not have probation or parole violations, and are not guilty of a drug-related felony that was committed after August 22, 1996. Applicants must make these certifications as part of their initial eligibility determination and during their annual eligibility renewal. DHS caseworkers document eligibility of new applicants and continuing clients in the department's Automated Client Certification and Eligibility Network for Tennessee (ACCENT) system.

We tested a sample of 60 TANF case files during the fiscal year ended June 30, 2012, and found that the DHS caseworkers still were not appropriately documenting these certifications. To determine DHS' compliance with the federal eligibility requirements, we reviewed case information in ACCENT. Based on our review, we found that for 45 of 60 case files (76%) specifically related to eligibility renewals, the Director of Families First failed to ensure that caseworkers documented in ACCENT whether recipients renewing eligibility certified that they had not been convicted in federal or state court in a 10 year period of misrepresenting their place of residence in order to simultaneously receive assistance or benefits from multiple states under TANF and other federal entitlement programs. According to Title 42, *United States Code* (USC) 608(a)(8):

> A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from 2 or more States under programs that are funded under this subchapter [and other programs within this chapter].

During our testwork, we also found that for 14 of 60 case files tested (23%), the Director of Families First failed to ensure that when recipients renewed their eligibility, caseworkers documented in ACCENT that recipients were not fugitive felons, probation or parole violators, or guilty of a drug-related felony. According to 42 USC 608(a)(9)(A),

> A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide assistance to any individual who is— (i) fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, … or (ii) violating a condition of probation or parole imposed under Federal or State law.

In addition, 21 USC 862(a) states,

> An individual convicted (under Federal or State law) of any offense which is classified as a felony by the law of the jurisdiction involved and which has as an element the possession, use, or distribution of a controlled substance (as defined

> in section 802(6) of this title) shall not be eligible for (1) assistance under any State program funded under part A of title IV of the Social Security Act [which includes TANF].

Because the caseworkers did not enter this information in ACCENT, we could not determine whether caseworkers actually requested this information from these recipients; however, we found that the 60 recipients we tested met every other eligibility requirement for which we tested. As a result, we are not questioning the costs relating to these renewal certification errors. As also stated in the prior audit finding, according to the Director of Families First, the applicants made these certifications on the TANF applications prior to October 2010; however, DHS changed its renewal applications in October 2010 to reduce the cost of the mailings. The renewal application form provides for changes in recipients' circumstances but does not address these required certifications. According to the Director of Families First, beginning in April 2012, management updated the template for the ACCENT CLRC (Running Records) guide, which involves a screen within ACCENT where caseworkers document their notes relating to a client. The update to the ACCENT CLRC guide reminded staff to inquire of clients and document this inquiry in the CLRC screen regarding the four certifications. However, because management took these steps in April 2012, it is too soon to determine whether these new controls are effective.

When the required client certifications are not documented, the risk of awarding money to ineligible recipients is increased, and the state may be liable for funds disbursed to the ineligible recipients. DHS identified the risk of obtaining inadequate documentation from a federal program recipient to verify eligibility in their risk assessment. Management indicated in the risk assessment that federal grant funds are monitored to ensure recipients meet eligibility requirements. However, management's mitigating controls did not detect the problems noted.

## Recommendation

The Director of Families First should obtain all required certifications. The Director should also monitor the effectiveness of the controls implemented to ensure that the required certifications are obtained and documented during the renewal process and clearly documented in ACCENT. In addition, management should also reassess the controls associated with TANF eligibility to ensure appropriate mitigating controls address the risks.

## Management's Comment

We concur. Beginning in April 2012, management updated the template for ACCENT's CLRC (case management running records) guide to ensure that the required certifications relating to these findings are documented. The Department is currently in the process of reviewing CLRC documentation needs again and we will be sure to include this issue. In addition, following last year's audit, we added the certification questions to our supervisor's case reading document to ensure that they take note of whether or not the questions were addressed. We will also take another look at that document ensure that the necessary language is clearly

stated. In addition, we will determine what would be necessary to include required yes/no questions regarding these certifications in ACCENT.

The Department is in the process of preparing a memorandum to relevant DHS staff regarding the attestation regarding recipients' state and federal convictions at the renewal of their eligibility. The memorandum will reiterate the importance of the attestations.

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| **Finding Number** | 12-DHS-07 |
| **CFDA Number** | 93.558 |
| **Program Name** | Temporary Assistance for Needy Families |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | G1002TNTANF, G1102TNTANF, G1202TNTANF |
| **Federal Award Year** | 2010 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Questioned Costs** | N/A |

## The department failed to properly verify Families First clients' work activity in accordance with the approved Work Verification Plan

### Finding

The Department of Human Services (DHS) administers the Temporary Assistance for Needy Families (TANF) program, which is a federal program under the oversight of the Administration for Children and Families within the United States Department of Health and Human Services. DHS calls the TANF program "Families First." The TANF program is designed to help needy families achieve self-sufficiency which includes providing eligible families' cash benefits. To receive cash benefits, the recipient must participate in a work activity. Examples of work activity participation include

- unsubsidized employment;
- subsidized private sector employment;
- subsidized public sector employment;
- placement to obtain work experience;
- on-the-job training; and
- job search and job readiness assistance.

DHS is responsible for ensuring accurate data obtained from contractors are used to calculate the work participation rates reported to the federal government. In 2008, DHS developed a Work Verification Plan and submitted it to the United States Department of Health and Human Services, which approved it effective October 1, 2008. The plan requires the DHS to

- identify work eligible individuals;
- determine whether work activities may count for work participation rate purposes;
- determine how to count and verify reported hours of work; and
- control internal data transmission and accuracy.

According to the State of Tennessee Work Verification Plan, Section IV, *Internal Controls*, under "Families First Contract Monitoring," page 23,

> The State will monitor the accuracy of attendance hours in the eligibility and case management system [i.e., ACCENT], through the use of random sampling, over the course of a federal fiscal year…. The methodology for selecting the sample will entail a quarterly random sample of at least ninety five active clients. One day, unique to each client will be randomly selected. The appropriate work activity contractor will then be contacted and instructed to provide all documentation necessary to support the data found in the eligibility and case management system for that client for that day.

DHS uses five contractors to manage the work activity function: Structured Employment Economic Development Corporation; Workforce Essentials; Maximus; Policy Studies, Inc.; and East Tennessee State University. The contractors enter work activity information into the Automated Client Certification and Eligibility Network of Tennessee (ACCENT) system, the eligibility and case management system at DHS.

To determine if DHS complied with the Work Verification Plan, we tested a sample of 60 TANF cases for which DHS staff verified clients' work activity hours during their quarterly work verification reviews. Based on testwork performed, we found that the Families First Contracts Program Coordinator failed to properly verify Families First clients' work activity hours in accordance with the approved Work Verification Plan for 11 of 60 cases tested (18%). The details are as follows:

- For 5 of the 11 cases (45%), the Families First Contracts Program Coordinator did not request the paper documentation of work activity hours maintained by the work activity contractors so that staff could verify the hours the contractors recorded in ACCENT. According to the Program Coordinator she did not request this documentation when she discovered other deficiencies such as out of date Individualized Career Plans and reported work hours below 30 hours. According to the Families First Contracts Program Coordinator, the former Director of Community Services Programs instructed the case reviewers to not request the work activity documentation from the contactors if they noted a different problem during the case review because "it was a waste of time." While we understand management's concerns regarding the reliability of the data, management still has the responsibility to comply with federal requirements to verify the work activity. We saw no evidence that DHS staff verified the work hours as required.

- For 6 of the 11 cases (55%), the Families First Contracts Program Coordinator did not request paper documentation of work activity hours because the former Director of Community Services instructed case reviewers to not request paper documentation from work activity contractors if the department had not provided the contractors with the results of its prior-year case reviews. The Program Coordinator agreed that the case reviewers should wait to request paper documentation until the department provided the work activity contactors with the prior year's feedback, but she also stated the department needs to revise its work verification plan review procedures. The lack of feedback to the work activity contractors does not remove the

department's responsibility to perform case reviews in accordance with the Work Verification Plan.

By failing to verify recipients' work activity, DHS staff cannot ensure they are accurately calculating work activity rates, which places them at risk for federal penalties. Failure to meet the federal requirement subjects the department to penalties imposed by the federal government. According the Title 45, *Code of Federal Regulations*, Part 261, Part 65(c), DHS may be subject to a penalty if they "[fail] to maintain adequate internal controls to ensure a consistent measurement of work participation rates." In addition, management has not identified the risks of noncompliance with the Work Verification Plan information or developed mitigating controls for this risk in its annual risk assessment.

## Recommendation

The Commissioner should ensure that case reviewers follow the established procedures associated with Work Verification Plan reviews to ensure compliance with the Plan. The Commissioner should also ensure case reviewers compare work activity recorded in ACCENT with supporting documentation provided by the work activity contractors and take appropriate action to investigate differences. If the Commissioner feels the Work Verification Plan requires revision, she should revise it and submit it to the United States Department of Health and Human Services for approval. Finally, the Commissioner should ensure that these risks and mitigating controls are included in the department's annual risk assessment.

## Management's Comment

We concur. Of the 60 cases that were audited, 11 were found to have errors because the Families First Contracts Program Coordinator did not request the paper documentation of work activity hours maintained by the work activity contractor so that staff could verify the hours recorded in ACCENT.

Since the audit, case reviewers have reviewed the error cases and have secured the paper documentation on 5 of them – these are now correct cases. In addition, they started requesting all work activity hours verification effective within the 3rd quarter of 2012 and understand that they are to do this even if there are other case errors found or if the contractors have not been provided with the prior quarter's feedback.

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|---|---|
| **Finding Number** | 12-DHS-04 |
| **CFDA Number** | 93.568 |
| **Program Name** | Low-Income Home Energy Assistance |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | G09B1TNLIEA, G10B1TNLIEA, G11B1TNLIEA, G12B1TNLIEA |
| **Federal Award Year** | 2009 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility- Significant Deficiency and Noncompliance<br>Procurement and Suspension and Debarment-Significant Deficiency and Noncompliance |
| **Questioned Costs** | $150 |

**As noted in the prior audit, the Department of Human Services did not ensure the subrecipients followed the federal laws and regulations and the department's State Plan for the Low-Income Home Energy Assistance Program, resulting in federal questioned costs totaling $150 and increased risk of fraud, waste, abuse, and additional noncompliance**

## Finding

As noted in the prior audit, as the pass-through agency, the Department of Human Services (DHS) did not ensure the subrecipients followed the State Plan for the Low-Income Home Energy Assistance Program (LIHEAP) as required by federal regulations, resulting in federal questioned costs totaling $150.

In the prior audit for fiscal year ended June 30, 2011, we had noted that subrecipients

- did not document supervisory review of potential client applications;
- did not calculate client priority points correctly;
- did not maintain support for clients' and household members' social security numbers, which was required by Fiscal Year (FY) 2011 LIHEAP Program Overview;
- did not ensure client files contained adequate documentation of Crisis Assistance payments;
- did not provide Crisis Assistance within 48 hours in accordance with the federal law;
- paid energy providers incorrect amounts; and
- did not have internal controls to ensure energy providers were not suspended or debarred.

During the current audit of fiscal year ended June 30, 2012, we found that subrecipients maintained support for social security numbers, ensured adequate documentation of payments, provided Crisis Assistance within 48 hours, and paid energy providers correctly; However, we found evidence during the current audit that subrecipients

- did not document supervisory review of potential client applications;

- did not calculate client priority points correctly; and
- did not have internal controls to ensure energy providers were not suspended or debarred.

These uncorrected issues are repeated in this finding for the fiscal year ended June 30, 2012.

In response to the prior audit finding, management stated in its six-month follow-up notice that

- LIHEAP Memo # 12-01 on 2/27/2012 was issued to sub-grantees (Rounding Percentages in Determining the Energy Burden) as a reminder as to how to calculate Priority Points. Additionally, the priority points chart is now included in the Standard Operation Procedures portion of the Operational Plan for FY13.
- LIHEAP Memo 12-03 was issued on June 1, 2012 to remind the sub-grantees of required timeliness in issuing crisis assistance. Additionally, this information has been included in the revised LIHEAP Operational Plan for FY12 and continued in the FY13 Operational Plan.
- LIHEAP Memorandum 12-04 was issued on June 6, 2012 instructing the sub-grantees to include the Debarment and Suspension language in all their lower-tier contracts. Additionally, the LIHEAP Vendor Agreement was updated to include this information.
- Sub-grantees are required to provide to the State with proof that their system has been updated whenever poverty/income guidelines change.

LIHEAP is a federal block grant awarded to states to help low-income people meet the costs of home energy (defined as heating and cooling of residences), increase their energy self-sufficiency, and reduce their vulnerability resulting from energy needs. The target population for this program is low-income households, especially those with the lowest incomes and the highest home energy costs or needs in relation to income, taking into account family size. Additional targets are low-income households with members who are especially vulnerable, including the elderly, persons with disabilities, and young children. For fiscal year ended June 30, 2012, DHS submitted the Federal Application for Funding (State Plan) to the United States Department of Health and Human Services, which authorized funding for DHS.

As the pass-through entity for LIHEAP, DHS is responsible for advising subrecipients and monitoring the subrecipients' activities to ensure that federal awards are used for authorized purposes and in accordance with the State Plan.

DHS contracted with the following 19 subrecipients to administer LIHEAP:

- Blount County Community Action Agency (Blount)
- Bradley-Cleveland Community Services Agency (Bradley)
- Chattanooga Human Services Department (Chattanooga)
- Clarksville-Montgomery County Community Action Agency (Clarksville)
- Delta Human Resource Agency (Delta)

- Douglas-Cherokee Economic Authority (Douglas)
- East Tennessee Human Resource Agency (East Tennessee)
- Highland Rim Economic Corporation (Highland Rim)
- Knoxville-Knox County Community Action Committee (Knoxville)
- Metropolitan Action Commission (Metro)
- Mid-Cumberland Community Action Agency (Mid-Cumberland)
- Mid-East Community Action Agency (Mid-East)
- Northwest Tennessee Economic Development Council (Northwest)
- Shelby County Community Services Agency (Shelby)
- South Central Human Resource Agency (South Central)
- Southeast Tennessee Human Resource Agency (Southeast)
- Southwest Human Resource Agency (Southwest)
- Upper Cumberland Human Resource Agency (Upper Cumberland)
- Upper East Tennessee Human Development Agency (Upper East)

Applicants seeking to obtain LIHEAP assistance under the program must apply at the subrecipient that serves their location. Applicants must complete an application and declare their income; household size, including the age and disability of all members; and energy burden. Based on the information provided on the application, the subrecipient assigns point values, called priority points, which are used to determine the dollar value of the assistance the applicant receives. Points are assigned based on the following areas: income based on family size; energy burden; and vulnerability of household members. Once an applicant is determined eligible for the program, he/she is referred to as a client. Depending on the total number of priority points, clients can qualify for one of three benefit levels. According to the State Plan, a client can qualify for

- $300 (or $150 for clients who live in public housing and only pay utility "overages," the difference between the applicant's actual energy costs and public housing allowance),
- $450 (or $225 for clients who live in public housing and only pay utility overages), or
- $600 (or $300 for clients who live in public housing and only pay utility overages).

A client cannot receive more than $600 in assistance in one year. In addition, a client can apply for Crisis Assistance but must present a notice of loss of utilities and documentation of an uncontrollable circumstance to qualify. According to the DHS State Plan, p. 24, an energy crisis is defined as a "[s]udden, unexpected, uncontrollable loss of financial resources; life threatening conditions or any circumstances that threaten the stability of the household if energy assistance is not provided." Benefit amounts paid under Crisis Assistance are the same as regular assistance described above. The subrecipient pays the client's energy providers directly.

To determine DHS's and the subrecipients' compliance with the LIHEAP requirements, we reviewed a sample of 60 client files from six subrecipients and discussed the eligibility and payment processes with the LIHEAP Coordinator at each subrecipient. Based on our review, we found that the subrecipients

- did not document supervisory review of potential client applications;
- did not calculate client energy burden consistently;
- did not calculate client priority points correctly; and
- did not have internal controls in place to ensure energy providers were not suspended or debarred in accordance with the State Plan and federal regulations.

Supervisory Review of Applications Not Documented

Based on our review of client files, we found that the LIHEAP Coordinator at one subrecipient (Chattanooga) did not ensure that the supervisory review of client applications was documented for 10 of 60 client files (17%) reviewed. Supervisors review client applications to ensure staff properly determined client eligibility and benefit level. Although the supervisors' review was not documented, we determined that the clients were eligible for the program.

We also reviewed management's risk assessment and found that DHS management did not specifically identify and assess the risk of the errors noted above in its risk assessment.

Client Energy Burden Not Calculated Consistently

Based on discussions with the DHS Director of Community Services Programs and review of client files, we noted that the Director did not ensure LIHEAP Coordinators were consistent when calculating the energy burden to determine the clients' benefit level. Based on discussion with subrecipient staff, we determined that each subrecipient used different methods for calculating the clients' energy burden, which determines how many priority points the client should receive. The LIHEAP director at Mid-Cumberland included the clients' past-due energy amount to annualize the energy burden. The Metro Action Commission and Shelby County LIHEAP Directors used only the clients' current usage amount to determine the energy burden. The Northwest and Chattanooga Directors used the current-month amount on the clients' energy bill for regular assistance and included the past-due amount for Crisis Assistance. The Upper East LIHEAP Director used the clients' highest monthly bill, when a billing history is presented. Each of the methods required the LIHEAP Director to multiply the amounts by 12 to annualize the energy burden. Based on discussion with the Director of Community Services Programs, we determined that the she did not provide guidance on determining client energy burden to ensure subrecipients determine client eligibility and benefit levels consistently across the state. The lack of guidance could cause DHS and subrecipients to award benefits inconsistently and perhaps unfairly.

Client Priority Points Not Calculated Correctly

Based on our testwork, we noted that the LIHEAP Coordinators at three subrecipients (Chattanooga, Mid-Cumberland, and Northwest) did not calculate 6 of 60 clients' priority points (10%) correctly. We recalculated the priority points for each client to determine whether subrecipients were awarding clients' LIHEAP benefits in accordance with the federal guidelines. Based on our recalculations at one subrecipient (Chattanooga), we found that the recalculated priority points for a client indicated that the client should have received a lower benefit. Because the subrecipient incorrectly calculated benefits and ultimately overpaid the energy provider, we

are reporting federal questioned costs of $150. At the two remaining subrecipients (Mid-Cumberland and Northwest), we found that the subrecipients calculated and paid appropriate benefits for the remaining clients.

Not calculating priority points correctly increases the risk that clients may receive more benefits than they are entitled to receive while other eligible individuals are turned away because funds are not available. Management did not identify and assess the risk of the errors noted above in its risk assessment.

DHS and the Subrecipients Did Not Have Suspension and Debarment Controls in Place

Based on our review of 26 energy providers' contracts with the subrecipients and discussion with the DHS Director of Community Services Programs, we found that the Director failed to ensure federal suspension and debarment controls were in place at three subrecipients (Metro, Northwest, and Shelby). There were nine energy providers paid at the three subrecipients representing 30 of 60 files (50%) reviewed. According to Title 2, *Code of Federal Regulations*, Section 180.300, when the subrecipients enter into a contract with an energy provider, they must ensure the provider is not suspended or debarred by "(a) Checking the EPLS [Excluded Party List System]; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to that covered transaction with that person."

In addition, according to a memorandum entitled "Certification Regarding Debarment, Suspension and Other Responsibility Matters," in the LIHEAP State Plan, DHS management agreed, by submitting the State Plan, that they would include a clause in the contract titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transaction," when dealing with subrecipients' energy providers. The clause should have included language that the energy providers certified that they were not debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in transactions by any federal department or agency. If the energy provider did not certify to these statements, the energy provider should have provided an explanation.

The Director of Community Services Programs provided the subrecipients with the required suspension and debarment clause in a memorandum dated June 1, 2012. The Director of Community Services Programs provided the subrecipients with revised vendor agreements containing the required suspension and debarment clause in a memorandum dated June 6, 2012. Specifically, we noted that the subrecipient LIHEAP Directors failed to check the EPLS and did not include the required suspension and debarment clause in the provider contracts. We reviewed the EPLS and determined that the nine energy provider contracts with the subrecipients we reviewed were not suspended or debarred by the federal government and were eligible to receive federal LIHEAP funds.

Not having suspension and debarment controls in place increases the risk that subrecipients improperly pay suspended or debarred energy providers on behalf of LIHEAP clients. The department addressed in its risk assessment the risk of payments to energy providers (vendors) who are suspended or debarred. However, neither DHS nor the subrecipients had controls in place to mitigate the risk.

Our testwork included a review of 60 client files representing $24,000 of LIHEAP benefits from a total population of $62,579,383. Based on the results of our original sample testwork, we questioned costs totaling $150. The Office of Management and Budget (OMB) Circular A-133 requires us to report known questioned costs when likely questioned costs are greater than $10,000 for a type of compliance requirement for a major program. We believe likely questioned costs could exceed $10,000.

## Recommendation

As the pass-through entity, the Department of Human Services is responsible for administering LIHEAP. To perform its duties in accordance with federal regulations, the department must communicate all program requirements to all parties involved.

Because the Commissioner and department management must rely on subrecipients to carry out this program, and because there is potential for noncompliance, fraud, waste, and abuse in the program, it is imperative that management continue to identify and mitigate these risks by carefully monitoring the work performed by subrecipients. The Director of Community Services Programs should ensure that subrecipients

- document their supervisory review of client applications;
- calculate the client energy burden consistently;
- calculate priority points correctly;
- document their verification of energy provider suspension or debarment status and that the energy provider contracts contain the required suspension or debarment clause; and
- document the risk and mitigating controls in the annual risk assessment.

## Management's Comment

Supervisory Review of Applications Not Documented

We concur. LIHEAP application for benefits was updated with the beginning of FY13. Reviewer signature line was removed as this created an illusion that it is mandatory for all the applications to be reviewed by a supervisor. Agency staff, who determines eligibility for the programs, is trained in processes. Supervisor review is intended to provide periodic internal monitoring and the sub grantees will continue to review a sample of applications. We concur that any supervisory review of client applications should be documented. We will remind the contract agencies about the need to properly document all review of LIHEAP client applications. Additionally, this topic will be added to the FY 2014 LIHEAP Operational Plan – Standard Operation Procedures. It is important to note that none of the clients were ineligible for benefits.

Client Energy Burden Not Calculated Consistently

We concur. Currently, draft memorandum to address the treatment of past due amounts is open for agency comment period. Once the comment period closes, all the details are finalizes, and the memorandum is issued. The State will have consistent policy on treatment of past due amounts and all sub-grantees will be using the same method. LIHEAP FY2014 Operational Plan will contain this information as well.

Client Priority Points Not Calculated Correctly

We concur. The rounding of energy burden percentages has been discussed in details with the sub-grantees, and the DHS Community Services Unit has since issued LIHEAP Memo 12-01 on February 27, 2012, to address this inconsistency. Currently, all LIHEAP sub-grantees are using the same method, which is rounding the energy burden percentage to the nearest whole number.

Additionally, the DHS Community Service Unit has issues two numbered Memorandums. LIHEAP Memo 13-02, dated September 27, 2012, specifically addresses the definition of income, calculation of unemployment income, acceptable forms of income verification, and zero income. Additionally, LIHEAP Memo 13-03, dated December 14, 2012, provides further details, specifically on definition of current income, and acceptable forms of income verification. While we have worked hard to address all of the risks associated with the calculation of priority points, including calculation of income and energy burden, we fully realize that this process is ongoing. The income section within the LIHEAP Operational Plan will be expanded for FY2014 and the DHS Community Service Unit will continue to have discussions on this topic with the sub-grantees. Likewise, other risks associated with calculation of energy burden will be assessed.

DHS and the Subrecipients Did Not Have Suspension and Debarment Controls in Place

We concur. We would like to add that this deficiency has been addressed for the FY 2013. On June 6, 2012, CS Memorandum 12-01 was issued, instructing the sub-grantees to include the Debarment and Suspension language in all of their lower tier contracts. Additionally, the LIHEAP Vendor Agreement for FY2013 was updated to include this language. The requirement to continue having the suspension and debarment controls in place will also be made part of the LIHEAP Operational Plan for FY 2014 and onward. It is important to note that none of the vendors were suspended and debarred by the federal government, and all were eligible to receive LIHEAP funds.

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| **Finding Number** | 12-DHS-03 |
| **CFDA Number** | 93.575 and 93.596 |
| **Program Name** | Child Care Development Fund Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | G1001TNCCDF, G1101TNCCDF, G1201TNCCDF |
| **Federal Award Year** | 2009 through 2012 |
| **Finding Type** | Noncompliance |
| **Compliance Requirement** | Reporting |
| **Questioned Costs** | N/A |

## The Department of Human Services could not provide documentation to support Child Care and Development Fund ACF-696 financial reports

### Finding

The United States Department of Health and Human Services (DHHS) created the Child Care and Development Fund (CCDF) to provide federal funds to states to increase the availability, affordability, and quality of childcare services. As a recipient of CCDF federal funds, the Department of Human Services (DHS) is required to submit financial reports to the federal grantor regarding the status of the program. DHHS Administration for Children and Families (ACF) requires states to use the ACF-696, *Child Care and Development Fund Financial Report*, to report actual federal and state expenditures for the CCDF program. DHS uses Edison, the state's accounting system, to prepare the report, which is due 30 days after the end of each quarter.

We examined the ACF-696 reports for the quarters ended September 30, 2011, and December 31, 2011, that were submitted during state fiscal year 2012 and found that the DHS Fiscal Director responsible for preparing the reports was unable to provide documentation to support expenditure amounts on one of two reports (50%).

According to Title 2, Code of Federal Regulations, Part 215, Section 21(b), "Recipients' financial management systems shall provide for the following. (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Sec. 215.52." We requested the documentation to support the amounts that DHS staff reported to determine if the amounts reported were accurate. The Fiscal Director provided worksheets he prepared using Edison queries as documentation. We found that 15 of 18 expenditure amounts (83%) reported in the September 30, 2011, report did not agree with Edison and the supporting worksheets. Based on discussion with the Fiscal Director, he believed that the electronic worksheets supporting the amounts reported were inadvertently overwritten.

DHS also uses the ACF-696 report to prepare the next quarter's SF-425, Federal Financial Report. Since the DHS Fiscal Director could not provide support for the ACF-696

report for the quarter ended September 30, 2011, we were not able to determine the accuracy of the SF-425 report for the quarter ended December 31, 2011.

DHS is required to ensure that all federal reporting requirements, including maintaining supporting documentation, are met for each of its federal programs. Failure to meet all of the requirements increases the likelihood that federal grantors will not have complete and accurate information to make financial and programmatic decisions.

Management identified the risk of inaccurate and unsupported financial reports in its annual risk assessment. However, the mitigating controls that management identified were ineffective.

## Recommendation

The Commissioner of the Department of Human Services should ensure that staff accurately prepare the ACF-696 Financial Report based on the accounting records. Management should also reassess all risks associated with federal reporting and develop and implement appropriate mitigating controls to address the risks.

## Management's Response

We concur. The ACF 696 report was revised to agree with supporting documentation. The Department's Fiscal Unit has revised the Federal Financial Report preparation process to include supporting documentation and central repository of the reports.

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| **Finding Number** | 12-DHS-12 |
| **CFDA Number** | 93.575 and 93.596 |
| **Program Name** | Child Care and Development Fund Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Human Services |
| **Grant/Contract No**. | G1001TNCCDF, G1101TNCCDF, G1201TNCCDF, G0901TNCCDF, G1001TNCCDF, G1101TNCCDF, G1201TNCCDF |
| **Federal Award Year** | 2008 through 2012 |
| **Finding Type** | Noncompliance |
| **Compliance Requirement** | Special Tests and Provisions |
| **Questioned Costs** | $124,378 (93.575) |

## The Department of Human Services paid unlicensed Child and Adult Care providers resulting in $124,378 of federal questioned costs

### Finding

The Department of Human Services (DHS) provides assistance to child and adult care providers that provide Child Care Development Fund (CCDF) program services, which includes providing child and adult care subsidies to low-income families to afford quality child care while parents are at work or attend training or educational programs.

We found DHS did not comply with the Title 45, *Code of Federal Regulations*, §98.11(b), which states, "In retaining overall responsibility for the administration of the program, the Lead Agency shall… (4) Ensure that the program complies with the approved Plan and all Federal requirements." Specifically, we found that the Program Coordinator did not ensure the providers made timely and sufficient application for license renewal prior to payment. In addition, Program Evaluators failed to conduct evaluation visits two months prior to the expiration of the license.

***Providers Failed to Make Timely and Sufficient Application for Renewal***

According to the Section 4-5-320(b), *Tennessee Code Annotated*, "When a licensee has made timely and sufficient application for the renewal of a license or a new license with reference to any activity of a continuing nature, the existing license does not expire until the application has been finally determined by the agency, and, in case the application is denied or the terms of the new license limited, until the last day for seeking review of the agency order or a later date fixed by order of the reviewing court." In order to meet the requirements of the regulations above, providers must submit the application and, if necessary, the application fee prior to the expiration of the existing license.

The Licensing Program Coordinator did not ensure that 8 out of the 44 child and adult care providers tested (18%) submitted a timely and sufficient application for the renewal of a license prior to receiving child care assistance payments. We found that the licensed child and

adult care providers submitted license renewals between 7 and 58 days late; however, DHS continued to make payments to providers despite the providers' lack of proper reapplication for licensure, essentially making payments to unlicensed providers, violating the *Tennessee Code Annotated* regulation noted above. These eight providers were improperly paid $124,378 after their license had expired and before a new license had been issued. The amount of these payments is considered questioned costs.

***Evaluation Visits Not Conducted Timely***

Chapter 3, Part F, Item 1(i) of the *Child and Adult Care Licensing Policy and Procedures Manual,* which states, "Evaluation visits must be conducted at least two (2) months prior to the expiration of the license." Based on the testwork performed, we found that for 36 of 42 child and adult care providers tested (86%) the DHS Program Evaluators did not perform evaluation visits at least two months prior to the expiration of the providers' licenses as required. We found the Program Evaluators performed these visits between 3 and 144 days late. According to the Program Coordinator, many Program Evaluators were not aware of the policy.

The purpose of the visits is to provide effective enforcement of licensing requirements and ensure proper procedures regarding health and safety requirements are followed by providers. Areas of the program monitored during evaluation visits include Ownership, Organization, & Administration; Supervision; Staff; Equipment; Program; Health and Safety; Food; Physical Facilities; Transportation; Extended Care; Care of Children With Special Needs; and Sick Child Care. By failing to comply with the requirements stated above, DHS did not properly ensure that the providers adequately met program health and safety requirements.

## Recommendation

The Deputy Commissioner in coordination with the Licensing Program Coordinator should ensure the department does not pay unlicensed providers. To ensure providers meet all federal requirements, DHS Program Evaluators should implement procedures to ensure that the proper number of evaluation visits are conducted during the year and the evaluation visits are performed timely.

## Management's Comment

We concur. The July 2012 Child and Adult Care Licensing Policy and Procedures Manual now requires the application and fee to be submitted at the beginning of the renewal process.

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| **Finding Number** | 12-DCS-02 |
| **CFDA Number** | 93.658 and 93.659 |
| **Program Name** | Foster Care – Title IV-E<br>Adoption Assistance |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Children's Services |
| **Grant/Contract No**. | 1001TN1402, 1101TN1402, 1101TN1404, 1101TN1404, 1001TN1401, 1101TN1401, 1201TN1401, 1001TN1403, 1101TN1403, 1101TN1405, 1101TN1405, 1001TN1407, 1101TN1407, 1201TN1407 |
| **Federal Award Year** | 2010 through 2012 |
| **Finding Type** | Significant Deficiency |
| **Compliance Requirement** | Other |
| **Questioned Costs** | N/A |

## Security over computer systems needs improvement

### Finding

The agency did not always follow control procedures for its computer systems. We observed significant conditions where the department did not follow established information security policy during the audit of the Foster Care and Adoption Assistance programs. The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the agency's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the agency with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

### Recommendation

DCS management should follow the department's and the Department of Finance and Administration's information system security policies.

### Management's Comment

**We concur.**

Pursuant to *Tennessee Code Annotated* Section 10-7-504(i), we have supplied a more detailed response to this finding. It is important to note we are not aware, and were not made aware, of any instances where the Agency's systems were exploited.

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| **Finding Number** | 12-DCS-01 |
| **CFDA Number** | 93.659 |
| **Program Name** | Adoption Assistance |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Children's Services |
| **Grant/Contract No**. | 1001TN1407, 1101TN1407, 1201TN1407 |
| **Federal Award Year** | 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | $2,893 |

**The department has not ensured adoption assistance maintenance payments beyond individuals' 18th birthday are qualified to receive federal Title IV-E funding, resulting in questioned federal costs of $2,893**

## Finding

The department has improperly provided Title IV-E funded adoption assistance maintenance payments on behalf of individuals beyond their 18th birthday. These payments resulted in federal questioned costs of $2,893.

We examined a nonstatistical sample of 60 adopted individuals for whom the department paid federally funded adoption assistance during the year ended June 30, 2012, and reviewed the related files. For 2 of 60 files sampled (3.3%), we found that Title IV-E funding continued for individuals who had reached their 18th birthday although the individuals did not have a mental or physical disability warranting continuation of the adoption assistance. The payments continued despite the files of both individuals containing documents indicating the individuals would no longer be Title IV-E eligible upon their 18th birthday.

Title 42, *United States Code*, 673(a)(4), states:

> **(A). . .** a payment may not be made pursuant to this section to parents or relative guardians with respect to a child—
> **(i)** who has attained—
> **(I)** 18 years of age . . . ; or
> **(II)** 21 years of age, if the State determines that the child has a mental or physical handicap which warrants the continuation of assistance; . . .

Caseworkers are responsible for knowing which individuals assigned to them are turning 18 and obtaining information from the adoptive parents to aid in the determination of continued Title IV-E funding. The information is entered on each individual's profile in the Tennessee Family and Child Tracking System (TFACTS), a statewide automated child welfare information system used by the department to collect and manage the information necessary to facilitate the delivery of child welfare support services, including adoption assistance case management.

TFACTS should then determine if adoption assistance can continue and, if so, how the assistance will be funded starting on the individual's 18th birthday.

We were able to determine that the information was correctly entered into TFACTS in both situations; however, TFACTS incorrectly continued to classify the individuals as Title IV-E eligible, resulting in payments being improperly charged to the federal program.

The federal share of Title IV-E Adoption Assistance paid on behalf of the individuals selected for the sample was $333,861. The federal questioned costs of the errors noted in this finding are $2,893. The total federal share of all adoption assistance maintenance payments was over $34 million. We believe likely questioned costs exceed $10,000 for the condition noted in this finding.

## Recommendation

The Director of Applications in the OIS should take the necessary steps to ensure that TFACTS is set up to determine proper funding for individuals turning 18 based on the information recorded in TFACTS. When the process is completed, the department should use TFACTS to look at all individuals 18 or older receiving Title IV-E funding and ensure that other improperly funded payments are refunded to the United States Department of Health and Human Services.

## Management's Comment

**We concur.**

In April 2012, the staff associated with Division of Foster Care and Adoption Services and the Child Welfare Benefits Division initiated the validation of funding source of for all 1407 cases that met our criteria of being over age 18 and continuing to receive a subsidy. We completed this review in early July, and we have now worked with our Office of Information (OIS) to correct all cases that were identified to have the incorrect funding source.

Additionally, we have, prior to this audit report, established a process to review all of subsidy cases with children that turn age 18, 19, or 20 to ensure that eligibility and funding source are correct in TFACTS. All identified errors are then reported to the OIS division for corrections.

We have already logged the TFACTS defect and are currently engaged in the process to correct the system issue. Until the TFACTS issue is resolve, we will continue with our current validation process. Finally, all question costs have been processed for refund.

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| **Finding Number** | 12-DFA-03 |
| **CFDA Number** | 93.767 |
| **Program Name** | Children's Health Insurance Program |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Finance and Administration |
| **Grant/Contract No**. | 05-1105TN5021, 05-1205TN5021 |
| **Federal Award Year** | 2011 and 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles<br>Eligibility |
| **Questioned Costs** | $535 |

**CoverKids did not terminate an enrollee timely and paid another enrollee's dental benefits at the incorrect rate, resulting in total questioned costs of $700**

## Finding

In the prior audit, we reported that CoverKids did not terminate some enrollees' benefits timely. The same type of problem reported in the prior audit existed during the year ended June 30, 2012, as well. The prior audit also noted that CoverKids did not implement or perform post-eligibility audits as described in the state plan. During the current audit period, CoverKids implemented and began performing the required post-eligibility audits.

CoverKids provides free comprehensive health coverage to qualifying uninsured children age 18 and younger. CoverKids also includes coverage for unborn children under the HealthyTNBabies program. HealthyTNBabies also offers coverage for pregnancies and complications of pregnancies to qualified pregnant women. In our audit, we found that CoverKids did not terminate coverage when an enrollee became ineligible for benefits and paid the incorrect dental premium rate for another enrollee.

### Enrollee's Benefits Not Terminated Properly

CoverKids contracted with Maximus for the delivery of a broad range of eligibility determinations, application processing, and beneficiary services. All of the enrollee information that Maximus receives from enrollees is maintained within the CoverKids' eligibility system, Children's Health Administrative System (CHAS). All enrollees approved for CoverKids must have their coverage redetermined after 12 months of coverage since individual circumstances change over time. When an enrollee's circumstances change and the enrollee is no longer eligible, Maximus will mail the enrollee a letter stating that he or she is no longer eligible for CoverKids and will then terminate the enrollee's benefits in CHAS.

We tested a sample of 60 enrollees who received CoverKids benefits between July 1, 2011, and June 30, 2012, to determine if the enrollees were eligible for benefits and to determine if their eligibility had been properly redetermined. We found that CoverKids did not properly terminate one enrollee's benefits (1.7%) when the child became eligible for Medicaid benefits.

According to the state plan, "children who appear to be eligible for Medicaid (even if not enrolled in Medicaid)" are not eligible to receive CoverKids benefits. In addition, Section 2.5 of the *CoverKids Eligibility Manual* states, "In the event the AC [Administrative Contractor] identifies a CoverKids member is enrolled in Medicaid or other insurance plan, CoverKids enrollment will terminate on the last day of the month in which the dual coverage is identified."

The enrollee whose CoverKids benefits were not terminated in a timely manner was added to the program on April 29, 2011. On September 1, 2011, the enrollee submitted an application to the Department of Human Services (DHS) for Medicaid coverage. The DHS eligibility counselor processed the Medicaid application, and TennCare approved the enrollee's enrollment on September 9, 2011. TennCare retroactively dated the enrollee's coverage to begin on September 1, 2011. CoverKids should have terminated the enrollee's coverage on September 30, 2011; however, CoverKids did not terminate the enrollee's CoverKids coverage until January 17, 2012.

CoverKids and Medicaid will usually have some overlap since DHS has 45 days to process a Medicaid application. Once DHS processes the Medicaid application using its eligibility system, Automated Client Certification and Eligibility Network for Tennessee (ACCENT), DHS retroactively dates the coverage to start on the date that the enrollee submitted the application. Maximus performs a weekly system verification of CoverKids enrollees listed in CHAS against Medicaid and TennCare Standard enrollees to ensure that no enrollee continues to receive overlapping coverage. However, if the enrollee's social security number, name, or birth date does not match exactly between systems, Maximus' system verification may not discover the overlapping coverage.

Based on our inspection of ACCENT and interChange (TennCare's Medicaid Management Information System), the enrollee's date of birth did not match the date of birth in CHAS. Based on the auditor's discussion with the Director of CoverKids, Maximus had the incorrect date of birth listed in CHAS until February 2012. The incorrect date of birth in CHAS prevented Maximus from discovering the overlapping coverage sooner.

The total questioned costs for the enrollee's benefits not properly terminating in the sample during the audit period for the fiscal year ended June 30, 2012, were $688. Federal questioned costs totaled $526, and the remaining $162 was state matching funds.

**Dental Premium Payments Incorrect**

CoverKids' dental benefits plan administrator (DBA) provides dental plan coverage to enrollees, excluding individuals enrolled in HealthyTNBabies. The DBA uses the Windward system to record all aspects of administering dental plans, maintaining enrollee information, and processing dental claims. Whether a child or CoverKids pays a monthly premium for dental services and the amount of the premium depend on the enrollee's circumstances. Enrollees are placed into one of three categories: Group One, Group Two, or the American Indian and Alaskan Native Child group. Premium amounts are based on the enrollee's group and other demographics.

In addition to the enrollee's benefits that were not properly terminated in the sample noted above, we discovered that CoverKids paid a higher monthly premium than required by the contract for another CoverKids enrollee (1.7%). The DBA contract defines enrollees in families with an income below 150% of the Federal Poverty Level (FPL) as Group Two children that are subject to reduced copayments. Based on the auditor's inspection of this enrollee's FPL listed in CHAS, the enrollee's FPL was 149.3%, placing the enrollee in Group Two with a monthly premium rate of $24. However, the DBA billed CoverKids for a monthly premium rate of $27 from February 2012 through June 2012, which was the rate for a Group One enrollee. The NGL contract defines a Group One child as a child in a family with income between 150% and 250% of the FPL.

Based on our discussions with the Director of CoverKids, the DBA received updated information from the enrollee in February 2012 switching the enrollee from Group One to Group Two. The DBA's finance department uses a separate reporting system from its Windward system, and the reporting system pulled the incorrect eligibility data, resulting in the DBA erroneously billing for the higher amount. The DBA has since implemented a monthly process to ensure that finance reports are generated accurately and according to the most recent enrollment data on file.

The total questioned costs for this enrollee's dental benefits being paid at the incorrect rate in the sample during the audit period for fiscal year ended June 30, 2012, were $12. Federal questioned costs totaled $9 with the remaining $3 being state matching funds.

Office of Management and Budget Circular A-133 requires us to report all known questioned costs when likely questioned costs exceed $10,000 for a federal compliance requirement. We believe likely questioned costs exceed $10,000 for these conditions.

In the Division of Health Care Finance and Administration's (HCFA) risk assessment for the fiscal year ended June 30, 2012, HCFA identified the risk that an enrollee's eligibility may not be discontinued when the period of eligibility has expired. HCFA stated the following internal controls were in place to prevent or mitigate this risk: "PSI [Maximus] conducts a daily and weekly TennCare data match. Supervisory staff have access to TennCare eligibility data to perform inquiry into eligibility." HCFA did not specifically address the risk that CoverKids may pay the incorrect amount due to incorrect billing by the dental benefits plan administrator. CoverKids currently performs post-eligibility audits which review the eligibility procedure to ensure the Eligibility Contractor followed the proper eligibility rules. These post-eligibility audits do not currently test for incorrect billings by enrollee.

## Recommendation

A new eligibility system is being planned for HCFA to include CoverKids and TennCare. The Deputy Commissioner and the Director of CoverKids should ensure that there are controls in place when the new system is implemented to detect overlapping coverages. While still using the existing system, the Deputy Commissioner and the Director of CoverKids should ensure that a procedure is in place to detect overlapping coverages between CoverKids and Medicaid. In

addition, the Director of CoverKids should ensure that dental premiums are paid based on the contracted amount. The Director of CoverKids should also ensure that the monthly process to ensure finance reports are generated accurately using the most current enrollment data is working properly. Furthermore, the Director of CoverKids should consider expanding the post-eligibility audits to include testing for incorrect billings by enrollee. In addition, the Deputy Commissioner should ensure that risks associated with this finding are adequately identified and assessed in HCFA's risk assessment.

## Management's Comment

### Enrollee's Benefits Not Terminated Properly

We concur with the finding that CoverKids did not have the correct date of birth on a member which would prohibit the Eligibility Contractor from conducting a match during the data match with the Bureau of TennCare. The Eligibility Contractor updated the member's date of birth on February 15, 2012, when the parent contacted the Eligibility Contractor.

Effective November 2012, CoverKids implemented a monthly Suspect Report with the Bureau of TennCare to identify children only by social security number that were not identified in the daily or weekly data match due to non matches by the name, date of birth and social security number. Also, effective January 1, 2014, CoverKids and the Bureau of TennCare will be utilizing one eligibility system that would address some of the issues inherent with operating two separate systems for the two programs and keeping them in sync.

The Eligibility Contractor also adjusted the TennCare Match process to better identify these exceptions and this was implemented effective October 29, 2012 (the very next 270/271 file). During the TennCare match import process, the Eligibility Contractor creates a list of potential members that did not fully match on name, date of birth and social security number. After the 271 is posted, the Eligibility Contractor will review the list to see if any of the partial matches were really an actual match. The Eligibility Contractor will still rely on TennCare's algorithms to perform matching.

To further ensure that the retrospective 90-day cancellation is processed through the Eligibility Contractor's Information Technology (IT) Division, CoverKids has had the following three processes put in place by the Eligibility Contractor:

1. On October 9, 2012, the Eligibility Contractor implemented a monthly query to proactively identify potential accounts that fall into the 90-day manual cancellation process. It identifies these accounts to ensure an 834 eligibility file is generated as a backup plan to the Customer Service Representatives submitting the account to the IT staff person.

2. On October 10, 2012, the Eligibility Contractor implemented a process to remind Customer Service Representatives to submit the request to the IT staff person.

3. On October 31, 2012, the Eligibility Contractor implemented a process to automate the eligibility system to handle a larger volume of these situations without Customer Service Representative intervention.

Effective January 1, 2014, there will be a master enrollee database to handle eligibility for TennCare Medicaid and CoverKids CHIP programs. There will be a joint seamless application for Medicaid and CHIP applicant/beneficiary's to complete to apply for medical coverage. This joint eligibility database/engine will eliminate the need for the additional back-end processes to address demographic discrepancies the programs occasionally experience between the two current systems.

**Dental Premium Payments Incorrect**

We concur with the finding that the CoverKids dental contractor DentaQuest incorrectly billed CoverKids the wrong premium rate on a member. At the request of CoverKids, the Dental Contractor implemented a Quality Assurance and reconciliation process effective November 19, 2012, to ensure that these types of errors do not occur moving forward. The DentaQuest Finance Department will ensure their system is in sync with their Eligibility Windward system.

CoverKids will expand the 2013 post-eligibility audit to ensure DentaQuest is billing the program the correct monthly premium amount, by enrollee.

CoverKids has updated the HCFA risk assessment for 2013 to adequately identify and assess the risks associated with this finding.

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| **Finding Number** | 12-DFA-02 |
| **CFDA Number** | 93.778 |
| **Program Name** | Medicaid Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Finance and Administration |
| **Grant/Contract No**. | 05-1205TN5MAP, 05-1105TN5MAP |
| **Federal Award Year** | 2011 and 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Eligibility |
| **Questioned Costs** | $959 |

## TennCare did not appropriately terminate two ineligible enrollees, which resulted in total questioned costs of $1,448

### Finding

TennCare did not appropriately terminate two ineligible enrollees' benefits during the audit period, which resulted in questioned costs.

The Department of Human Services (DHS) is responsible for eligibility determinations for TennCare Medicaid and TennCare Standard. TennCare's Medicaid management information system, interChange, receives eligibility data files daily from the DHS eligibility system, ACCENT. All enrollees for Medicaid and TennCare Standard must update their information with DHS and have their TennCare coverage redetermined on an annual basis since individual circumstances change over time. When an enrollee's circumstances change and the enrollee is no longer eligible, the DHS eligibility counselor terminates the enrollee's benefits in ACCENT, or if the enrollee is eligible in another category, the eligibility counselor opens the new category and closes the previous category in ACCENT. DHS then notifies TennCare so that the appropriate changes can be made in TennCare's interChange system.

For each enrollee, TennCare pays a monthly fee (called a capitation payment) to a managed care organization to provide medical services. We tested a sample of 60 TennCare enrollees who had a capitation payment during the year ended June 30, 2012, to determine if the enrollees were eligible for TennCare coverage and to determine if the enrollees' eligibility had been redetermined during the audit period. Of the 60 enrollees tested for eligibility and redetermination, TennCare did not properly terminate eligibility benefits for one enrollee (1.7%).

When DHS terminates an enrollee's TennCare coverage, ACCENT automatically triggers interChange to mail the enrollee a Request for Information (RFI) packet in order to gather updated information to determine if the enrollee is still eligible to receive TennCare coverage or if the enrollee is eligible for a different category of TennCare coverage. If DHS determines that the enrollee is no longer eligible for benefits based upon the updated information or if the enrollee fails to respond to the RFI, TennCare mails the enrollee a 20-day advance Termination Notice. If the enrollee submits the requested information to DHS prior to the termination date specified (the 20$^{th}$ day from the date of the Termination Notice) and DHS determines that the

enrollee meets all eligibility requirements, the enrollee will continue to be eligible for the applicable Medicaid category. According to the *Rules of the Tennessee Department of Finance and Administration, Bureau of TennCare*, Chapter 1200-13-13-.02(6)(b)(6), if DHS makes a determination that the enrollee is eligible for a different category, the previous Medicaid category should be terminated and the enrollee opened in the appropriate category.

If the enrollee files an appeal to dispute the termination of his or her benefits within 40 days of the Termination Notice, the enrollee will continue to receive TennCare benefits while the appeal is being resolved. If DHS determines that the enrollee is no longer eligible for benefits based upon the updated information or if the enrollee fails to respond to the Termination Notice, TennCare is to close the enrollee's benefits.

DHS closed one enrollee's benefits on May 31, 2009, when he became no longer eligible; however, TennCare did not close the enrollee's benefits until January 30, 2012. The Director of Eligibility Services stated that the ACCENT closure did not process, which failed to trigger the closure in interChange. In October 2011, TennCare discovered that this particular eligibility category the individual was enrolled in was not being closed in the monthly reconciliation process between ACCENT and interChange. To correct this issue, TennCare drafted a Systems Change Request (SCR) and as of November 30, 2012, the systems change was in the testing phase. Pending a permanent fix, in November 2011, TennCare ran a temporary file fix triggering this enrollee's November 2011 RFI and closure on January 30, 2012.

The total questioned costs for the enrollee's benefits not properly terminating in the sample during the audit period for the fiscal year ended June 30, 2012, were $648. Federal questioned costs in the sample totaled $429. The remaining $219 was state matching funds. The total capitation amounts we tested in our sample were $158,401 from a population of $5,026,373,096.

In addition to the enrollee's benefits that were not properly terminated in the sample noted above, we discovered that another Medicaid enrollee's benefits were not properly terminated while performing an audit of CoverKids enrollees for the Children's Health Insurance Program. We tested a sample of 60 CoverKids enrollees' benefits. During the audit period, a CoverKids enrollee's benefits closed, and he became eligible to receive Medicaid. When the enrollee became no longer eligible to receive Medicaid benefits, DHS closed the enrollee's benefits in ACCENT on January 13, 2012; however, the enrollee's benefits remained open in interChange. TennCare mailed the enrollee an RFI on January 26, 2012. According to the Director of Eligibility Services, DHS incorrectly pended the case on February 28, 2012, causing the case to remain open in interChange. The auditor notified the Director of Eligibility Services on October 8, 2012, of the case's open status. TennCare mailed the enrollee a termination notice on October 17, 2012, which gave him a November 6, 2012, termination date. On November 5, 2012, the enrollee filed a new application, re-pending his eligibility in interChange. On November 15, 2012, DHS denied the enrollee's application since his household's income exceeded the income limit, and TennCare set the enrollee's benefits to close on December 6, 2012.

The total questioned costs under the Medicaid program for this enrollee's benefits not properly terminating during the audit period were $300. Federal questioned costs totaled $199, and the remaining $101 was state matching funds. Also, for the subsequent period beginning July 1, 2012, we also noted $500 in questioned costs under the Medicaid program for this enrollee's benefits not properly terminating. Federal questioned costs totaled $331, and the remaining $169 was state matching funds. Additional questioned costs for this enrollee of $688 were noted in a separate finding for the CoverKids program (12-DFA-03).

Office of Management and Budget Circular A-133 requires us to report all known questioned costs when likely questioned costs exceed $10,000 for a federal compliance requirement. We believe likely questioned costs exceed $10,000 for these conditions.

When eligibility is not properly terminated, improper payments occur.

## Recommendation

The Deputy Commissioner and the Director of Member Services should ensure that the systems change discussed above in the finding is implemented to help ensure that all TennCare enrollees with terminating benefits are properly terminated. Also, the Director of Member Services and the Director of Eligibility Services should ensure that a control is implemented to periodically review cases that are in pending status for an extended period of time.

## Management's Comment

We concur with the finding. As noted in the above, one TennCare enrollee's eligibility was closed in the DHS ACCENT system, but the closure was not able to be processed by the TennCare interChange system to begin the redetermination process. There is a monthly reconciliation process which serves as a failsafe in these scenarios. The reconciliation process compares cases that are open in the DHS ACCENT system to those in interChange. If that process identifies a case that is open in ACCENT and closed in interChange, the interChange eligibility will be reopened. The converse is also true. If the reconciliation file identifies a recipient whose eligibility is closed in ACCENT but open in interChange, the process will end date the interChange eligibility, which will begin the redetermination process for that recipient.

In October 2011 a problem was discovered in the reconciliation process. The matching process was not looking at a narrow data set for certain categories, including the category of the recipient in question. A Systems Change Request was written to correct the problem, was immediately prioritized in the Eligibility Workgroup, and that correction was moved into production on January 25, 2013. The case at hand was corrected earlier through a system file fix that was run November 2011, thereby sending the enrollee a November 2011 redetermination packet.

The second case identified in the Audit finding was not closed timely because there was old data from DHS on the Ridmatch file which indicated that the case should remain open

pending review of a TennCare Standard application. This particular data element remains in ACCENT unless removed manually by a DHS caseworker. TennCare now has a report that identifies anyone who received redetermination papers but has been pending in the system for more than 90 days. This recipient was listed on that report and was, therefore, in queue to be researched and addressed manually. Once identified, a termination notice was mailed on October 17, 2012, which populated a termination date of November 6, 2012.

Both of the findings identified in this audit will also be addressed as TennCare designs a new eligibility system in response to Medicaid changes mandated by the Federal government. The new system will provide applicants and enrollees an online, real time, rules-based determination that will be handled through automated rather than manual processing. The Centers for Medicare and Medicaid Services have also promulgated regulations which will change the redetermination process and make application and redetermination processes quicker and more reliant on interface data rather than paper documents supplied by the applicant. This new system will be available on January 1, 2014, and will replace the ACCENT system for any Medicaid applications received on or after that date.

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| **Finding Number** | 12-DFA-04 |
| **CFDA Number** | 93.778 |
| **Program Name** | Medicaid Cluster |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Finance and Administration |
| **Grant/Contract No**. | 05-1205TN5MAP, 05-1105TN5MAP |
| **Federal Award Year** | 2011 and 2012 |
| **Finding Type** | Noncompliance |
| **Compliance Requirement** | Allowable Costs/Cost Principles |
| **Questioned Costs** | N/A |

**The Division of Health Care Finance and Administration did not update its cost allocation plan and properly allocate some indirect costs, resulting in higher costs to the Medical Assistance Program and fewer costs to other federal programs**

## Finding

The Division of Health Care Finance and Administration (HCFA) is required by the *Code of Federal Regulations* to have an approved cost allocation plan (CAP) to use in identifying, measuring, and allocating all of its costs incurred in support of all programs administered by the division. HCFA did not have an updated CAP and improperly allocated indirect salary costs for the HCFA programs to the Medical Assistance Program.

On March 31, 2011, the Commissioner of the Department of Finance and Administration reorganized the department by consolidating five health care programs into the Division of Health Care Finance and Administration. HCFA now includes TennCare (which administers the Medical Assistance Program); Health Insurance Exchange Planning; the Office of eHealth Initiatives; the Division of State Health Planning; and the CoverTennessee Health Care Programs, which include CoverKids, CoverTN, AccessTN, and CoverRx. The Bureau of TennCare's management assumed administrative and fiscal responsibilities over the HCFA programs in October 2011. Although HCFA administered multiple programs during the year ended June 30, 2012, HCFA did not update its CAP to reflect the changed organizational structure.

According to the *Code of Federal Regulations*, Title 45, Part 95, Section 507(a)(1), the CAP must, "Describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State Agency." Furthermore, Title 45, Part 95, Section 507(b)(2), requires the CAP to contain "A listing of all Federal and all non-Federal programs performed, administered, or serviced by these organizational units." According to the *Code of Federal Regulations*, Title 45, Part 95, Section 509(a), "The State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA [Division of Cost Allocation] if any of the following events occur: (1) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in Federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures."

In addition, subsequent to the organizational restructuring, HCFA did not allocate salary costs incurred for those employees who administered multiple HCFA programs to the various programs. Instead, HCFA accounting staff charged these indirect costs to the Medical Assistance Program. Other costs, such as, rent, postage, and supplies were appropriately charged directly to the applicable program.

Since HCFA did not amend and subsequently implement the CAP, it did not allocate the applicable salaries to the applicable programs, which resulted in HCFA reporting higher costs to the Medical Assistance Program and fewer costs for all other programs administered by HCFA. We could not determine the amount of questioned costs incorrectly charged to the Medical Assistance Program since there was not an approved allocation method for allocating HCFA salary costs. Office of Management and Budget Circular A-133 requires us to report all known questioned costs when likely questioned costs exceed $10,000 for a federal compliance requirement. We believe that questioned costs are likely to exceed $10,000 based on the salary amounts of the employees who administered HCFA programs.

HCFA staff did not specifically identify the risk of not implementing an updated cost allocation plan in their 2012 annual risk assessment. HCFA accounting staff have stated that they are already aware that the CAP needs to be amended and have started determining methods for allocating indirect costs.

## Recommendation

The Deputy Commissioner should ensure that the CAP meets the requirements stated in the *Code of Federal Regulations*. Also, the Deputy Commissioner should ensure that the CAP is implemented so that all indirect costs are appropriately allocated. In addition, HCFA's risk assessment should be updated to include the proper preparation and implementation of a cost allocation plan.

## Management's Comment

We concur. We are currently in the process of revising our current Cost Allocation Plan (CAP) and allocation methodology. We project that the revised CAP will be ready to be submitted to Division of Cost Allocation of Health and Human Services (HHS) by April 30, 2013. We will await notice of approval with the hope that approval will come before the State books for June 30, 2013, are closed so that allocations for 2013 fiscal year can be recorded. Under the new Division of Health Care Finance and Administration reporting structure, there are five federal grants under our administration. The Medicaid grant constitutes 96.7 percent of our federal dollars. The other four federal grants are vastly immaterial in relation to this grant. As a result, the administrative costs to be allocated to the other programs are immaterial to both the Medicaid program and to the other grant programs. However, we understand the importance of performing these allocations and will do so once an approved plan is in place. Our administrative structure is changing rapidly due to changes at the Federal level. As a result, we

will likely submit an amended CAP to HHS for the 2014 fiscal year. We will additionally make necessary updates to our 2013 Risk Assessment pertinent to the CAP preparation and updates.

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| **Finding Number** | 12-MHSAS-01 |
| **CFDA Number** | 93.959 |
| **Program Name** | Block Grants for Prevention and Treatment of Substance Abuse |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Mental Health and Substance Abuse Services |
| **Grant/Contract No.** | 3B08TI010050-11S1, 3B08TI010050-12S1 |
| **Federal Award Year** | 2011 and 2012 |
| **Finding Type** | Noncompliance |
| **Compliance Requirement** | Matching, Level of Effort, Earmarking |
| **Questioned Costs** | $19,789 |

## The Tennessee Department of Mental Health and Substance Abuse Services exceeded the federal funding limits for treatment services in penal or correctional institutions

### Finding

The Tennessee Department of Mental Health and Substance Abuse Services exceeded the federal funding limits for treatment services in penal or correctional institutions. According to the state's accounting system, Edison, the department charged the Substance Abuse Prevention and Treatment (SAPT) Block Grant $19,789 for these services.

The *United States Code*, Title 42, Section 300x-31(a)(3), states:

> . . . for the purpose of providing treatment services in penal or correctional institutions of the State, the State will not expend more than an amount equal to the amount expended for such purpose by the State . . . for fiscal year 1991. . . .

According to the Program Development Manager, who serves as SAPT Block Grant Coordinator, the state did not expend funds in 1991 for the purpose of providing treatment programs to correctional and penal institutions. The Assistant Commissioner of Substance Abuse Services stated the cause of the improper charges stemmed from a belief that these services could be billed to the SAPT Block Grant when in fact they have to be paid for with state funding. The Division of Substance Abuse Services communicated to Fiscal Services that these services could be paid for with the SAPT Block Grant. As a result, Fiscal Services set up the Edison program code to improperly charge SAPT instead of the state for the services. The Assistant Commissioner and Program Development Manager identified the error during a fiscal year budget review and directed Fiscal Services to reallocate the costs to state funding. Fiscal Services reallocated $524,760 of $544,549 in erroneously charged payments. A total of $19,789 was not reallocated.

The department has an indirect cost rate proposal approved by the United States Department of Health and Human Services, which allows the department to bill the federal government an additional percentage up to a maximum of 5 percent of direct costs to offset the department's indirect costs of administering the program. As costs are recorded, Edison

calculates the indirect costs and includes the indirect costs along with the direct costs in amounts billed to the federal government.

Consequently, when costs must be reallocated, both the direct and the indirect portion of the costs must be reallocated. According to the accounting manager, when direct costs are reallocated, Edison should automatically reallocate the related indirect costs. The accounting manager stated that for a certain period during the fiscal year, this was not working and the indirect costs were not automatically reallocated by Edison. Indirect costs that were not reallocated account for most of the $19,789 difference. The remainder was attributable to an invoice received after the completion of the reallocations.

Not complying with earmarking requirements increases the risk that the program's resources are allocated to areas that do not help meet the grantor's objectives of the program.

## Recommendation

When setting up program codes in Edison for expenditures for treatment services in penal or correctional institutions, the Director of Fiscal Services should ensure that the program code does not classify the expenditures as SAPT Block Grant expenditures.

## Management's Comment

We concur. The Division of Substance Abuse Services communicated to Fiscal Services that these services could be paid from the SAPT Block Grant. As a result, the Edison program code was setup in Edison with the Purchase Order improperly charging these expenditures to the SAPT Block Grant instead of State dollars. Fiscal Services management will implement internal controls sufficient to ensure that program codes set up in Edison do not classify expenditures for treatment to incarcerated individuals as SAPT Block Grant expenditures. The remaining amount of $19,789 that was not reallocated at the beginning of the audit was reallocated by journal entry on November 20, 2012 while the auditors were still conducting their fieldwork. These charges were reallocated from SAPT Block Grant dollars to State dollars.

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| **Finding Number** | 12-MHSAS-02 |
| **CFDA Number** | 93.959 |
| **Program Name** | Block Grants for Prevention and Treatment of Substance Abuse |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Mental Health and Substance Abuse Services |
| **Grant/Contract No**. | 2B08TI010050-10, 3B08TI010050-10S1, 2B08TI010050-11, 3B08TI010050-11S1, 3B08TI010050-12, and 3B08TI010050-12S1 |
| **Federal Award Year** | 2010 through 2012 |
| **Finding Type** | Material Weakness and Noncompliance |
| **Compliance Requirement** | Cash Management |
| **Questioned Costs** | N/A |

## The Tennessee Department of Mental Health and Substance Abuse Services did not establish internal controls sufficient to prevent or detect noncompliance with federal cash management requirements

### Finding

The Tennessee Department of Mental Health and Substance Abuse Services did not establish internal controls sufficient to prevent or detect noncompliance with federal cash management requirements. In regard to the timing of federal cash draws, the *Code of Federal Regulations*, Title 31, Part 205, Subpart B, Section 205.33(a), states, in part, ". . . The timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. . . ." The *Office of Management and Budget Circular A-133 Compliance Supplement*, Part 3C, states, ". . . program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. . . ."

Our testing of the Department of Mental Health and Substance Abuse Services (MHSAS) revealed two deficiencies in internal control over compliance that have resulted in a reasonable possibility that material noncompliance with federal cash management requirements would not be prevented, or detected and corrected on a timely basis:

- MHSAS fiscal staff did not follow existing guidance from the Department of Finance and Administration regarding federal cash draw procedures, resulting in unnecessary delays of cash draws; and
- MHSAS draw procedures did not account for varying expenditure payment terms, resulting in draws prior to the state's actual cash outlay.

MHSAS fiscal staff did not follow existing guidance from the Department of Finance and Administration regarding federal cash draw procedures, resulting in unnecessary delays of cash draws

Each day the Department of Finance and Administration uses Edison to produce "temporary bills" which indicate expenditures eligible for federal reimbursement. When the department receives notice that its temporary bills are ready, the department's fiscal staff approve or delete the temporary bills. To assist in this effort, the departmental staff run a query in Edison that has details of the transactions supporting the temporary bills. When bills are approved they become the basis for federal drawdowns. When bills are deleted, they will reappear in the following day's temporary bills. The *Edison Grants Accounting Manual*, Part 5, page 5, states

> . . . Normally, all bills should be "approved" and drawn each day. . . .

The accountant responsible for the approval or deletion of the temporary bills stated that he runs the queries weekly. Although the *Edison Grants Accounting Manual* is available in the Edison system, the accountant stated that he was not aware of it. Our analysis of transactional data revealed that MHSAS on average drew funds 30.6 days after the state's cash outlay. If the transactions had been approved daily, there would have been many more draws during the fiscal year, and the time between cash outlay and federal reimbursement would have been shorter. The accountant stated he was instructed by management to run the query, approve billings, and make draws on a weekly basis. The Director of Fiscal Services confirmed this statement.

Draw procedures did not account for expenditure payment terms, resulting in draws prior to the state's actual cash outlay

We tested 20 federal cash draws of grant funds made during the year ended June 30, 2012, for compliance with the cash management requirement cited above. These draws were composed of 4,943 transactions totaling $37,343,211.18 and included direct costs and the proportionate share of indirect costs. The draws were made under the department's federal fiscal year 2010, 2011, and 2012 grant awards. For 10 of 20 draws tested (50%), management requested reimbursement for 234 transactions totaling $1,775,908.33 from one to 22 days prior to the state's actual cash outlay. These early reimbursements occurred because Edison delays payment so the state can benefit from holding the funds longer while federal drawdown requests are made when the related temporary bill is approved. For example, based on our analysis, a transaction with a payment term of "Net 30" might be paid (cash outlay) 25 to 30 days after the expenditure was recognized in the state's accounting records. Under such circumstances, if management requests reimbursement without consideration of the delayed payment terms, federal reimbursements are received sooner than permitted by federal regulations. Our analysis of the 234 transactions noted above indicated that 232 of the transactions had "Net 30" invoice payment terms and 2 of the transactions had "Net 10" invoice payment terms. Based on our discussions with the MHSAS Fiscal Director and other fiscal staff, management was unaware that Edison does not delay the generation of the related temporary bills even though the payment terms are delaying the payment.

Draws prior to the state's actual cash outlay could result in the state incurring an interest obligation to the federal government. Unnecessary delays in draws after the state's actual cash outlay result in a loss of interest to the state.

## Recommendation

The Commissioner should ensure fiscal staff develop controls to ensure that the timing and amount of funds transfers account for the disbursements' payment terms. To assist in this effort, staff should consult with the Department of Finance and Administration to determine the best way to account for varying payment terms in the draw process. As a part of this process, the department should also seek advice from the Department of Finance and Administration to ensure the frequency of draws minimizes the time frame between the state's actual cash outlay and the draw.

## Management's Comments

Department of Mental Health and Substance Abuse Services

We concur. TDMHSAS fiscal staff did not follow existing guidance from the Department of Finance and Administration to draw down federal funds at least weekly. There were transactions that were tested where we actually drew down federal funds prior to the state's actual cash outlay. These early reimbursements from the federal government occurred due to the payment term of "Net 30" being used to process the invoices. We receive notification from F&A (Edison Division) each day stating that we may now run Edison report TN_GR03 to get the billing details for what is available to bill and draw. It was our understanding that once we receive this notification, the federal funds are available for us to draw down. We have recently been told by F&A that the GR_03 is generated based on the Accounting Date rather than the actual payment date. A transaction with a payment term of "Net 30" might be paid twenty-five (25) to thirty (30) days after the expenditure had been recognized in Edison. There were other instances mentioned where we did not make draws for several weeks. Even though the staff member, who makes the draws, and his Accounting Manager, had been instructed to make draws at least weekly, we did not have adequate internal controls in place to ensure this procedure was followed. Management will establish written procedures for fiscal staff to follow to ensure that federal funds are drawn down and transferred as close as administratively feasible to the state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. The Director of Fiscal Services or the Assistant Director of Fiscal Services will monitor these procedures on a weekly basis to ensure they are followed. Management will also ensure that fiscal services staff are familiar with the cash management requirements as stated in the Edison Grants Accounting Manual and OMB's Circular A-133 Compliance Supplement, Part 3C. Fiscal Services Management will develop internal controls to ensure that the timing and amount of funds transferred are in agreement with the disbursement/payment terms. We have consulted with Robert K. Lawson, Department of Finance and Administration, Edison Division, and he has informed us that the driver for Federal draws is the Accounting Date. From an accounting perspective, he stated that the expenditure is recognized as of the Accounting Date

used on the transaction, regardless of when the voucher is actually paid. We will consult further with the Department of Finance and Administration to help us determine the best way to account for varying terms in the federal draw process. In collaboration with the Department of Finance and Administration, we will set up these procedures to ensure the frequency of draws to minimize the time between the state's actual cash outlay and the draw.

We are currently running a query to cross-reference against the GR_03 to ensure that the transactions have cleared the bank prior to being drawn. Transactions that have not cleared the bank will be deleted from the temporary bill. These deleted transactions will then reappear on the next day's GR_03 report to be worked.

Department of Finance and Administration

We concur. F&A is willing to assist and advise the department in understanding the draw process and related cash management issues.

| | |
|---|---|
| **Finding Number** | 12-MHSAS-03 |
| **CFDA Number** | 93.959 |
| **Program Name** | Block Grants for Prevention and Treatment of Substance Abuse |
| **Federal Agency** | Department of Health and Human Services |
| **State Agency** | Department of Mental Health and Substance Abuse Services |
| **Grant/Contract No**. | 2B08TI010050-10, 3B08TI010050-10S1, 2B08TI010050-11, 3B08TI010050-11S1, 3B08TI010050-12, and 3B08TI010050-12S1 |
| **Federal Award Year** | 2010 through 2012 |
| **Finding Type** | Significant Deficiency and Noncompliance |
| **Compliance Requirement** | Subrecipient Monitoring |
| **Questioned Costs** | N/A |

**The Department of Mental Health and Substance Abuse Services did not develop internal controls sufficient to ensure compliance with subrecipient monitoring requirements**

## Finding

The Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program is administered by the Department of Mental Health and Substance Abuse Services (department) through contracts (subawards) with over 100 subrecipients. Office of Management and Budget Circular (OMB) A-133, Section 105, defines a *pass-through entity* as a "…non-Federal entity that provides a federal award to a subrecipient to carry out a Federal program." In regard to a pass-through entity's responsibilities, the OMB Circular A-133 Compliance Supplement, Part 3.M., states that the pass-through entity is responsible for

> . . . (1) Ensuring that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 . . . and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Based on our review of the department's design of internal controls to ensure compliance with subrecipient monitoring requirements and also based on our inquiries with fiscal staff, we determined the internal controls to be ineffective. Our review and inquiries indicated the following:

1. the department did not develop written policies or procedures related to pass-through entity's subrecipient monitoring responsibilities noted above;
2. informal procedures were insufficient to determine which subrecipients met the audit requirements of OMB Circular A-133 and, therefore, ensure that the

required audits were completed within nine months of the end of the subrecipients' audit periods;

3. informal procedures were insufficient to obtain subrecipients' corrective action plans and issue management decisions on audit findings within six months after receipt of the subrecipients' audit reports; and
4. informal procedures were insufficient to ensure that subrecipients take timely and appropriate corrective actions on all audit findings.

We performed procedures to identify subrecipients that might have been subject to the audit requirements of OMB Circular A-133. However, considering the department's related internal controls, we were unable to identify all such subrecipients. Our procedures indicated that the department did not obtain audit reports that were issued for two subrecipients that met OMB A-133 audit requirements. After we notified management that these audit reports were issued, management obtained copies of the audit reports. Based on a review of one of these subrecipients' schedule of expenditures of federal awards (SEFA) in the audit report, we noted that SAPT grant funds provided by the department were not included in the subrecipient's SEFA. The department reimbursed this subrecipient for over $900,000 in SAPT funds during the year ended June 30, 2011. Accordingly, it is possible that the audit of the subrecipient was not conducted in accordance with OMB A-133. We also reviewed another subrecipient's audit report that management did obtain from the subrecipient and noted 3 findings related to the department's SAPT program. Based on discussion with management, no corrective action plans addressing these findings were obtained from the subrecipient and no management decisions were issued by the department.

The absence of adequate internal controls resulted in noncompliance with subrecipient monitoring requirements.

## Recommendation

The Commissioner should see that written policies and procedures establishing internal controls sufficient to comply with pass-through entity's subrecipient monitoring responsibilities are designed and implemented. In addition, such controls should be monitored to ensure they continue to operate as intended. In regard to the noncompliance noted above, the Commissioner should determine if the subrecipient's audit was conducted in accordance with OMB A-133 and issue management decisions for the three audit findings included in the subrecipient's audit report.

## Management's Comment

We concur. The TDMHSAS is in the process of writing and implementing policies and procedures sufficient to comply with pass-thru-entity's subrecipient monitoring responsibilities. These controls will be monitored to ensure that they operate as designed. A written report will be furnished to the Assistant Commissioner of Administration on a quarterly basis detailing the results of the testing of these controls. A review of subrecipients was conducted and non-

compliant agencies were notified of their noncompliance by e-mail. All subrecipients except one have sent in their audit reports and are now in compliance with OMB Circular A-133's requirement. A tracking log has been established that tracks subrecipients that expend $500,000 or more in Federal awards during the subrecipient's fiscal year and are required to have an independent audit conducted. The log will be reviewed to ensure that (1) audit reports are submitted within nine months of the end of the subrecipient's audit period, (2) a management decision has been issued by the TDMHSAS within six months after receipt of the subrecipient's audit report, and (3) the subrecipient takes timely and appropriate corrective action on all audit findings. In addition, the Commissioner or his designee will review the specific subrecipient audit noted in the finding and determine if it was conducted in accordance with OMB A-133 and will issue management decisions for the three audit findings included in the audit report. If a subrecipient who meets the audit requirements fails to produce an independent audit report, the TDMHSAS will take appropriate actions including sanctions. The Department will immediately begin reviewing the SEFA reports in the independent audit report to ensure that grant funds provided through the Department of Mental Health and Substance Abuse Services are included in the SEFA and that audits were conducted in accordance with OMB A-133.

# Auditee's Section

Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Unclustered Programs** | | | | |
| **Department of Agriculture** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Agricultural Research_Basic and Applied Research | 10.001 | | $ 2,432,855.33 |
| Agriculture | Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | $ 834,867.63 | |
| Tennessee Wildlife Resources Agency | Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | 3,818.48 | |
| University of Tennessee | Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | 103,037.86 | 941,723.97 |
| Agriculture | Conservation Reserve Program | 10.069 | | 9,934.92 |
| Agriculture | Market Protection and Promotion | 10.163 | | 24,598.97 |
| Middle Tennessee State University | Farmers' Market Promotion Program | 10.168 | | 13,169.90 |
| Agriculture | Specialty Crop Block Grant Program - Farm Bill | 10.170 | | 237,602.84 |
| Agriculture | Organic Certification Cost Share Programs | 10.171 | | 1,818.66 |
| University of Tennessee | Cooperative Forestry Research | 10.202 | | 746,445.60 |
| University of Tennessee | Payments to Agricultural Experiment Stations Under the Hatch Act | 10.203 | | 4,300,911.55 |
| Tennessee State University | 1890 Institution Capacity Building Grants | 10.216 | | 412,815.91 |
| Tennessee Technological University | Higher Education Challenge Grants | 10.217 | $ 5,616.18 | |
| University of Tennessee | Higher Education Challenge Grants | 10.217 | 17,956.81 | 23,572.99 |
| University of Tennessee | Integrated Programs | 10.303 | | 143,332.40 |
| Agriculture | Homeland Security_Agricultural | 10.304 | | 74,399.78 |
| University of Tennessee | International Science and Education Grants | 10.305 | | 59,660.43 |
| University of Tennessee | Beginning Farmer and Rancher Development Program | 10.311 | | 26,490.28 |
| Tennessee State University | Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers | 10.443 | | 522,245.19 |
| Tennessee State University | Cooperative Extension Service | 10.500 | $ 4,058,008.98 | |
| University of Tennessee | Cooperative Extension Service | 10.500 | 10,592,386.41 | 14,650,395.39 |
| Health | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | | 118,626,240.87 |
| Human Services | Child and Adult Care Food Program | 10.558 | | 55,007,445.29 |
| Agriculture | State Administrative Expenses for Child Nutrition | 10.560 | $ 171,969.61 | |
| Education | State Administrative Expenses for Child Nutrition | 10.560 | 2,265,080.31 | |
| Human Services | State Administrative Expenses for Child Nutrition | 10.560 | 1,347,898.38 | 3,784,948.30 |
| Health | Commodity Supplemental Food Program | 10.565 | $ 855,692.28 | |
| Health | Commodity Supplemental Food Program (Noncash Award) | 10.565 | 3,589,146.00 | 4,444,838.28 |
| Health | WIC Farmers' Market Nutrition Program (FMNP) | 10.572 | | 84,025.07 |
| Health | Senior Farmers Market Nutrition Program | 10.576 | | 544,349.07 |
| Health | ARRA-WIC Grants To States (WGS) | 10.578 | | 209,995.54 |
| Education | Child Nutrition Discretionary Grants Limited Availability | 10.579 | | 370,848.16 |
| Education | Fresh Fruit and Vegetable Program | 10.582 | | 3,198,572.60 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Agriculture | Forestry Research | 10.652 | | 353,890.83 |
| Agriculture | Cooperative Forestry Assistance | 10.664 | | 1,465,168.95 |
| Agriculture | Urban and Community Forestry Program | 10.675 | | 282,138.75 |
| Agriculture | Forest Legacy Program | 10.676 | | 7,176,683.08 |
| Agriculture | Forest Stewardship Program | 10.678 | | 321,693.00 |
| Agriculture | Forest Health Protection | 10.680 | $ 366,085.46 | |
| University of Tennessee | Forest Health Protection | 10.680 | 18,665.68 | 384,751.14 |
| University of Tennessee | Wood Education and Resource Center (WERC) | 10.681 | | 16,841.84 |
| Chattanooga State Community College | Rural Business Enterprise Grants | 10.769 | $ 12,124.67 | |
| Economic and Community Development | Rural Business Enterprise Grants | 10.769 | 60,067.12 | |
| Middle Tennessee State University | Rural Business Enterprise Grants | 10.769 | (12.54) | |
| University of Tennessee | Rural Business Enterprise Grants | 10.769 | 49,956.85 | 122,136.10 |
| Economic and Community Development | ARRA-Rural Business Opportunity Grants | 10.773 | $ 28,250.00 | |
| University of Tennessee | Rural Business Opportunity Grants | 10.773 | 172,804.10 | 201,054.10 |
| Dyersburg State Community College | Distance Learning and Telemedicine Loans and Grants | 10.855 | $ 343,319.06 | |
| East Tennessee State University | Distance Learning and Telemedicine Loans and Grants | 10.855 | 33,625.00 | |
| Jackson State Community College | Distance Learning and Telemedicine Loans and Grants | 10.855 | 477,372.87 | |
| Walters State Community College | Distance Learning and Telemedicine Loans and Grants | 10.855 | 156,664.38 | 1,010,981.31 |
| Tennessee State University | 1890 Land Grant Institutions Rural Entrepreneurial Outreach Program | 10.856 | | (1,866.70) |
| University of Tennessee | Public Television Station Digital Transition Grant Program | 10.861 | | 375,266.86 |
| Agriculture | Agricultural Statistics Reports | 10.950 | | 44,554.31 |
| Tennessee State University | Technical Agricultural Assistance | 10.960 | | 13,154.77 |
| Tennessee State University | Cochran Fellowship Program-International Training-Foreign Participant | 10.962 | | 1,644.26 |
| Agriculture | Cooperative Forestry Position to Implement Forestry Provisions of Farm Bill | 10 / 68-4741-1-121 | | 26,764.31 |
| Tennessee State University | Strengthening the 1890 Community to Assist with the Implementation of the Marriott/USDA Agreement | 10 / ASCR1890-0001 | | 226.55 |
| Tennessee State University | TSU Small Farm Expo and Small Farmer Recognition Program | 10 / TN-2010-OS-0003 | | 2,400.00 |
| University of Tennessee | USDA APHIS Cankers Walnut Logs-Taylor | 10 / 11-8130-0074-CA | | 27,890.87 |
| University of Tennessee | USDA APHIS Cold Treatment Blk Soil-FRREC | 10 / 11-8130-0086-CA | | 12,083.86 |
| University of Tennessee | USDA APHIS Emerald Ash Borer 2012-Long | 10 / 12-8247-0778-CA | | 48,418.81 |
| University of Tennessee | USDA APHIS Emerald Ash Borer 2011-Long | 10 / 11-8247-0778-CA | | 71,806.58 |
| University of Tennessee | USDA ARS Honey Bee Health-Skinner | 10 / 58-1275-8-391 AMD 5 | | 12,723.09 |
| University of Tennessee | USDA FS 07CA11330134109 Stand-Mercker | 10 / 07CA11330134109 | | 5,543.69 |
| University of Tennessee | USDA FS 09DG11420004078 Fuel Plts-Taylor | 10 / 09DG11420004078 | | 125.12 |
| University of Tennessee | USDA FS Silviculture 2012-Clatterbuck | 10 / SILVICULTURE 2012 | | 128,408.00 |
| University of Tennessee | USDA FS Sudden Oak Death-Long | 10 / 11-DG-1108350-002 | | 18,437.17 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| University of Tennessee | USDA RD Entrepreneurial Sys/ETN-Wilcox | 10 / EAST TN | | 24,454.37 |
| University of Tennessee | USDA RD Entrepreneurial Sys/West-Wilcox | 10 / WEST | | 8,882.72 |
| **Subtotal Direct Programs** | | | | $ 223,049,495.03 |
| **Passed Through University of Florida** | | | | |
| University of Tennessee | Grants for Agricultural Research, Special Research Grants | 10.200 / PO 1000019158 | $ 7,828.11 | |
| University of Tennessee | Grants for Agricultural Research, Special Research Grants | 10.200 / PO 1000061654 | 1,334.44 | $ 9,162.55 |
| University of Tennessee | Homeland Security_Agricultural | 10.304 / UFIFAS00069564 AMD 3 | | 27,422.13 |
| **Passed Through University of Georgia** | | | | |
| University of Tennessee | Grants for Agricultural Research_ Competitive Research Grants | 10.206 / RC293502/3843598 | | 492.38 |
| University of Tennessee | Sustainable Agriculture Research and Education | 10.215 / RD309105/4690218 | $ 8,922.45 | |
| University of Tennessee | Sustainable Agriculture Research and Education | 10.215 / RD309105/4786546 | 3,182.05 | |
| University of Tennessee | Sustainable Agriculture Research and Education | 10.215 / RD3091054785846 | 2,035.76 | |
| University of Tennessee | Sustainable Agriculture Research and Education | 10.215 / RD3091094786236 | 17,799.74 | |
| University of Tennessee | Sustainable Agriculture Research and Education | 10.215 / RE675116/489346 | 508.49 | |
| University of Tennessee | Sustainable Agriculture Research and Education | 10.215 / RE675155/4690398 | 391.94 | |
| University of Tennessee | Sustainable Agriculture Research and Education | 10.215 / RE675161/4786096 | 10,618.59 | 43,459.02 |
| University of Tennessee | Agriculture and Food Research Initiative (AFRI) | 10.310 / RC293365/4693958 | | 28,988.30 |
| **Passed Through Cornell University** | | | | |
| University of Tennessee | Integrated Programs | 10.303 / 61384-9312 | | 42,995.20 |
| **Passed Through North Carolina State University** | | | | |
| University of Tennessee | Integrated Programs | 10.303 / 2007-1634-11 | $ 30,051.29 | |
| University of Tennessee | Integrated Programs | 10.303 / 2007-1634-32 | 22,303.74 | 52,355.03 |
| **Passed Through Auburn University** | | | | |
| University of Tennessee | Cooperative Extension Service | 10.500 / 10-ACES-374384-UTK | | 1,471.29 |
| University of Tennessee | Environmental Quality Incentives Program | 10.912 / 10-AGR-361124-UTQ | | 1,112.91 |
| **Passed Through Kansas State University** | | | | |
| University of Tennessee | Cooperative Extension Service | 10.500 / S09126 | $ 161.29 | |
| University of Tennessee | Cooperative Extension Service | 10.500 / S09126.01 | 20,125.08 | |
| University of Tennessee | Cooperative Extension Service | 10.500 / S10079 | 9,675.35 | |
| University of Tennessee | Cooperative Extension Service | 10.500 / S11087 | 36,011.17 | |
| University of Tennessee | Cooperative Extension Service | 10.500 / S12077 | 64,724.27 | |
| University of Tennessee | Cooperative Extension Service | 10.500 / S12133 | 4,317.77 | |
| University of Tennessee | Cooperative Extension Service | 10.500 / S12205 | 9,933.06 | 144,947.99 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through Louisiana State University** | | | | |
| University of Tennessee | Cooperative Extension Service | 10.500 / PO/AWARD 52939 | | 3,654.09 |
| **Passed Through University of Kentucky** | | | | |
| University of Tennessee | Cooperative Extension Service | 10.500 / 3048107511-11-136 | $ 13,050.55 | |
| University of Tennessee | Cooperative Extension Service | 10.500 / 3048107580-11-228 | 6,310.45 | 19,361.00 |
| **Passed Through University of Massachusetts** | | | | |
| University of Tennessee | Cooperative Extension Service | 10.500 / 1-006323 M 00 | | 5,333.84 |
| **Passed Through University of Nebraska** | | | | |
| University of Tennessee | Cooperative Extension Service | 10.500 / 25-635-0023-450 | | 15,000.00 |
| **Passed Through Volunteer State Community College Foundation** | | | | |
| Volunteer State Community College | Rural Business Enterprise Grants | 10.769 / UNKNOWN | | 15,219.17 |
| **Passed Through Georgia Public Broadcasting** | | | | |
| University of Tennessee | Public Television Station Digital Transition Grant Program | 10.861 / 8500018250 | | 42,126.51 |
| **Passed Through University of Arizona** | | | | |
| University of Tennessee | Scientific Cooperation and Research | 10.961 / CYFAR 2010 | | 675.84 |
| **Passed Through Texas Agriculture Extension Services** | | | | |
| University of Tennessee | TX Coop Water Res Project-Smith/Clark | 10 / NO. 451004 | | 58,125.90 |
| **Subtotal Pass-Through Programs** | | | | $ 511,903.15 |
| **Subtotal Department of Agriculture** | | | | $ 223,561,398.18 |
| **Department of Commerce** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Economic Development_ Technical Assistance | 11.303 | | $ 142,277.36 |
| State | ARRA-Broadband Technology Opportunities Program (BTOP) | 11.557 | | 5,126.85 |
| University of Tennessee | Manufacturing Extension Partnership | 11.611 | | 1,900,662.12 |
| Military | Nextel South Corp | 11 / NEXTEL PROJECT 2010 | | (29,036.22) |
| **Subtotal Department of Commerce** | | | | $ 2,019,030.11 |
| **Department of Defense** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Procurement Technical Assistance For Business Firms | 12.002 | | $ 344,734.79 |
| Revenue | Payments to States in Lieu of Real Estate Taxes | 12.112 | | 819,184.48 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Environment and Conservation | State Memorandum of Agreement Program for the Reimbursement of Technical Services | 12.113 | | 236,770.86 |
| University of Tennessee | Collaborative Research and Development | 12.114 | | 59,515.92 |
| Military | Military Construction, National Guard | 12.400 | | 335,699.26 |
| Military | National Guard Military Operations and Maintenance (O&M) Projects | 12.401 | $ 26,613,566.43 | |
| Military | ARRA-National Guard Military Operations and Maintenance (O&M) Projects | 12.401 | 35,050.85 | 26,648,617.28 |
| University of Tennessee | Basic Scientific Research | 12.431 | | 8,000.00 |
| Education | Troops to Teachers Memorandum of Agreement | 12 / UNKNOWN | | 62,149.13 |
| Tennessee State University | Tennessee Consortium for International Studies (TnCIS)-China Technology Study Abroad | 12 / N00164-11-P-0966 | | 24,105.06 |
| University of Tennessee | Army Consumer Affs/Fin Planning 2011 | 12 / MIPR1E10025421 | | 37,295.40 |
| University of Tennessee | Army Consumer Affs/Fin Planning 2012 | 12 / ADVANCED ACCOUNT | | 68,304.64 |
| University of Tennessee | Army Family Advocacy 2011 | 12 / MIPR1E10040032 | | 7,291.89 |
| University of Tennessee | Army Family Advocacy 2012 | 12 / ADVANCED ACCOUNT | | 22,212.70 |
| University of Tennessee | Army Mobilization Deployment 2011 | 12 / MIPR1E10040875 | | 6,154.76 |
| University of Tennessee | Army Mobilization Deployment 2012 | 12 / ADVANCED ACCOUNT | | 22,314.40 |
| University of Tennessee | Army Relocation Office 2011 | 12 / MIPR1E10040806 | | 31,872.46 |
| University of Tennessee | Army Relocation Office 2012 | 12 / ADVANCED ACCOUNT | | 101,383.66 |
| University of Tennessee | Army Soldier Readiness Office 2011 | 12 / MIPR1E10040943 | | 8,167.47 |
| University of Tennessee | Army Soldier Readiness Office 2012 | 12 / ADVANCED ACCOUNT | | 24,147.07 |
| University of Tennessee | Peace Corps-PC-11-8-039 Wood | 12 / PC-11-8-039 | | 13,850.98 |
| **Subtotal Direct Programs** | | | | $ 28,881,772.21 |
| **Passed Through Academy of Applied Sciences** | | | | |
| University of Tennessee | Basic, Applied, and Advanced Research in Science and Engineering | 12.630 / W911NF-10-2-0076 | | $ 25,458.80 |
| **Passed Through Defense Equal Opportunity Management Institute** | | | | |
| Austin Peay State University | Defense Equal Opportunity Climate Survey | 12 / FA2521-06-P-0292 | | 2,384.55 |
| **Subtotal Pass-Through Programs** | | | | $ 27,843.35 |
| **Subtotal Department of Defense** | | | | $ 28,909,615.56 |
| **Department of Housing and Urban Development** | | | | |
| **Direct Programs** | | | | |
| Tennessee Housing Development Agency | Supportive Housing for Persons with Disabilities | 14.181 | | $ 174,489.00 |
| Tennessee Housing Development Agency | Emergency Solutions Grant Program | 14.231 | | 1,614,672.53 |
| University of Tennessee | Supportive Housing Program | 14.235 | | 137,220.09 |
| Tennessee Housing Development Agency | Home Investment Partnerships Program | 14.239 | | 19,862,737.85 |
| Health | Housing Opportunities for Persons with AIDS | 14.241 | | 860,721.30 |
| Tennessee Housing Development Agency | ARRA-Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded) | 14.257 | | 2,970,129.96 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Tennessee Housing Development Agency | ARRA-Tax Credit Assistance Program (Recovery Act Funded) | 14.258 | | 3,555,818.91 |
| Tennessee Human Rights Commission | Fair Housing Assistance Program_ State and Local | 14.401 | | 364,490.00 |
| Tennessee State University | Historically Black Colleges and Universities Program | 14.520 | | 466,518.45 |
| Middle Tennessee State University | Operation Lead Elimination Action Program | 14.903 | | 525,862.29 |
| Environment and Conservation | Lead Hazard Reduction Demonstration Grant Program | 14.905 | | 1,006,055.27 |
| Southwest Tennessee Community College | Economic Development Initative Grant - Biotechnology Expansion Project | 14 / B-05-SP-TN-0974 | | 51,600.34 |
| **Subtotal Direct Programs** | | | | $ 31,590,315.99 |
| **Passed Through City of Johnson City** | | | | |
| East Tennessee State University | Home Investment Partnerships Program | 14.239 / ESGP 6133 | | $ 9,124.00 |
| **Passed Through The Next Door** | | | | |
| University of Tennessee | ARRA-Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded) | 14.257 / CHECK #8035 | | 3,090.00 |
| **Passed Through University of Kentucky** | | | | |
| University of Tennessee | Sustainable Communities Regional Planning Grant Program | 14.703 / 3048108055-11-349 | | 21,849.15 |
| **Passed Through City of Knoxville** | | | | |
| University of Tennessee | City of Knoxville HUD Regional Everett | 14 / HUD REGIONAL PLANNIN | | 129,952.74 |
| **Passed Through Knoxville-Knox County Community Action Committee** | | | | |
| University of Tennessee | ARRA-Knoxville-Knox-CAC-HMIS Patterson | 14 / KNOX HMIS HPRP EVAL | | 2,592.16 |
| **Subtotal Pass-Through Programs** | | | | $ 166,608.05 |
| **Subtotal Department of Housing and Urban Development** | | | | $ 31,756,924.04 |
| **Department of the Interior** | | | | |
| **Direct Programs** | | | | |
| Environment and Conservation | Abandoned Mine Land Reclamation (AMLR) Program | 15.252 | | $ 2,378,747.28 |
| Environment and Conservation | Cooperative Endangered Species Conservation Fund | 15.615 | $ 39,586.65 | |
| Tennessee Wildlife Resources Agency | Cooperative Endangered Species Conservation Fund | 15.615 | 1,467,886.05 | 1,507,472.70 |
| Tennessee Wildlife Resources Agency | Clean Vessel Act | 15.616 | | 301,709.31 |
| Tennessee Wildlife Resources Agency | Enhanced Hunter Education and Safety Program | 15.626 | | 1,910,276.69 |
| Agriculture | ARRA-Partners for Fish and Wildlife | 15.631 | | 63,001.06 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Tennessee Wildlife Resources Agency | Landowner Incentive Program | 15.633 | | 342,357.84 |
| Tennessee Wildlife Resources Agency | State Wildlife Grants | 15.634 | | 1,085,260.07 |
| Environment and Conservation | Recovery Act Funds - Habitat Enhancement, Restoration and Improvement | 15.656 | | 719.55 |
| Tennessee Wildlife Resources Agency | Cooperative Landscape Conservation | 15.669 | | 147,506.01 |
| University of Memphis | Earthquake Hazards Reduction Program | 15.807 | | 30,643.31 |
| Environment and Conservation | U.S. Geological Survey_ Research and Data Collection | 15.808 | | 137,526.20 |
| Finance and Administration | National Spatial Data Infrastructure Cooperative Agreements Program | 15.809 | | 42,295.50 |
| Environment and Conservation | National Cooperative Geologic Mapping Program | 15.810 | | (902.07) |
| University of Tennessee | Cooperative Research Units Program | 15.812 | | 19,425.18 |
| Environment and Conservation | Minerals Resources External Research Program | 15.816 | | 8,129.51 |
| Environment and Conservation | Historic Preservation Fund Grants-In-Aid | 15.904 | $ 711,067.69 | |
| Middle Tennessee State University | Historic Preservation Fund Grants-In-Aid | 15.904 | 607,171.17 | 1,318,238.86 |
| Environment and Conservation | Outdoor Recreation_Acquisition, Development and Planning | 15.916 | | 438,763.62 |
| State | American Battlefield Protection | 15.926 | | 16,304.88 |
| Tennessee State Museum | Save America's Treasures | 15.929 | | 13,074.36 |
| Tennessee Wildlife Resources Agency | Aquatic Nuisance Species | 15 / 40181AG013 | | 29,251.00 |
| University of Memphis | CERI Annual Support of USGS Personnel | 15 / G09PX01478 | | 59,194.11 |
| University of Tennessee | BIA Silviculture 2012-Clatterbuck | 15 / A11PX00473 | | 27,516.00 |
| University of Tennessee | BLM Silviculture 2012-Clatterbuck | 15 / 4500028668 | | 13,758.00 |
| University of Tennessee | USF&W 40181AG103 4H Wldlf Judging-Harper | 15 / 20181AG103 | | (715.01) |
| **Subtotal Direct Programs** | | | | $ 9,889,553.96 |
| **Passed Through Western Kentucky University** | | | | |
| Tennessee State University | Rivers, Trails and Conservation Assistance | 15.921 / H5000095041 | | $ 44,189.01 |
| **Subtotal Pass-Through Programs** | | | | $ 44,189.01 |
| **Subtotal Department of the Interior** | | | | $ 9,933,742.97 |
| **Department of Justice** | | | | |
| **Direct Programs** | | | | |
| Finance and Administration | Sexual Assault Services Formula Program | 16.017 | | $ 214,112.57 |
| Correction | Prisoner Reentry Initiative Demonstration (Offender Reentry) | 16.202 | | 14,884.10 |
| Commission on Children and Youth | Juvenile Accountability Block Grants | 16.523 | | 988,688.55 |
| University of Tennessee | Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus | 16.525 | | 105,061.15 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Commission on Children and Youth | Juvenile Justice and Delinquency Prevention_Allocation to States | 16.540 | $ 1,166,074.28 | |
| Mental Health | Juvenile Justice and Delinquency Prevention_Allocation to States | 16.540 | 78,326.06 | 1,244,400.34 |
| Commission on Children and Youth | Tiltel V_Delinquency Prevention Program | 16.548 | | (32,556.64) |
| Tennessee Bureau of Investigation | State Justice Statistics Program for Statistical Analysis Centers | 16.550 | | 99,500.00 |
| Finance and Administration | National Criminal History Improvement Program (NCHIP) | 16.554 | | 36,120.13 |
| University of Tennessee | National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | | 520,630.45 |
| Finance and Administration | Crime Victim Assistance | 16.575 | | 7,470,563.21 |
| Treasury | Crime Victim Compensation | 16.576 | | 4,991,000.00 |
| University of Tennessee | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 16.580 | | 266,845.35 |
| Court System | Drug Court Discretionary Grant Program | 16.585 | | 59,724.40 |
| Finance and Administration | Violence Against Women Formula Grants | 16.588 | $ 2,259,010.58 | |
| Finance and Administration | ARRA-Violence Against Women Formula Grants | 16.588 | 166,465.30 | 2,425,475.88 |
| Finance and Administration | Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program | 16.590 | | 393,685.05 |
| Finance and Administration | Residential Substance Abuse Treatment for State Prisoners | 16.593 | | 502,549.32 |
| Southwest Tennessee Community College | Corrections_Technical Assistance/ Clearinghouse | 16.603 | | 31,147.01 |
| Correction | State Criminal Alien Assistance Program | 16.606 | | 266,499.00 |
| Tennessee Bureau of Investigation | Project Safe Neighborhoods | 16.609 | $ 139,502.40 | |
| University of Memphis | Project Safe Neighborhoods | 16.609 | 1,597.86 | 141,100.26 |
| Tennessee Bureau of Investigation | Regional Information Sharing Systems | 16.610 | | 5,202,390.00 |
| Tennessee Bureau of Investigation | Public Safety Partnership and Community Policing Grants | 16.710 | $ 1,507,320.39 | |
| Tennessee Technological University | Public Safety Partnership and Community Policing Grants | 16.710 | 125,042.62 | 1,632,363.01 |
| Commission on Children and Youth | Enforcing Underage Drinking Laws Program | 16.727 | | 399,702.20 |
| Tennessee Bureau of Investigation | DNA Backlog Reduction Program | 16.741 | | 1,590,263.76 |
| Finance and Administration | Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | | 563,542.03 |
| Tennessee Bureau of Investigation | Convicted Offender and/or Arrestee DNA Backlog Reduction Program | 16.748 | | 479,527.65 |
| Tennessee Bureau of Investigation | Support for Adam Walsh Act Implementation Grant Program | 16.750 | | 15,684.46 |
| University of Memphis | Edward Byrne Memorial Competitive Grant Program | 16.751 | | 282,286.95 |
| Middle Tennessee State University | Congressionally Recommended Awards | 16.753 | $ 292,175.41 | |
| Southwest Tennessee Community College | Congressionally Recommended Awards | 16.753 | 66,762.59 | |
| University of Tennessee | Congressionally Recommended Awards | 16.753 | 368,345.98 | 727,283.98 |
| Finance and Administration | ARRA-Recovery Act - State Victim Assistance Formula Grant Program | 16.801 | | 167,895.47 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| University of Tennessee | ARRA-Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program | 16.810 | | 776,862.20 |
| Mental Health | Second Chance Act Prisoner Reentry Initiative | 16.812 | | 368,683.71 |
| Tennessee Student Assistance Corporation | John R. Justice Prosecutors and Defenders Incentive Act | 16.816 | | 161,881.00 |
| Tennessee Bureau of Investigation | Governor's Task Force on Marijuana Eradication | 16 / 2011-114 | | 607,951.56 |
| Tennessee Bureau of Investigation | Governor's Task Force on Marijuana Eradication | 16 / 2012- | | 173,097.76 |
| **Subtotal Direct Programs** | | | | $ 32,888,845.87 |
| **Passed Through Radford University** | | | | |
| University of Tennessee | National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 / 2009-DN-BX-K200 | | $ 7,934.62 |
| **Passed Through City of Knoxville** | | | | |
| University of Tennessee | Project Safe Neighborhoods | 16.609 / C-10-0218 | $ 31,817.11 | |
| University of Tennessee | Project Safe Neighborhoods | 16.609 / C-11-0203 | 8,403.01 | 40,220.12 |
| University of Tennessee | Anti-Gang Initiative | 16.744 / 2007PGBX0069 | | (403.52) |
| **Passed Through Knoxville Police Department** | | | | |
| University of Tennessee | Project Safe Neighborhoods | 16.609 / 2007GPCX0044 | | 16,815.14 |
| **Passed Through National 4-H Council** | | | | |
| Tennessee State University | Juvenile Mentoring Program | 16.726 / 2010-JU-FX-0016 | | 39,051.29 |
| **Passed Through Shelby County Government** | | | | |
| University of Memphis | Reduction and Prevention of Children's Exposure to Violence | 16.730 / PO #006176 | | 12,285.16 |
| **Passed Through Franklin County Government** | | | | |
| Motlow State Community College | Second Chance Act Prisoner Reentry Initiative | 16.812 / 2011-RV-BX-0004 | | 40,055.74 |
| **Passed Through City of Memphis Police Department** | | | | |
| University of Memphis | Safeways - Old Allen Demonstration | 16 / 28084 | | 127,279.33 |
| **Subtotal Pass-Through Programs** | | | | $ 283,237.88 |
| **Subtotal Department of Justice** | | | | $ 33,172,083.75 |
| **Department of Labor** | | | | |
| **Direct Programs** | | | | |
| Labor and Workforce Development | Labor Force Statistics | 17.002 | | $ 1,290,058.72 |
| Labor and Workforce Development | Compensation and Working Conditions | 17.005 | | 93,580.02 |
| Labor and Workforce Development | Unemployment Insurance | 17.225 | $ 1,274,880,182.26 | |
| Labor and Workforce Development | ARRA-Unemployment Insurance | 17.225 | 562,814.20 | 1,275,442,996.46 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Labor and Workforce Development | Senior Community Service Employment Program | 17.235 | | 1,827,569.40 |
| Labor and Workforce Development | Trade Adjustment Assistance | 17.245 | | 14,581,405.65 |
| Labor and Workforce Development | Incentive Grants - WIA Section 503 | 17.267 | | 669,711.52 |
| Roane State Community College | H-1B Job Training Grants | 17.268 | | 39,269.16 |
| Jackson State Community College | Community Based Job Training Grants | 17.269 | $ 320,267.29 | |
| Northeast State Community College | Community Based Job Training Grants | 17.269 | 513,503.52 | 833,770.81 |
| Labor and Workforce Development | Work Opportunity Tax Credit Program (WOTC) | 17.271 | | 776,415.41 |
| Labor and Workforce Development | Temporary Labor Certification for Foreign Workers | 17.273 | | 95,624.25 |
| Labor and Workforce Development | ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors | 17.275 | $ 145,118.80 | |
| Roane State Community College | Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors | 17.275 | 851,351.60 | 996,470.40 |
| Labor and Workforce Development | Workforce Investment Act (WIA) National Emergency Grants | 17.277 | $ 6,432,435.11 | |
| Labor and Workforce Development | ARRA-Workforce Investment Act (WIA) National Emergency Grants | 17.277 | 580,528.56 | 7,012,963.67 |
| Motlow State Community College | Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | | 235,120.85 |
| Labor and Workforce Development | Occupational Safety and Health_State Program | 17.503 | | 3,573,315.28 |
| Labor and Workforce Development | Consultation Agreements | 17.504 | | 900,915.18 |
| Labor and Workforce Development | OSHA Data Initiative | 17.505 | | 72,586.50 |
| Labor and Workforce Development | Mine Health and Safety Grants | 17.600 | | 137,668.78 |
| **Subtotal Direct Programs** | | | | $ 1,308,579,442.06 |
| **Passed Through Knoxville-Knox County Community Action Committee** | | | | |
| University of Tennessee | Community Based Job Training Grants | 17.269 / KNOX CAC WIA YOUTH | $ 44,924.08 | |
| University of Tennessee | Community Based Job Training Grants | 17.269 / KNOX CAC WIA OUT-OF | 55,677.16 | $ 100,601.24 |
| **Passed Through Southeast Tennessee Development District** | | | | |
| Chattanooga State Community College | Community Based Job Training Grants | 17.269 / CB-18208-09-60-A-47 | | 225,602.97 |
| **Passed Through Memphis Bioworks Foundation** | | | | |
| Jackson State Community College | ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors | 17.275 / GJ-19864-10-60-A-47 | $ 34,783.40 | |
| Southwest Tennessee Community College | Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors | 17.275 / GJ-19864-10-60 | 515,530.53 | 550,313.93 |
| Dyersburg State Community College | Green Jobs Innovation Fund Grants | 17.279 / GI-19864-10-60-A-47 | | 108,154.08 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through Anne Arundel Community College** | | | | |
| Roane State Community College | Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 / SGA/DFA PY 10-03 | | 65,228.57 |
| **Passed Through Operation Stand Down Nashville, Incorporated** | | | | |
| Tennessee State University | Veterans' Employment Program | 17.802 / VW-20702-10-60-5-47 | | 45,358.76 |
| **Subtotal Pass-Through Programs** | | | | $ 1,095,259.55 |
| **Subtotal Department of Labor** | | | | $ 1,309,674,701.61 |
| **Department of State** | | | | |
| **Passed Through Kirkwood Community College** | | | | |
| Roane State Community College | Academic Exchange Programs - Undergraduate Programs | 19.009 / RSC94660-67024 | | $ 5,056.07 |
| **Subtotal Department of State** | | | | $ 5,056.07 |
| **Department of Transportation** | | | | |
| **Direct Programs** | | | | |
| Transportation | Airport Improvement Program | 20.106 | $ 14,404,773.56 | |
| Transportation | ARRA-Airport Improvement Program | 20.106 | 89,732.24 | $ 14,494,505.80 |
| Tennessee State University | Highway Training and Education | 20.215 | | 16,900.70 |
| Safety | National Motor Carrier Safety | 20.218 | | 10,357,909.45 |
| Transportation | Metropolitan Transportation Planning | 20.505 | | 1,048,642.36 |
| Transportation | Formula Grants for Other Than Urbanized Areas | 20.509 | $ 16,707,899.08 | |
| Transportation | ARRA-Formula Grants for Other Than Urbanized Areas | 20.509 | 1,286,518.07 | 17,994,417.15 |
| Transportation | Clean Fuels | 20.519 | | 454,456.94 |
| Transportation | Paul S. Sarbanes Transit in the Parks | 20.520 | | 310,829.00 |
| Transportation | Alcohol Open Container Requirements | 20.607 | | 13,975,377.25 |
| Transportation | National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants | 20.614 | | 129,530.26 |
| Commerce and Insurance | E-911 Grant Program | 20.615 | | 1,041,805.35 |
| Tennessee Regulatory Authority | Pipeline Safety Program State Base Grant | 20.700 | | 557,488.43 |
| Military | Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | | 328,987.69 |
| University of Tennessee | FHWA-DTFH61-06-D-00026/Task 2-Everett | 20 / DTFH61-06-D-00026 | | 32,069.68 |
| University of Tennessee | USDOT DTFH61-11-D-00007 Kohls | 20 / DTFH61-11-D-00007 | | 62,423.29 |
| **Subtotal Department of Transportation** | | | | $ 60,805,343.35 |
| **Department of the Treasury** | | | | |
| **Passed Through NeighborWorks America** | | | | |
| Tennessee Housing Development Agency | National Foreclosure Mitigation Counseling (NFMC) Program | 21 / PL 112-1095X1350 | | $ 870,164.20 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Department of the Treasury** | | | | $ 870,164.20 |
| **Appalachian Regional Commission** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Appalachian Regional Development | 23.001 | | $ (1,932.00) |
| East Tennessee State University | Appalachian Area Development | 23.002 | $ 204,407.16 | |
| Economic and Community Development | Appalachian Area Development | 23.002 | 79,794.64 | |
| Tennessee Technological University | Appalachian Area Development | 23.002 | 212,707.17 | 496,908.97 |
| East Tennessee State University | Appalachian Research, Technical Assistance, and Demonstration Projects | 23.011 | $ 82,741.38 | |
| Economic and Community Development | Appalachian Research, Technical Assistance, and Demonstration Projects | 23.011 | 139,795.93 | 222,537.31 |
| **Subtotal Direct Programs** | | | | $ 717,514.28 |
| **Passed Through University of Kentucky Research Foundation** | | | | |
| East Tennessee State University | Appalachian Research, Technical Assistance, and Demonstration Projects | 23.011 / 4-67886-04-435 | | $ 100.00 |
| **Subtotal Pass-Through Programs** | | | | $ 100.00 |
| **Subtotal Appalachian Regional Commission** | | | | $ 717,614.28 |
| **Equal Employment Opportunity Commission** | | | | |
| **Direct Programs** | | | | |
| Tennessee Human Rights Commission | Employment Discrimination_State and Local Fair Employment Practices Agency Contracts | 30.002 | | $ 248,600.00 |
| **Subtotal Equal Employment Opportunity Commission** | | | | $ 248,600.00 |
| **General Services Administration** | | | | |
| **Direct Programs** | | | | |
| General Services | Donation of Federal Surplus Personal Property (Noncash Award) | 39.003 | | $ 1,669,108.00 |
| State | Election Reform Payments | 39.011 | | 525,628.01 |
| **Subtotal General Services Administration** | | | | $ 2,194,736.01 |
| **Library of Congress** | | | | |
| **Direct Programs** | | | | |
| Middle Tennessee State University | Teaching with Primary Sources | 42 / GA08C0077 | | $ 142,130.05 |
| **Subtotal Library of Congress** | | | | $ 142,130.05 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **National Aeronautics and Space Administration** | | | |
| **Direct Programs** | | | |
| Tennessee Technological University | Science | 43.001 | $ 74,250.59 |
| Tennessee State University | NASA Science Engineering Mathematics Aerospace Academy (SEMAA) | 43 / NAS3-02123-STSU | 77,397.99 |
| University of Tennessee | NASA NNX08AT42H Moersch | 43 / NNX08AT42H | 1,801.75 |
| University of Tennessee | NASA SSC/JSC NNX10TT44P | 43 / NNX10TT44P | 15,746.25 |
| **Subtotal Direct Programs** | | | $ 169,196.58 |
| **Passed Through Vanderbilt University** | | | |
| East Tennessee State University | Science | 43.001 / 21603-S13 | $ 8,750.00 |
| Tennessee State University | Tennessee Space Grant College and Fellowship Program | 43 / NNX10AM45H | 39,571.98 |
| **Passed Through United Negro College Fund Special Programs Corporation** | | | |
| University of Memphis | Computational Design of Organometallic Molecular Switches for Use in Optical Computing | 43 / JPFP AWD K RUDDICK | 10,000.00 |
| University of Memphis | Development and Optimizing a Sensor for the Water Disinfectant Silver (I) Ion and Studies of the Chemical Kinetics and Mechanics of its Long-term Stability/ Decomposition | 43 / JPFP WILLIAMSON | 8,500.00 |
| **Subtotal Pass-Through Programs** | | | $ 66,821.98 |
| **Subtotal National Aeronautics and Space Administration** | | | $ 236,018.56 |
| **National Endowment for the Arts** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Promotion of the Arts_Grants to Organizations and Individuals | 45.024 | $ 2,633.23 |
| Tennessee Arts Commission | Promotion of the Arts_Partnership Agreements | 45.025 | 819,300.00 |
| **Subtotal Direct Programs** | | | $ 821,933.23 |
| **Passed Through National Arts and Disability Center at UCLA** | | | |
| Tennessee Arts Commission | Promotion of the Arts_Grants to Organizations and Individuals | 45.024 / UNKNOWN | $ 3,000.00 |
| **Passed Through South Arts** | | | |
| University of Memphis | Southern Arts Federation Dance Touring Initiative | 45 / NEA TOURING | 8,000.00 |
| **Subtotal Pass-Through Programs** | | | $ 11,000.00 |
| **Subtotal National Endowment for the Arts** | | | $ 832,933.23 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **National Endowment for the Humanities** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Promotion of the Humanities_ Division of Preservation and Access | 45.149 | | $ 152,532.89 |
| Middle Tennessee State University | Promotion of the Humanities_Public Programs | 45.164 | $ 860.04 | |
| University of Memphis | Promotion of the Humanities_Public Programs | 45.164 | (477.11) | 382.93 |
| Columbia State Community College | Promotion of the Humanities-We the People | 45.168 | | 1,723.23 |
| **Subtotal National Endowment for the Humanities** | | | | $ 154,639.05 |
| **Institute of Museum and Library Services** | | | | |
| **Direct Programs** | | | | |
| University of Memphis | Museums for America | 45.301 | | $ 3,011.71 |
| State | Grants to States | 45.310 | | 3,463,263.78 |
| Tennessee State University | National Leadership Grants | 45.312 | | 64,132.43 |
| University of Memphis | Laura Bush 21st Century Librarian Program | 45.313 | $ 185,543.22 | |
| University of Tennessee | Laura Bush 21st Century Librarian Program | 45.313 | 423,490.08 | 609,033.30 |
| **Subtotal Institute of Museum and Library Services** | | | | $ 4,139,441.22 |
| **National Science Foundation** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Engineering Grants | 47.041 | | $ (916.61) |
| East Tennessee State University | Mathematical and Physical Sciences | 47.049 | $ 52,378.54 | |
| Tennessee Technological University | Mathematical and Physical Sciences | 47.049 | 93,532.96 | |
| University of Tennessee | Mathematical and Physical Sciences | 47.049 | 154,377.78 | 300,289.28 |
| Austin Peay State University | Biological Sciences | 47.074 | $ 5,110.32 | |
| East Tennessee State University | Biological Sciences | 47.074 | 10,000.00 | 15,110.32 |
| University of Tennessee | Social, Behavioral, and Economic Sciences | 47.075 | | 16,856.04 |
| Austin Peay State University | Education and Human Resources | 47.076 | $ 91,484.77 | |
| Cleveland State Community College | Education and Human Resources | 47.076 | 56,258.94 | |
| East Tennessee State University | Education and Human Resources | 47.076 | 149,823.59 | |
| Middle Tennessee State University | Education and Human Resources | 47.076 | 902,811.00 | |
| Nashville State Community College | Education and Human Resources | 47.076 | 164,468.33 | |
| Pellissippi State Community College | Education and Human Resources | 47.076 | 34,230.66 | |
| Tennessee State University | Education and Human Resources | 47.076 | 719,129.53 | |
| University of Memphis | Education and Human Resources | 47.076 | 6,635.74 | |
| University of Tennessee | Education and Human Resources | 47.076 | 1,310,388.20 | 3,435,230.76 |
| Middle Tennessee State University | ARRA-Trans-NSF Recovery Act Research Support | 47.082 | $ 105,633.04 | |
| Tennessee State University | ARRA-Trans-NSF Recovery Act Research Support | 47.082 | 955,188.83 | |
| University of Memphis | ARRA-Trans-NSF Recovery Act Research Support | 47.082 | 245,774.52 | 1,306,596.39 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Direct Programs** | | | | $ 5,073,166.18 |
| **Passed Through American Physical Society** | | | | |
| Middle Tennessee State University | Mathematical and Physical Sciences | 47.049 / PHY-0808790 | | $ 15,180.92 |
| **Passed Through EdLab Group Foundation** | | | | |
| Middle Tennessee State University | Education and Human Resources | 47.076 / HRD-0631789 | | 3,603.64 |
| **Passed Through Georgia Institute of Technology** | | | | |
| University of Tennessee | Education and Human Resources | 47.076 / CK 752212 | | 1,598.50 |
| **Passed Through Indian River State College** | | | | |
| Chattanooga State Community College | Education and Human Resources | 47.076 / RCNET CSCC 0001 | | 6,289.13 |
| **Passed Through Kentucky Community and Technical College System** | | | | |
| Pellissippi State Community College | Education and Human Resources | 47.076 / KCT-PS-494 | | 28,612.51 |
| **Passed Through Lorain County Community College** | | | | |
| Chattanooga State Community College | Education and Human Resources | 47.076 / 0703018 | $ 434.80 | |
| Chattanooga State Community College | Education and Human Resources | 47.076 / 1104107 | 6,651.79 | 7,086.59 |
| **Passed Through National Center for Science and Civic Engagement** | | | | |
| Middle Tennessee State University | Education and Human Resources | 47.076 / DUE 0717407 | | 660.73 |
| **Passed Through University of Oklahoma** | | | | |
| Columbia State Community College | Education and Human Resources | 47.076 / 14-2-1203284-94835 | | 1,619.95 |
| **Passed Through University of Tulsa** | | | | |
| Jackson State Community College | Education and Human Resources | 47.076 / 14-2-1203355-94830 | | 90,880.42 |
| **Subtotal Pass-Through Programs** | | | | $ 155,532.39 |
| **Subtotal National Science Foundation** | | | | $ 5,228,698.57 |
| **Small Business Administration** | | | | |
| **Direct Programs** | | | | |
| Roane State Community College | 7(j) Technical Assistance | 59.007 | | $ 12,308.08 |
| Middle Tennessee State University | Small Business Development Centers | 59.037 | $ 1,009,898.19 | |
| Tennessee Board of Regents | Small Business Development Centers | 59.037 | 2,281,592.65 | 3,291,490.84 |
| University of Tennessee | Federal and State Technology Partnership Program | 59.058 | | 59,176.49 |
| Economic and Community Development | State Trade and Export Promotion Pilot Grant Program | 59.061 | | 123,873.58 |
| **Subtotal Small Business Administration** | | | | $ 3,486,848.99 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Department of Veterans Affairs** | | | | |
| **Direct Programs** | | | | |
| Tennessee State Veterans Homes Board | Veterans State Nursing Home Care | 64.015 | | $ 9,932,547.00 |
| East Tennessee State University | Veterans Home Based Primary Care | 64.022 | | 247,589.67 |
| Tennessee Higher Education Commission | All-Volunteer Force Educational Assistance | 64.124 | | 264,669.59 |
| Veterans Affairs | State Cemetery Grants | 64.203 | | 4,330,701.16 |
| Tennessee Technological University | Educational Assistance Annual Reporting Fees | 64 / Annual Reporting Fee | | 1,033.61 |
| University of Memphis | Support of Veteran's Service Office | 64 / 11908142 | | 4,487.00 |
| **Subtotal Department of Veterans Affairs** | | | | $ 14,781,028.03 |
| **Environmental Protection Agency** | | | | |
| **Direct Programs** | | | | |
| Environment and Conservation | Air Pollution Control Program Support | 66.001 | | $ 917,744.04 |
| Environment and Conservation | State Indoor Radon Grants | 66.032 | | 241,972.30 |
| Environment and Conservation | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | | 323,394.68 |
| Transportation | ARRA-National Clean Diesel Emissions Reduction Program | 66.039 | | 1,008,952.83 |
| Environment and Conservation | State Clean Diesel Grant Program | 66.040 | | 329,863.02 |
| Environment and Conservation | Water Pollution Control State, Interstate, and Tribal Program Support | 66.419 | | 2,867,909.62 |
| Environment and Conservation | State Public Water System Supervision | 66.432 | | 5,563,874.67 |
| Environment and Conservation | Water Quality Management Planning | 66.454 | $ 334,973.22 | |
| Environment and Conservation | ARRA-Water Quality Management Planning | 66.454 | 91,491.40 | 426,464.62 |
| Environment and Conservation | Capitalization Grants for Clean Water State Revolving Funds | 66.458 | $ 16,620,005.53 | |
| Environment and Conservation | ARRA-Capitalization Grants for Clean Water State Revolving Funds | 66.458 | 12,364,200.08 | 28,984,205.61 |
| Agriculture | Nonpoint Source Implementation Grants | 66.460 | | 3,053,029.58 |
| Environment and Conservation | Regional Wetland Program Development Grants | 66.461 | | 166,969.07 |
| Environment and Conservation | Water Quality Cooperative Agreements | 66.463 | | 55,415.19 |
| Environment and Conservation | Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | $ 5,962,531.29 | |
| Environment and Conservation | ARRA-Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 1,387,883.17 | 7,350,414.46 |
| Environment and Conservation | Water Protection Grants to the States | 66.474 | | 150,459.32 |
| University of Tennessee | Office of Research and Development Consolidated Research/Training/ Fellowships | 66.511 | | 53,793.76 |
| University of Tennessee | Science To Achieve Results (STAR) Fellowship Program | 66.514 | | 12,778.17 |
| Agriculture | Performance Partnership Grants | 66.605 | | 587,362.49 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Environment and Conservation | Environmental Information Exchange Network Grant Program and Related Assistance | 66.608 | | 176,896.87 |
| Environment and Conservation | Protection of Children from Environmental Health Risks | 66.609 | | 21,052.73 |
| Environment and Conservation | Toxic Substances Compliance Monitoring Cooperative Agreements | 66.701 | | 52,077.77 |
| Environment and Conservation | TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | 66.707 | | 87,082.60 |
| Environment and Conservation | Pollution Prevention Grants Program | 66.708 | | 55,518.31 |
| Environment and Conservation | Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies | 66.716 | | 6,802.05 |
| University of Tennessee | Source Reduction Assistance | 66.717 | | 91.23 |
| Environment and Conservation | Hazardous Waste Management State Program Support | 66.801 | | 2,397,591.20 |
| Environment and Conservation | Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 66.802 | | 1,534,266.67 |
| Environment and Conservation | Underground Storage Tank Prevention, Detection and Compliance Program | 66.804 | | 1,253,574.32 |
| Environment and Conservation | Leaking Underground Storage Tank Trust Fund Corrective Action Program | 66.805 | $ 2,475,109.55 | |
| Environment and Conservation | ARRA-Leaking Underground Storage Tank Trust Fund Corrective Action Program | 66.805 | 1,113,917.09 | 3,589,026.64 |
| Environment and Conservation | Superfund State and Indian Tribe Core Program Cooperative Agreements | 66.809 | | 297,743.84 |
| Tennessee State University | Technical Assistance on Environmental Justice-Community Engagement in Longtown, Fayette County, Tennessee | 66 / EP-11-4-000071 | | 7,234.49 |
| **Subtotal Environmental Protection Agency** | | | | $ 61,573,562.15 |
| | **Department of Energy** | | | |
| **Direct Programs** | | | | |
| Economic and Community Development | State Energy Program | 81.041 | $ 504,439.16 | |
| Economic and Community Development | ARRA-State Energy Program | 81.041 | 31,937,801.75 | |
| Environment and Conservation | State Energy Program | 81.041 | 3,661,248.87 | $ 36,103,489.78 |
| Human Services | Weatherization Assistance for Low-Income Persons | 81.042 | $ 7,278,876.99 | |
| Human Services | ARRA-Weatherization Assistance for Low-Income Persons | 81.042 | 3,704,077.87 | 10,982,954.86 |
| University of Tennessee | Office of Science Financial Assistance Program | 81.049 | | 15,510.62 |
| University of Tennessee | ARRA-Conservation Research and Development | 81.086 | | 907,432.45 |
| Environment and Conservation | Renewable Energy Research and Development | 81.087 | | 39,691.96 |
| Tennessee State University | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 | | 360,594.89 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Economic and Community Development | ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis | 81.122 | $ 33,570.09 | |
| Tennessee Regulatory Authority | ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis | 81.122 | 9,237.36 | 42,807.45 |
| Economic and Community Development | ARRA-Energy Efficient Appliance Rebate Program (EEARP) | 81.127 | | 1,853,570.00 |
| Economic and Community Development | ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG) | 81.128 | | 5,529,264.04 |
| Military | Department of Energy Emergency Preparedness | 81 / DOE FFY 2010 AWARD | | 8,607.53 |
| Military | Department of Energy Emergency Preparedness | 81 / DOE FFY 2011 AWARD | | 584,937.44 |
| Military | Department of Energy Emergency Preparedness | 81 / DOE FFY 2012 AWARD | | 504,805.33 |
| Roane State Community College | Miscellaneous Federal Activities | 81 / DEFG0505OR23185 | | 1,120.00 |
| Tennessee State University | Minority Serving Institutions Technical Assistance & Capacity Building Conference | 81 / DE-NA0001352 | | 10,705.07 |
| Tennessee Wildlife Resources Agency | Oak Ridge Wildlife Management Area | 81 / REORDOER-3-97-0702 | | 183,318.34 |
| University of Tennessee | B&W Y-12 EMS Ass-4300084704-Stone | 81 / 4300084704 | | 21,533.38 |
| University of Tennessee | National Renewable Energy Lab Stach | 81 / ADC-1-40023-20 | | (25,752.90) |
| University of Tennessee | Secretariat Lab Energy R&D Group 2010 | 81 / LERDWG | | 18,152.77 |
| **Subtotal Direct Programs** | | | | $ 57,142,743.01 |
| **Passed Through Yale University** | | | | |
| University of Tennessee | Office of Science Financial Assistance Program | 81.049 / C12E1130(E00146) | | $ 6,200.00 |
| **Passed Through Tennessee Energy, Industry and Construction Consortium** | | | | |
| Chattanooga State Community College | ARRA-Conservation Research and Development | 81.086 / 8500017799 | | 4,750.00 |
| **Passed Through Georgia Environmental Finance Authority** | | | | |
| Tennessee Technological University | State Energy Program Special Projects | 81.119 / SIEA2010-102 AMENDMENT NUMBER ONE | | 85,193.75 |
| **Passed Through University of Minnesota** | | | | |
| Tennessee State University | ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis | 81.122 / DE-0E0000427 | | 7,320.06 |
| **Passed Through Argonne National Laboratory** | | | | |
| University of Tennessee | Argonne Natl Lab-Workshops-IESP-Dongarra | 81 / 9F-31202 | | 85,433.82 |
| **Passed Through UT-Battelle, Limited Liability Company** | | | | |
| Austin Peay State University | DMARK-3 | 81 / 4000112222 | | 151,238.03 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Austin Peay State University | UT Battelle - Oak Ridge National Laboratory | 81 / 4000080888 | | 37,535.14 |
| Austin Peay State University | UT Battelle - Oak Ridge National Laboratory | 81 / 4000103191 | | 139,246.02 |
| **Subtotal Pass-Through Programs** | | | | $ 516,916.82 |
| **Subtotal Department of Energy** | | | | $ 57,659,659.83 |
| **Department of Education** | | | | |
| **Direct Programs** | | | | |
| Labor and Workforce Development | Adult Education - Basic Grants to States | 84.002 | | $ 13,536,533.70 |
| Education | Migrant Education_State Grant Program | 84.011 | | 527,344.30 |
| Education | Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | | 421,585.76 |
| Austin Peay State University | Higher Education_Institutional Aid | 84.031 | $ 310,834.41 | |
| Cleveland State Community College | Higher Education_Institutional Aid | 84.031 | 158,166.44 | |
| Dyersburg State Community College | Higher Education_Institutional Aid | 84.031 | 423,901.64 | |
| Nashville State Community College | Higher Education_Institutional Aid | 84.031 | 259,182.39 | |
| Northeast State Community College | Higher Education_Institutional Aid | 84.031 | 59,900.00 | |
| Southwest Tennessee Community College | Higher Education_Institutional Aid | 84.031 | 214,530.29 | |
| Tennessee State University | Higher Education_Institutional Aid | 84.031 | 7,591,984.89 | 9,018,500.06 |
| Tennessee Student Assistance Corporation | Federal Family Education Loans | 84.032 | | 151,187,666.13 |
| Education | Career and Technical Education -- Basic Grants to States | 84.048 | | 22,619,520.12 |
| Austin Peay State University | Fund for the Improvement of Postsecondary Education | 84.116 | $ 78,973.09 | |
| Cleveland State Community College | Fund for the Improvement of Postsecondary Education | 84.116 | 83,391.87 | |
| East Tennessee State University | Fund for the Improvement of Postsecondary Education | 84.116 | 113,228.49 | |
| Middle Tennessee State University | Fund for the Improvement of Postsecondary Education | 84.116 | 350,166.04 | |
| Roane State Community College | Fund for the Improvement of Postsecondary Education | 84.116 | 157,595.62 | |
| University of Tennessee | Fund for the Improvement of Postsecondary Education | 84.116 | 1,627,127.48 | 2,410,482.59 |
| University of Memphis | Rehabilitation Long-Term Training | 84.129 | $ 177,438.99 | |
| University of Tennessee | Rehabilitation Long-Term Training | 84.129 | 276,566.52 | 454,005.51 |
| Education | Migrant Education_Coordination Program | 84.144 | | 219,844.52 |
| University of Tennessee | Business and International Education Projects | 84.153 | | 14,323.42 |
| Education | Safe and Drug-Free Schools and Communities_National Programs | 84.184 | $ 420,829.54 | |
| University of Tennessee | Safe and Drug-Free Schools and Communities_National Programs | 84.184 | 243,733.85 | 664,563.39 |
| Education | Safe and Drug-Free Schools and Communities_State Grants | 84.186 | | 742,282.16 |
| Human Services | Supported Employment Services for Individuals with the Most Significant Disabilities | 84.187 | | 504,282.00 |

**State of Tennessee**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2012**

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| University of Tennessee | Adult Education_National Leadership Activities | 84.191 | | 164,596.43 |
| Education | Even Start_State Educational Agencies | 84.213 | | 830,606.84 |
| Education | Fund for the Improvement of Education | 84.215 | | 215,945.24 |
| Human Services | Assistive Technology | 84.224 | | 462,824.53 |
| Education | Tech-Prep Education | 84.243 | | 936,122.06 |
| University of Tennessee | National Institute for Literacy | 84.257 | | 400,096.48 |
| Human Services | Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training | 84.265 | | 143,740.26 |
| Education | Charter Schools | 84.282 | | 5,647,330.37 |
| Education | Twenty-First Century Community Learning Centers | 84.287 | | 16,149,975.14 |
| Education | Special Education - State Personnel Development | 84.323 | | 1,019,244.17 |
| University of Memphis | Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | | 266,778.21 |
| University of Tennessee | Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 84.326 | | 580,473.85 |
| Education | Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) | 84.330 | | 259,803.00 |
| Correction | Grants to States for Workplace and Community Transition Training for Incarcerated Individuals | 84.331 | | 139,402.40 |
| East Tennessee State University | Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | $ 340,840.27 | |
| Tennessee Higher Education Commission | Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | 383,936.30 | |
| University of Tennessee | Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | 508,748.68 | 1,233,525.25 |
| East Tennessee State University | Child Care Access Means Parents in School | 84.335 | | 57,586.80 |
| Austin Peay State University | Transition to Teaching | 84.350 | $ 167,192.00 | |
| Education | Transition to Teaching | 84.350 | 52,295.60 | 219,487.60 |
| Tennessee Arts Commission | Arts in Education | 84.351 | | 206,503.67 |
| Education | Rural Education | 84.358 | | 5,223,155.69 |
| Education | English Language Acquisition State Grants | 84.365 | $ 5,533,511.84 | |
| University of Tennessee | English Language Acquisition State Grants | 84.365 | 8,153.60 | 5,541,665.44 |
| Education | Mathematics and Science Partnerships | 84.366 | | 1,981,305.12 |
| Education | Improving Teacher Quality State Grants | 84.367 | $ 42,178,223.22 | |
| Tennessee Higher Education Commission | Improving Teacher Quality State Grants | 84.367 | 939,404.30 | 43,117,627.52 |
| Education | Grants for State Assessments and Related Activities | 84.369 | | 8,329,313.47 |
| Tennessee Higher Education Commission | College Access Challenge Grant Program | 84.378 | | 2,600,854.98 |
| Education | ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | | 88,660,901.15 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Education | ARRA-State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act | 84.396 | | 265,700.33 |
| Education | ARRA-Education Jobs Fund | 84.410 | | 106,291,985.45 |
| Education | National Cooperative Education Statistic System-Basic Participation | 84 / ED-08-CO-0064 | | 1,035.14 |
| Education | NCES Task Order Contract: National Assessment of Educational Progress | 84 / ED-03-CO-0091 | | 120,429.09 |
| Education | State Data Task Order | 84 / UNKNOWN | | 16,741.34 |
| **Subtotal Direct Programs** | | | | $ 493,405,690.68 |
| **Passed Through Dekalb County School System** | | | | |
| Middle Tennessee State University | Career and Technical Education -- Basic Grants to States | 84.048 / C11-1280 | | $ 22,679.61 |
| **Passed Through National Commission on Teaching** | | | | |
| University of Memphis | Fund for the Improvement of Postsecondary Education | 84.116 / TLINC | | 15,000.00 |
| **Passed Through Community Anti-Drug Coalitions of America** | | | | |
| Jackson State Community College | Safe and Drug-Free Schools and Communities_National Programs | 84.184 / UNKNOWN | | 1,188.00 |
| **Passed Through Bedford County Department of Education** | | | | |
| Middle Tennessee State University | Fund for the Improvement of Education | 84.215 / U215X100126 | | 4,750.38 |
| **Passed Through Pennsylvania State University** | | | | |
| University of Tennessee | National Institute for Literacy | 84.257 / 4041-UTK-USDOE-0004 | | 16,058.07 |
| **Passed Through Edvantia** | | | | |
| University of Tennessee | Parental Information and Resource Centers | 84.310 / S-31000-07-004 | | 10,315.93 |
| **Passed Through California State University** | | | | |
| University of Tennessee | Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 84.326 / F11-2963UTK | | 98,546.52 |
| **Passed Through Memphis City Schools** | | | | |
| Southwest Tennessee Community College | Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 / UNKNOWN | $ 77,132.92 | |
| University of Memphis | Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 / PO 05 00739 Z 05 | 52,781.72 | 129,914.64 |
| University of Memphis | Memphis Career Connections (MC2) | 84 / 2010 0789 | | 12,475.38 |
| **Passed Through Signal Centers, Incorporated** | | | | |
| University of Tennessee | Child Care Access Means Parents in School | 84.335 / CCR & R | | 497,448.21 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through Drexel University** | | | | |
| University of Tennessee | Transition to Teaching | 84.350 / 213025 AMENDMENT # 1 | | 105,798.42 |
| **Passed Through University of Louisiana at Monroe** | | | | |
| University of Tennessee | Transition to Teaching | 84.350 / TEACH PROJECT | | 27,926.31 |
| **Passed Through Sallie B. Howard School** | | | | |
| University of Tennessee | Arts in Education | 84.351 / U351C090008 | | 184,088.04 |
| **Passed Through Alliance for Business and Training, Incorporated** | | | | |
| Northeast State Community College | College Access Challenge Grant Program | 84.378 / CAGC-GR1134839 | | 155,863.17 |
| **Passed Through Tennessee College Access and Success Network** | | | | |
| University of Tennessee | ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 / TCASN MODEL PROGRAM | | 15,020.06 |
| **Passed Through National Writing Project Corporation** | | | | |
| Middle Tennessee State University | National Writing Project | 84.928 / 05-TN03 | $ 13,183.88 | |
| Tennessee Technological University | National Writing Project | 84.928 / 08-TN04 AMEND #3 | 10,416.15 | 23,600.03 |
| University of Tennessee | National Writing Project '10 Caruthers | 84 / 94-TN02 AMND #19 | | (545.45) |
| University of Tennessee | National Writing Project '11 Caruthers | 84 / 94-TN02 AMND #20 | | 11,401.58 |
| University of Tennessee | National Writing Project '12 Caruthers | 84 / 94-TN02 | | 36,823.50 |
| University of Tennessee | National Writing Project '12 Program Income | 84 / 94-TN02 | | 1,187.74 |
| **Passed Through Clinton City Schools** | | | | |
| University of Tennessee | Clinton City Schools Consultation Spence | 84 / CHILD NUTRITION CONS | | (93.68) |
| **Subtotal Pass-Through Programs** | | | | $ 1,369,446.46 |
| **Subtotal Department of Education** | | | | $ 494,775,137.14 |
| **National Archives and Records Administration** | | | | |
| **Direct Programs** | | | | |
| State | National Historical Publications and Records Grants | 89.003 | $ 47,078.43 | |
| University of Tennessee | National Historical Publications and Records Grants | 89.003 | (1,124.80) | $ 45,953.63 |
| **Subtotal National Archives and Records Administration** | | | | $ 45,953.63 |
| **Delta Regional Authority** | | | | |
| **Direct Programs** | | | | |
| Economic and Community Development | Delta Regional Development | 90.200 | | $ 25,000.00 |
| **Subtotal Delta Regional Authority** | | | | $ 25,000.00 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **U.S. Election Assistance Commission** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Help America Vote College Program | 90.400 | | $ (0.19) |
| State | Help America Vote Act Requirements Payments | 90.401 | | 1,023,115.34 |
| **Subtotal U.S. Election Assistance Commission** | | | | $ 1,023,115.15 |
| **Department of Health and Human Services** | | | | |
| **Direct Programs** | | | | |
| Commission on Aging and Disability | Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | | $ 78,486.00 |
| Commission on Aging and Disability | Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals | 93.042 | | 343,066.00 |
| Commission on Aging and Disability | Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services | 93.043 | | 456,700.00 |
| Commission on Aging and Disability | Special Programs for the Aging_Title IV_and Title II_ Discretionary Projects | 93.048 | | 257,613.28 |
| Commission on Aging and Disability | Alzheimer's Disease Demonstration Grants to States | 93.051 | | 249,840.97 |
| Commission on Aging and Disability | National Family Caregiver Support, Title III, Part E | 93.052 | | 2,819,723.00 |
| Health | Public Health Emergency Preparedness | 93.069 | | 10,787,280.18 |
| Health | Environmental Public Health and Emergency Response | 93.070 | | 486,896.29 |
| Commission on Aging and Disability | Lifespan Respite Care Program | 93.072 | | 133,191.38 |
| University of Tennessee | Healthy Marriage Promotion and Responsible Fatherhood Grants | 93.086 | | 193,730.76 |
| Mental Health | Enhance Safety of Children Affected by Substance Abuse | 93.087 | | 417,010.48 |
| Children's Services | Guardianship Assistance | 93.090 | $ 1,860,166.90 | |
| Children's Services | ARRA-Guardianship Assistance | 93.090 | (2,032.96) | 1,858,133.94 |
| Health | Food and Drug Administration_ Research | 93.103 | $ 4,318.66 | |
| University of Tennessee | Food and Drug Administration_ Research | 93.103 | 499,701.87 | 504,020.53 |
| Mental Health | Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 93.104 | | 4,256,621.69 |
| Health | Maternal and Child Health Federal Consolidated Programs | 93.110 | $ 210,411.09 | |
| University of Tennessee | Maternal and Child Health Federal Consolidated Programs | 93.110 | 251,531.89 | 461,942.98 |
| Health | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | | 1,129,335.09 |
| University of Tennessee | Oral Diseases and Disorders Research | 93.121 | | 4,581.20 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| University of Tennessee | Nurse Anesthetist Traineeships | 93.124 | $ 14,773.50 | |
| University of Tennessee | ARRA-Nurse Anesthetist Traineeships | 93.124 | 23,095.00 | 37,868.50 |
| Health | Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | 93.130 | | 157,938.30 |
| Health | Injury Prevention and Control Research and State and Community Based Programs | 93.136 | | 580,904.58 |
| Mental Health | Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | | 864,272.04 |
| University of Tennessee | Centers of Excellence | 93.157 | | 1,163,203.06 |
| Health | Grants to States for Loan Repayment Program | 93.165 | | 140,488.00 |
| University of Tennessee | Nursing Workforce Diversity | 93.178 | | 306,931.14 |
| University of Tennessee | Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | | 27,583.97 |
| Health | Surveillance of Hazardous Substance Emergency Events | 93.204 | | 153,642.74 |
| Health | Family Planning_Services | 93.217 | | 7,810,841.65 |
| Health | Traumatic Brain Injury State Demonstration Grant Program | 93.234 | | 249,660.95 |
| Health | Affordable Care Act (ACA) Abstinence Education Program | 93.235 | | 732,409.70 |
| Health | State Capacity Building | 93.240 | | 198,653.26 |
| Health | State Rural Hospital Flexibility Program | 93.241 | | 369,950.24 |
| Court System | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | $ 248,805.93 | |
| Mental Health | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 5,325,803.41 | |
| University of Memphis | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 77,381.88 | |
| University of Tennessee | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 1,761,941.55 | 7,413,932.77 |
| East Tennessee State University | Advanced Nursing Education Grant Program | 93.247 | $ 258,282.44 | |
| University of Memphis | Advanced Nursing Education Grant Program | 93.247 | 212,248.99 | |
| University of Tennessee | Advanced Nursing Education Grant Program | 93.247 | 1,400,265.62 | 1,870,797.05 |
| Health | Universal Newborn Hearing Screening | 93.251 | | 288,368.45 |
| Health | Adult Viral Hepatitis Prevention and Control | 93.270 | | 135,796.77 |
| University of Tennessee | Alcohol National Research Service Awards for Research Training | 93.272 | | 24,673.74 |
| University of Tennessee | Drug Abuse and Addiction Research Programs | 93.279 | | (2,640.53) |
| Health | The Affordable Care Act: Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.283 | | 7,016,306.05 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Health | State Partnership Grant Program to Improve Minority Health | 93.296 | | 129,713.40 |
| Health | Small Rural Hospital Improvement Grant Program | 93.301 | | 368,054.02 |
| East Tennessee State University | Advanced Education Nursing Traineeships | 93.358 | $ 71,253.93 | |
| University of Memphis | Advanced Education Nursing Traineeships | 93.358 | 34,776.00 | |
| University of Tennessee | Advanced Education Nursing Traineeships | 93.358 | 155,456.00 | 261,485.93 |
| East Tennessee State University | Nurse Education, Practice Quality and Retention Grants | 93.359 | $ 278,840.80 | |
| University of Tennessee | Nurse Education, Practice Quality and Retention Grants | 93.359 | 835,801.17 | 1,114,641.97 |
| University of Tennessee | National Center for Research Resources | 93.389 | | 148,989.43 |
| University of Tennessee | Cancer Detection and Diagnosis Research | 93.394 | | 10,150.00 |
| East Tennessee State University | Cancer Research Manpower | 93.398 | | 274,820.33 |
| Roane State Community College | ARRA-Equipment to Enhance Training for Health Professionals | 93.411 | $ 16,552.00 | |
| University of Tennessee | ARRA-Equipment to Enhance Training for Health Professionals | 93.411 | 115,652.80 | 132,204.80 |
| Health | ARRA-State Primary Care Offices | 93.414 | | 57.40 |
| Health | Pregnancy Assistance Fund Program | 93.500 | | 142,958.95 |
| Health | Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | | 1,795,325.03 |
| Health | PPHF 2012 National Public Health Improvement Initiative | 93.507 | | 342,222.18 |
| Commerce and Insurance | Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review | 93.511 | | 169,225.12 |
| East Tennessee State University | ARRA-Affordable Care Act (ACA) Advanced Nursing Education Expansion Initiative | 93.513 | | 103,032.00 |
| East Tennessee State University | ARRA-Affordable Care Act (ACA) Nurse-Managed Health Clinics | 93.515 | | 414,577.88 |
| East Tennessee State University | Affordable Care Act (ACA) Public Health Training Centers Program, Resources Development and Academic Support to the Public Health Training Centers Program and Public Health Infrastructure and Systems Support | 93.516 | | 623,737.46 |
| Commission on Aging and Disability | Affordable Care Act - Medicare Improvements for Patients and Providers | 93.518 | | 373,620.43 |
| Commerce and Insurance | Affordable Care Act (ACA) - Consumer Assistance Program Grant | 93.519 | | 22,785.96 |
| Health | The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF | 93.521 | | 772,436.60 |
| Finance and Administration | State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges | 93.525 | | 296,315.45 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| East Tennessee State University | ARRA-Affordable Care Act (ACA) Grants for Capital Development in Health Centers | 93.526 | $ 3,815,686.65 | |
| Health | Affordable Care Act (ACA) Grants for Capital Development in Health Centers | 93.526 | 2,708,042.46 | 6,523,729.11 |
| Health | The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program | 93.544 | | 167,975.37 |
| Children's Services | Promoting Safe and Stable Families | 93.556 | | 9,348,720.10 |
| Human Services | Child Support Enforcement | 93.563 | | 35,103,306.26 |
| Human Services | Child Support Enforcement Research | 93.564 | | 235,724.40 |
| Human Services | Low-Income Home Energy Assistance | 93.568 | | 62,579,383.03 |
| Court System | State Court Improvement Program | 93.586 | | 575,167.66 |
| Children's Services | Community-Based Child Abuse Prevention Grants | 93.590 | | 755,218.84 |
| Human Services | Grants to States for Access and Visitation Programs | 93.597 | | 160,932.46 |
| Children's Services | Chafee Education and Training Vouchers Program (ETV) | 93.599 | | 718,484.99 |
| State | Voting Access for Individuals with Disabilities_Grants to States | 93.617 | | 147,957.39 |
| Intellectual and Developmental Disabilities | Developmental Disabilities Basic Support and Advocacy Grants | 93.630 | | 1,493,319.11 |
| University of Tennessee | University Centers for Excellence in Developmental Disabilities Education, Research, and Service | 93.632 | | 552,354.95 |
| Children's Services | Children's Justice Grants to States | 93.643 | | 325,706.76 |
| Children's Services | Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | | 7,301,892.32 |
| University of Tennessee | Child Welfare Research Training or Demonstration | 93.648 | | 763,531.33 |
| Children's Services | Foster Care_Title IV-E | 93.658 | $ 36,655,836.75 | |
| Children's Services | ARRA-Foster Care_Title IV-E | 93.658 | 4,588.61 | 36,660,425.36 |
| Children's Services | Adoption Assistance | 93.659 | $ 33,539,817.18 | |
| Children's Services | ARRA-Adoption Assistance | 93.659 | (90,644.84) | 33,449,172.34 |
| Human Services | Social Services Block Grant | 93.667 | | 28,843,105.01 |
| Children's Services | Child Abuse and Neglect State Grants | 93.669 | | 508,459.00 |
| Finance and Administration | Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes | 93.671 | | 1,800,302.84 |
| Children's Services | Chafee Foster Care Independence Program | 93.674 | | 1,180,659.46 |
| University of Tennessee | ARRA-Trans-NIH Recovery Act Research Support | 93.701 | | 65,257.92 |
| East Tennessee State University | ARRA-Grants to Health Center Programs | 93.703 | $ 241,440.83 | |
| Health | ARRA-Grants to Health Center Programs | 93.703 | 37,011.94 | 278,452.77 |
| Health | ARRA-Preventing Healthcare-Associated Infections | 93.717 | | 441,437.24 |
| Finance and Administration | ARRA-State Grants to Promote Health Information Technology | 93.719 | | 725,883.10 |
| Health | ARRA-Prevention and Wellness-State, Territories and Pacific Islands | 93.723 | | 1,157,843.31 |
| Commission on Aging and Disability | ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program | 93.725 | | 339,597.14 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Finance and Administration | Children's Health Insurance Program | 93.767 | | 118,816,130.84 |
| Commission on Aging and Disability | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.779 | $ 1,203,601.64 | |
| Mental Health | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.779 | 36,899.28 | 1,240,500.92 |
| Finance and Administration | Money Follows the Person Rebalancing Demonstration | 93.791 | | 1,046,606.59 |
| University of Tennessee | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | 164,649.96 |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 | | 81,588.26 |
| Tennessee State University | Biomedical Research and Research Training | 93.859 | $ 82,189.14 | |
| University of Tennessee | Biomedical Research and Research Training | 93.859 | 940,251.32 | 1,022,440.46 |
| University of Tennessee | Aging Research | 93.866 | | 17,037.36 |
| University of Tennessee | Vision Research | 93.867 | | 22,612.72 |
| East Tennessee State University | Grants for Primary Care Training and Enhancement | 93.884 | | 502,040.97 |
| Health | Health Care and Other Facilities | 93.887 | $ 93,360.00 | |
| Southwest Tennessee Community College | Health Care and Other Facilities | 93.887 | 112,151.25 | |
| University of Memphis | Health Care and Other Facilities | 93.887 | (303,484.00) | (97,972.75) |
| Health | National Bioterrorism Hospital Preparedness Program | 93.889 | | 6,458,653.38 |
| Tennessee State University | Family and Community Violence Prevention Program | 93.910 | | 315,792.84 |
| Health | Grants to States for Operation of Offices of Rural Health | 93.913 | | 173,605.91 |
| Health | HIV Care Formula Grants | 93.917 | | 22,172,827.87 |
| Education | Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 93.938 | | 272,853.98 |
| Health | HIV Prevention Activities_Health Department Based | 93.940 | | 4,118,241.67 |
| Health | HIV Demonstration, Research, Public and Professional Education Projects | 93.941 | | (586.00) |
| Health | Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups | 93.943 | | 1,215,954.15 |
| Health | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 93.944 | | 934,099.13 |
| Health | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 93.946 | | 105,256.63 |
| Mental Health | Block Grants for Community Mental Health Services | 93.958 | | 9,767,697.94 |
| Mental Health | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | 32,238,138.60 |
| Health | Preventive Health Services_Sexually Transmitted Diseases Control Grants | 93.977 | | 2,836,996.87 |
| Mental Health | Mental Heath Disaster Assistance and Emergency Mental Health | 93.982 | | 1,340,402.22 |
| Health | Preventive Health and Health Services Block Grant | 93.991 | | 1,470,714.26 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Health | Maternal and Child Health Services Block Grant to the States | 93.994 | | 10,653,591.35 |
| **Subtotal Direct Programs** | | | | $ 510,569,986.24 |
| **Passed Through Vanderbilt University** | | | | |
| Tennessee State University | Maternal and Child Health Federal Consolidated Programs | 93.110 / 5T83MC00008-56-00 | $ 36,508.80 | |
| Tennessee State University | Maternal and Child Health Federal Consolidated Programs | 93.110 / T73 MC00050 | 10,111.00 | |
| University of Tennessee | Maternal and Child Health Federal Consolidated Programs | 93.110 / VUMC6915 | 8,008.26 | $ 54,628.06 |
| **Passed Through National Partnership for Environmental Technology Education** | | | | |
| University of Tennessee | NIEHS Hazardous Waste Worker Health and Safety Training | 93.142 / 10421 | $ 14,468.55 | |
| University of Tennessee | NIEHS Hazardous Waste Worker Health and Safety Training | 93.142 / 10453 | 83,825.08 | 98,293.63 |
| **Passed Through University of Cincinnati** | | | | |
| University of Tennessee | NIEHS Hazardous Waste Worker Health and Safety Training | 93.142 / 5U45ES006184-18 | $ (5,418.36) | |
| University of Tennessee | NIEHS Hazardous Waste Worker Health and Safety Training | 93.142 / 7038 | 23,504.07 | |
| University of Tennessee | NIEHS Hazardous Waste Worker Health and Safety Training | 93.142 / 007038 | 236,044.32 | 254,130.03 |
| **Passed Through Community Health Network** | | | | |
| East Tennessee State University | Telehealth Programs | 93.211 / 6H2AIT16623 | | 56,740.90 |
| **Passed Through Morehouse School of Medicine** | | | | |
| Tennessee State University | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 / TI-020447 | | 9,596.42 |
| **Passed Through United Way of Chattanooga** | | | | |
| University of Tennessee | ARRA-Alcohol Research Programs | 93.273 / GOLD SNEAKER PROJECT | | 16,004.69 |
| **Passed Through Meharry Medical College** | | | | |
| Tennessee State University | The Affordable Care Act: Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.283 / 5U84DD000443 03 | | 1,742.95 |
| Tennessee State University | PPHF-2012 Geriatric Education Centers | 93.969 / 1UB4HP19055-01 | $ 3.61 | |
| Tennessee State University | PPHF-2012 Geriatric Education Centers | 93.969 / 5UB4HP19055-02-00 | 8,523.15 | 8,526.76 |
| **Passed Through Pitt Community College** | | | | |
| Dyersburg State Community College | ARRA-State Grants to Promote Health Information Technology | 93.719 / 90CC0078/01 | | 228,783.36 |
| Chattanooga State Community College | ARRA-Health Information Technology Professionals in Health Care | 93.721 / 90CC0078/01 | $ 250,624.58 | |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Chattanooga State Community College | ARRA-Health Information Technology Professionals in Health Care | 93.721 / 90CC0078/02-04 | 74,672.39 | |
| Walters State Community College | ARRA-Health Information Technology Professionals in Health Care | 93.721 / 90CC0078/01 | 279,716.69 | 605,013.66 |
| **Passed Through Carnegie Mellon University** | | | | |
| Tennessee State University | Biomedical Research and Research Training | 93.859 / 1T36GM095335-01 | $ 31,199.53 | |
| Tennessee State University | Biomedical Research and Research Training | 93.859 / 5T36GM095335-02 | 477.04 | 31,676.57 |
| **Passed Through Stone Mountain Health Services** | | | | |
| East Tennessee State University | Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program | 93.912 / 1G98RH19720 | | 11,436.55 |
| **Passed Through United Way of the Mid-South** | | | | |
| University of Memphis | HIV Prevention Activities_Health Department Based | 93.940 / UWROYHIV 12 | $ 2,047.86 | |
| University of Memphis | HIV Prevention Activities_Health Department Based | 93.940 / UWROYHIV 11 | 23,357.55 | 25,405.41 |
| **Passed Through University of Kentucky Research Foundation** | | | | |
| East Tennessee State University | PPHF-2012 Geriatric Education Centers | 93.969 / 3048108629-12-384 | | 91,496.21 |
| **Passed Through Douglas-Cherokee Economic Authority** | | | | |
| University of Tennessee | Douglas-Cherokee Econ Authority Campbell | 93 / TEEN PREGNANCY PREVE | | 2,403.49 |
| **Passed Through Signal Centers, Incorporated** | | | | |
| University of Tennessee | Signal Centers Inc PSAM Campbell FY12 | 93 / PSAM DATABASE MAINTE | | 4,358.14 |
| **Passed Through Slippery Rock University** | | | | |
| Tennessee Technological University | Slippery Rock University I can Do It, You can Do It! Upper Cumberland Expansion | 93 / HHSP233200844EC AMENDMENT 2 | | 11,531.89 |
| **Subtotal Pass-Through Programs** | | | | $ 1,511,768.72 |
| **Subtotal Department of Health and Human Services** | | | | $ 512,081,754.96 |
| **Corporation for National and Community Service** | | | | |
| **Direct Programs** | | | | |
| Finance and Administration | State Commissions | 94.003 | | $ 369,453.75 |
| Finance and Administration | Learn and Serve America_School and Community Based Programs | 94.004 | | 251,583.75 |
| Dyersburg State Community College | AmeriCorps | 94.006 | $ 5,350.00 | |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Finance and Administration | AmeriCorps | 94.006 | 3,645,886.84 | 3,651,236.84 |
| Finance and Administration | Program Development and Innovation Grants | 94.007 | | 38,736.10 |
| Finance and Administration | Training and Technical Assistance | 94.009 | | 87,191.68 |
| **Subtotal Corporation for National and Community Service** | | | | $ 4,398,202.12 |
| **Department of Homeland Security** | | | | |
| **Direct Programs** | | | | |
| Tennessee Wildlife Resources Agency | Boating Safety Financial Assistance | 97.012 | | $ 1,744,645.41 |
| Military | Pre-Disaster Mitigation (PDM) Competitive Grants | 97.017 | | 1,015,589.73 |
| Economic and Community Development | Community Assistance Program State Support Services Element (CAP-SSSE) | 97.023 | | 179,905.11 |
| Military | Flood Mitigation Assistance | 97.029 | | 1,767,956.34 |
| Labor and Workforce Development | Disaster Unemployment Assistance | 97.034 | | 102,390.11 |
| Military | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | | 109,195,087.80 |
| Military | Hazard Mitigation Grant | 97.039 | | 18,275,516.90 |
| Environment and Conservation | National Dam Safety Program | 97.041 | | 74,369.89 |
| Military | Emergency Management Performance Grants | 97.042 | | 5,564,836.97 |
| Commerce and Insurance | State Fire Training Systems Grants | 97.043 | | 18,302.40 |
| Commerce and Insurance | Assistance to Firefighters Grant | 97.044 | | 2,853.25 |
| Military | Pre-Disaster Mitigation | 97.047 | | 236,261.66 |
| Southwest Tennessee Community College | Scientific Leadership Awards | 97.062 | | 66,216.87 |
| Military | Homeland Security Grant Program | 97.067 | | 20,380,265.09 |
| University of Memphis | Competitive Training Grant | 97.068 | | (120.55) |
| Economic and Community Development | Map Modernization Management Support | 97.070 | | 87,500.00 |
| Military | Buffer Zone Protection Program (BZPP) | 97.078 | | 1,424,220.51 |
| Military | Earthquake Consortium | 97.082 | | 52,519.73 |
| Safety | Driver's License Security Grant Program | 97.089 | | 912,004.47 |
| University of Memphis | Degrees at a Distance Program | 97.103 | | 9,357.19 |
| Military | Interoperable Communications and Training Project | 97.124 | | 593,339.73 |
| University of Tennessee | HLS 08GTT8K021 Food-Thompson | 97 / 2008GTT8K021 | | 382,763.18 |
| University of Tennessee | HLS 08GTT8K026 Animal-Thompson | 97 / 2008GTT8K026 | | 246,417.14 |
| University of Tennessee | HLS 10DMT0K004 Asmnt Trng 2010-Thompson | 97 / 2010DMT0K004 | | 80,472.14 |
| **Subtotal Direct Programs** | | | | $ 162,412,671.07 |
| **Passed Through Eastern Kentucky University** | | | | |
| East Tennessee State University | State and Local Homeland Security National Training Program | 97.005 / UNKNOWN | | $ 350,147.08 |
| **Passed Through Alabama Emergency Management Agency** | | | | |
| Military | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 / EMAC ALABAMA DR-1971 | | 24,257.35 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through City of Knoxville** | | | | |
| University of Tennessee | Homeland Security Grant Program | 97.067 / C-10-0091 | | 10,241.25 |
| **Passed Through Shelby County Government** | | | | |
| University of Memphis | Homeland Security Grant Program | 97.067 / PO S005387 | $ 641,774.85 | |
| University of Memphis | Homeland Security Grant Program | 97.067 / PO S006423 | 22,530.37 | 664,305.22 |
| **Subtotal Pass-Through Programs** | | | | $ 1,048,950.90 |
| **Subtotal Department of Health and Human Services** | | | | $ 163,461,621.97 |
| **Agency for International Development** | | | | |
| **Passed Through Purdue University** | | | | |
| Tennessee State University | USAID Foreign Assistance for Programs Overseas | 98.001 / EPP-A-00-09-00004 | | $ 4,462.80 |
| Tennessee State University | USAID Development Partnerships for University Cooperation and Development | 98.012 / 306-A-00-11-00516-00 | | 5,271.88 |
| **Subtotal Agency for International Development** | | | | $ 9,734.68 |
| **Other Federal Assistance** | | | | |
| **Office of National Drug Control Policy** | | | | |
| **Passed Through Laurel County Fiscal Court** | | | | |
| Safety | Appalachia High Intensity Drug Trafficking Area | 07 / I5PAPP501 | $ 72,538.27 | |
| Tennessee Bureau of Investigation | Appalachia High Intensity Drug Trafficking Area | 07 / C10-03-10-08-06 | 19,747.50 | |
| Tennessee Bureau of Investigation | Appalachia High Intensity Drug Trafficking Area | 07 / G11AP0001A | 136,782.94 | |
| Tennessee Bureau of Investigation | Appalachia High Intensity Drug Trafficking Area | 07 / G12AP0001A | 124,835.26 | $ 353,903.97 |
| **Subtotal Office of National Drug Control Policy** | | | | $ 353,903.97 |
| **Tennessee Valley Authority** | | | | |
| **Direct Programs** | | | | |
| Pellissippi State Community College | Tennessee Valley Region_Economic Development | 62.004 | | $ 88,585.97 |
| Military | Tennessee Valley Authority Emergency Preparedness | 62 / FY2010-2014 TVA AWARD | $ 2,451,298.10 | |
| Military | Tennessee Valley Authority Emergency Preparedness | 62 / TVA FFY 2010 AWARD | (761,468.62) | |
| Military | Tennessee Valley Authority Emergency Preparedness | 62 / TVA2009 | (14,485.12) | 1,675,344.36 |
| Southwest Tennessee Community College | Minority, Small Business and Women Entrepreneur Grant | 62 / 299060 | | 6,000.00 |
| Tennessee Technological University | Diversity Alliance Partnership | 62 / 299056 | | 3,424.23 |
| University of Tennessee | TVA - Solar Farm 8500021516 - Patterson | 62 / 8500021516 | | 16,980.08 |
| University of Tennessee | TVA- 8500020705 - Patterson | 62 / 8500020705 | | 513.00 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| University of Tennessee | TVA PO 267095 Sullivan | 62 / PO 267095 | | 204.53 |
| University of Tennessee | TVA Release 25 - Gangaware | 62 / PO 81093 | | (51.20) |
| University of Tennessee | TVA Release 55 - Gangaware | 62 / PO 92321 | | 10,044.74 |
| University of Tennessee | TVA-Women Minority Business | 62 / 3823 | $ 1,882.80 | |
| University of Tennessee | TVA-Women Minority Business | 62 / 299068 | 19,625.73 | 21,508.53 |
| **Subtotal Tennessee Valley Authority** | | | | $ 1,822,554.24 |
| **Nuclear Regulatory Commission** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | U.S. Nuclear Regulatory Commission Nuclear Education Grant Program | 77.006 | | $ 20,250.30 |
| Chattanooga State Community College | U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | 77.008 | $ 1,137.20 | |
| University of Tennessee | U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | 77.008 | 343,821.91 | 344,959.11 |
| Tennessee State University | Minority Serving Institutions Technical Assistance & Capacity Building Conference | 77 / NRC-27-10-510 | | 21,636.84 |
| **Subtotal Direct Programs** | | | | $ 386,846.25 |
| **Passed Through Southern University** | | | | |
| University of Tennessee | SouthernUnivOSP-02-8300-2012-0011 Miller | 77 / OSP-02-8300-2012-011 | | $ 27,242.65 |
| **Subtotal Pass-Through Programs** | | | | $ 27,242.65 |
| **Subtotal Nuclear Regulatory Commission** | | | | $ 414,088.90 |
| **Subtotal Other Federal Assistance** | | | | $ 2,590,547.11 |
| **Total Unclustered Programs** | | | | $ 3,030,515,036.57 |
| **Research and Development Cluster** | | | | |
| **Department of Agriculture** | | | | |
| **Agricultural Research Service** | | | | |
| **Direct Programs** | | | | |
| Tennessee State University | Agricultural Research_Basic and Applied Research | 10.001 | $ 394,463.68 | |
| University of Memphis | Agricultural Research_Basic and Applied Research | 10.001 | 345.84 | |
| University of Tennessee | Agricultural Research_Basic and Applied Research | 10.001 | 996,914.02 | $ 1,391,723.54 |
| **Subtotal Agricultural Research Service** | | | | $ 1,391,723.54 |
| **Animal and Plant Health Inspection Service** | | | | |
| **Direct Programs** | | | | |
| Tennessee State University | Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | | $ 27,006.48 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Animal and Plant Health Inspection Service** | | | | $ 27,006.48 |
| **Economic Research Service** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations | 10.250 | | $ 6,011.06 |
| **Subtotal Economic Research Service** | | | | $ 6,011.06 |
| **Food and Nutrition Service** | | | | |
| **Passed Through Metropolitan Government of Nashville and Davidson County** | | | | |
| Tennessee State University | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 / GG1030160-01 | | $ 2,800.73 |
| **Subtotal Food and Nutrition Service** | | | | $ 2,800.73 |
| **Forest Service** | | | | |
| **Direct Programs** | | | | |
| University of Memphis | Forestry Research | 10.652 | $ 2,589.37 | |
| University of Tennessee | Forestry Research | 10.652 | 52,268.73 | $ 54,858.10 |
| University of Tennessee | Forest Health Protection | 10.680 | | 132,884.73 |
| **Subtotal Direct Programs** | | | | $ 187,742.83 |
| **Passed Through National Fish and Wildlife Foundation** | | | | |
| University of Tennessee | National Fish and Wildlife Foundation | 10.683 / 2010-0005-000 | $ 104,094.64 | |
| University of Tennessee | National Fish and Wildlife Foundation | 10.683 / 2011-0065-000/25760 | 349,721.68 | $ 453,816.32 |
| **Subtotal Pass-Through Programs** | | | | $ 453,816.32 |
| **Subtotal Forest Service** | | | | $ 641,559.15 |
| **National Institute of Food and Agriculture** | | | | |
| **Direct Programs** | | | | |
| Middle Tennessee State University | Grants for Agricultural Research, Special Research Grants | 10.200 | $ 31,659.26 | |
| University of Tennessee | Grants for Agricultural Research, Special Research Grants | 10.200 | 1,305,955.66 | $ 1,337,614.92 |
| Tennessee State University | Cooperative Forestry Research | 10.202 | | 63,176.40 |
| Tennessee State University | Payments to 1890 Land-Grant Colleges and Tuskegee University | 10.205 | | 3,599,589.63 |
| Tennessee State University | Grants for Agricultural Research_ Competitive Research Grants | 10.206 | $ (1,135.50) | |
| University of Tennessee | Grants for Agricultural Research_ Competitive Research Grants | 10.206 | 479,828.73 | 478,693.23 |
| Tennessee State University | 1890 Institution Capacity Building Grants | 10.216 | | 870,543.51 |
| University of Tennessee | Higher Education Challenge Grants | 10.217 | | 22,411.58 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| University of Tennessee | Biotechnology Risk Assessment Research | 10.219 | | 119,924.93 |
| Tennessee State University | Integrated Programs | 10.303 | $ 286,108.61 | |
| University of Tennessee | Integrated Programs | 10.303 | 316,003.57 | 602,112.18 |
| University of Tennessee | Organic Agriculture Research and Extension Initiative | 10.307 | | 42,125.58 |
| University of Tennessee | Specialty Crop Research Initiative | 10.309 | | 7,694.46 |
| Tennessee State University | Agriculture and Food Research Initiative (AFRI) | 10.310 | $ 903,974.70 | |
| University of Tennessee | Agriculture and Food Research Initiative (AFRI) | 10.310 | 1,597,582.25 | 2,501,556.95 |
| University of Tennessee | Sun Grant Program | 10.320 | | 165,478.92 |
| **Subtotal Direct Programs** | | | | $ 9,810,922.29 |
| **Passed Through Oklahoma State University** | | | | |
| University of Tennessee | Grants for Agricultural Research, Special Research Grants | 10.200 / AB-5-67940-UTN | | $ 1,423.66 |
| **Passed Through South Dakota State University** | | | | |
| University of Tennessee | Grants for Agricultural Research, Special Research Grants | 10.200 / 3TF050 | | (25.65) |
| University of Tennessee | Grants for Agricultural Research_ Competitive Research Grants | 10.206 / 3TN017 | | 3,061.01 |
| University of Tennessee | Sun Grant Program | 10.320 / ADVANCED ACCOUNT | | 5,261.76 |
| **Passed Through University of Florida** | | | | |
| University of Tennessee | Grants for Agricultural Research, Special Research Grants | 10.200 / PO 1200139947 | | 7,838.54 |
| University of Tennessee | Specialty Crop Research Initiative | 10.309 / UF 11284 | | 1,210.50 |
| **Passed Through University of Hawaii** | | | | |
| University of Tennessee | Grants for Agricultural Research, Special Research Grants | 10.200 / PO Z960240 | | 35,150.84 |
| University of Tennessee | Biotechnology Risk Assessment Research | 10.219 / 2889453 | | 23,374.05 |
| **Passed Through University of Kentucky** | | | | |
| University of Tennessee | Grants for Agricultural Research, Special Research Grants | 10.200 / 304810659010143 | | 1,205.08 |
| University of Tennessee | Biotechnology Risk Assessment Research | 10.219 / 304803920007119 | | 6,109.85 |
| **Passed Through Kansas State University** | | | | |
| University of Tennessee | Grants for Agricultural Research_ Competitive Research Grants | 10.206 / S09032 | | 4,750.35 |
| **Passed Through University of Kentucky Research Foundation** | | | | |
| University of Memphis | Grants for Agricultural Research_ Competitive Research Grants | 10.206 / 3048105000-09-275 | | 46,656.26 |
| **Passed Through University of Nebraska** | | | | |
| University of Tennessee | Grants for Agricultural Research_ Competitive Research Grants | 10.206 / 2562420086004 | | 541.70 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through University of Georgia** | | | | |
| University of Tennessee | Sustainable Agriculture Research and Education | 10.215 / RD309-109/4787876 | | 7,035.44 |
| **Passed Through Virginia State University** | | | | |
| Tennessee State University | 1890 Institution Capacity Building Grants | 10.216 / 2010-38821-21614 | | 600.00 |
| **Passed Through North Carolina State University** | | | | |
| University of Tennessee | Integrated Programs | 10.303 / ADVANCED ACCOUNT | $ 34,232.36 | |
| University of Tennessee | Integrated Programs | 10.303 / 2011-2893-01 | 11,128.55 | 45,360.91 |
| **Passed Through Texas A&M University** | | | | |
| Tennessee State University | Integrated Programs | 10.303 / 2008-51130-19537 | | (16,441.81) |
| **Passed Through University of Arkansas at Pine Bluff** | | | | |
| Tennessee State University | Integrated Programs | 10.303 / 2008-51110-19303 | | 11,739.43 |
| **Passed Through Virginia Polytechic Institute and State University** | | | | |
| University of Tennessee | Integrated Programs | 10.303 / 545850-19121 | | 18,555.05 |
| **Passed Through Cornell University** | | | | |
| University of Tennessee | Specialty Crop Research Initiative | 10.309 / 613414-9392 YEAR 2 | | 81,263.59 |
| **Passed Through Washington State University** | | | | |
| University of Tennessee | Specialty Crop Research Initiative | 10.309 / 112674-G002611 | | 134,787.18 |
| University of Tennessee | Agriculture and Food Research Initiative (AFRI) | 10.310 / 115334 G002889 | | 90,288.91 |
| **Subtotal Pass-Through Programs** | | | | $ 509,746.65 |
| **Subtotal National Institute of Food and Agriculture** | | | | $ 10,320,668.94 |
| **Natural Resources Conservation Service** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Soil and Water Conservation | 10.902 | | $ 35,849.36 |
| Tennessee Technological University | Soil Survey | 10.903 | $ 2,121.86 | |
| University of Tennessee | Soil Survey | 10.903 | 484,066.08 | 486,187.94 |
| University of Tennessee | Environmental Quality Incentives Program | 10.912 | | 128,278.48 |
| **Subtotal Natural Resources Conservation Service** | | | | $ 650,315.78 |
| **Other Programs** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Long Term Standing Agreements For Storage, Transportation And Lease | 10.999 | | $ 47,871.29 |
| Austin Peay State University | USDA Forest Service, Land Between the Lakes Botany Survey | 10 / 11-PA-11086000-017 | | 1,225.37 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| Tennessee State University | Attractiveness of Girdled Walnut to Bark and Ambrosia Beetles | 10 / 11-CR-11242310-061 | 9,543.39 |
| University of Tennessee | Delta Regional Authority Sub-USDA-Wa | 10 / UNKNOWN | 8,818.11 |
| University of Tennessee | NRCS 693A759133 Grazing-Keyser | 10 / 693A759133 | 258,316.47 |
| University of Tennessee | TAES Hatch McIntire Stennis | 10 / HATCH | (922.94) |
| University of Tennessee | USDA - NCRS - CESU - Gale | 10 / 68-7482-11-514 | 2,595.87 |
| University of Tennessee | USDA 085521518799 After School-Moussa | 10 / 20085521518799 | 26,062.95 |
| University of Tennessee | USDA APHIS Improving TN Hemlock-Grant | 10 / 10-8247-0723-CA | 164,071.52 |
| University of Tennessee | USDA APHIS Parasitoids Ash Borer-Grant | 10 / 11-8130-0079-CA | 5,801.55 |
| University of Tennessee | USDA ARS Ag Support 2011-Arelli | 10 / 58-6402-2-111 | 49,669.84 |
| University of Tennessee | USDA ARS Pathogens-Horvath | 10 / 58-1230-0-466 | 2,116.72 |
| University of Tennessee | USDA FS 07CR11330134108 Neotrpcl-Franzre | 10 / 07CR11330134108 | 40.29 |
| University of Tennessee | USDA FS 09CA11330131043 Swtgum CRC-Labbe | 10 / 09CA11330131043 | 32,993.49 |
| University of Tennessee | USDA FS 09CR11330134077 Habitat-Belli | 10 / 09CR11330134077 | 809.36 |
| University of Tennessee | USDA FS 09CR11330145029 FIA 2009-Belli | 10 / 09CR11330145029 | 74,641.00 |
| University of Tennessee | USDA FS 09CS11080400029 Sngbd-Buehler | 10 / 09CS11080400029 | 19,002.88 |
| University of Tennessee | USDA FS 09JV11242311106 Pln-Schlarbaum | 10 / 09JV11242311-106 | 1,508.21 |
| University of Tennessee | USDA FS 10CR11330134023 Data-Belli | 10 / 10CR11330134023 | 16,182.58 |
| University of Tennessee | USDA FS 10CS11330144082 TCM/NVUM-Cho | 10 / 10-CS-11330144-082 | 10,492.54 |
| University of Tennessee | USDA FS 10JV11330134066 Chsnt-Schlarbaum | 10 / 10JV11330134066 | 46,771.50 |
| University of Tennessee | USDA FS 12CA11330134025 Oaks-Schlarbaum | 10 / 12CA11330134025 | 1,219.18 |
| University of Tennessee | USDA FS Chem/Bio Control Adelgid-Grant | 10 / 11-DG-11083150-021 | 154,704.42 |
| University of Tennessee | USDA FS Cherokee Visitor Monitoring-Fly | 10 / 11-CS-11080-100-015 | 51,348.20 |
| University of Tennessee | USDA FS Genetic Specialist - Schlarbaum | 10 / 09-CS-1108-3133-001 | 17,084.26 |
| University of Tennessee | USDA FS National Survey 2011-Fly | 10 / 11CR11330109-029 | 7,581.43 |
| University of Tennessee | USDA FS Rearing Predators TN Rls-Parkman | 10 / 10-DG-11083150-011 | 101,587.63 |
| University of Tennessee | USDA FS Sasajiscymnus-Grant | 10 / 10-CA-11330129-054 | 9,310.81 |
| University of Tennessee | USDA FS Songbird Community-Buehler | 10 / SRS09CA-11330134-028 | 8,633.25 |
| University of Tennessee | USDA FS Walnut Twig Beetle-Lambdin | 10 / 11-DG-11083150-005 | 19,020.15 |
| University of Tennessee | USDA Household Food Demand-Yen | 10 / 58-4000-7-0029 | 43,483.71 |
| University of Tennessee | USDA NIFA Anaerobic Soil-Butler | 10 / 2010-51102-21707 | 217,543.87 |
| University of Tennessee | USDA NIFA Pollen-Mediate Gene-Stewart | 10 / 2010-39211-21699 | 87,874.58 |
| University of Tennessee | USDA NRCS 685C161061 Bnchmrk Soil-Ammons | 10 / 685C161061 | 1,224.25 |
| University of Tennessee | USDA-09-PA-11080600-017 - Anderson | 10 / 09-PA-11080600-017 | 3,646.55 |
| **Subtotal Direct Programs** | | | $ 1,501,874.28 |
| **Passed Through Alabama Agricultural and Mechanical University** | | | |
| University of Tennessee | AAMU Expand Canola Acreage-West | 10 / 2011-38624-31002-UTN | $ 2,697.48 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through Indiana University of Pennsylvania** | | | | |
| University of Tennessee | IUP-RI Warbler Breeding Mgt-Buehler | 10 / 1112-045UT | | 7,921.05 |
| **Passed Through University of Georgia** | | | | |
| University of Tennessee | UGA SARE Organic Corn-West | 10 / RD309-122/4941266 | | 5,560.03 |
| **Subtotal Pass-Through Programs** | | | | $ 16,178.56 |
| **Subtotal Other Programs** | | | | $ 1,518,052.84 |
| **Subtotal Department of Agriculture** | | | | $ 14,558,138.52 |
| **Department of Commerce** | | | | |
| **National Oceanic and Atmospheric Administration (NOAA)** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Special Oceanic and Atmospheric Projects | 11.460 | | $ 425,937.37 |
| East Tennessee State University | Meteorologic and Hydrologic Modernization Development | 11.467 | | 179,142.93 |
| University of Tennessee | Center for Sponsored Coastal Ocean Research_Coastal Ocean Program | 11.478 | | 17,637.96 |
| **Subtotal National Oceanic and Atmospheric Administration (NOAA)** | | | | $ 622,718.26 |
| **Other Programs** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Measurement and Engineering Research and Standards | 11.609 | | $ 22,337.96 |
| **Subtotal Other Programs** | | | | $ 22,337.96 |
| **Subtotal Department of Commerce** | | | | $ 645,056.22 |
| **Department of Defense** | | | | |
| **Direct Programs** | | | | |
| Tennessee Technological University | Basic and Applied Scientific Research | 12.300 | $ 629,852.66 | |
| University of Tennessee | Basic and Applied Scientific Research | 12.300 | 2,893,766.49 | $ 3,523,619.15 |
| University of Tennessee | Basic Scientific Research - Combating Weapons of Mass Destruction | 12.351 | | 408,417.00 |
| University of Memphis | Military Medical Research and Development | 12.420 | $ 1,295,861.44 | |
| University of Tennessee | Military Medical Research and Development | 12.420 | 2,863,534.72 | 4,159,396.16 |
| Tennessee State University | Basic Scientific Research | 12.431 | $ 125,921.01 | |
| University of Memphis | Basic Scientific Research | 12.431 | 602,727.86 | |
| University of Tennessee | Basic Scientific Research | 12.431 | 489,520.17 | 1,218,169.04 |
| University of Tennessee | Air Force Defense Research Sciences Program | 12.800 | | 605,196.56 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Middle Tennessee State University | Mathematical Sciences Grants Program | 12.901 | | 7,136.28 |
| University of Memphis | Information Security Grant Program | 12.902 | | 92,541.52 |
| University of Memphis | Research and Technology Development | 12.910 | $ 27,303.44 | |
| University of Tennessee | Research and Technology Development | 12.910 | 77,217.70 | 104,521.14 |
| Tennessee Technological University | Advanced Portable Power Institute Phase 4 | 12 / W909MY-09-C-0058 P00001 | | 1,046.25 |
| Tennessee Technological University | Life Modeling of Li-Ion Cells - Phase Two | 12 / NRO000-09-C-0056 P00001 | | 1,812.06 |
| University of Memphis | Test and Evaluation Methodologies for Skill Gap Analysis | 12 / HC1047-11-P-4202 | | 773,927.88 |
| University of Tennessee | AF AF9101-06-D-0001/0006 MOELLER | 12 / FA9101-06-D-00010006 | | 67,637.38 |
| University of Tennessee | AF FA7014-06-D-0019-T10 Clin 1 Sal | 12 / FA7014-06-D-0019-T10 | | 242,620.27 |
| University of Tennessee | AF FA7014-10-D-0012-T1-Clin 0001-Sal | 12 / FA7014-10-D-0012-T1 | | 7,663,805.18 |
| University of Tennessee | AF FA8650-09-C-7916 - Dongarra | 12 / FA8650-09-C-7916 | | 274,036.84 |
| University of Tennessee | AF FA9101-06-0001-0009 FLANDRO | 12 / FA9101-06-D-0001-009 | | (5,223.22) |
| University of Tennessee | AF FA9101-06-D-0001/0002 BOMAR | 12 / FA9101-06-D0001/0002 | | 4,205.69 |
| University of Tennessee | AF FA9101-06-D-0001/0004 DAVENPORT | 12 / FA9101-06-D-00010004 | | 48,451.88 |
| University of Tennessee | AF FA9101-06-D-0001/0008 MOELLER | 12 / FA9101-06D-0001-0008 | | 3,803.56 |
| University of Tennessee | AF FA9101-06-D-0001/0013 VAKILI | 12 / FA9101-06-D-0001/013 | | 7,887.46 |
| University of Tennessee | AF FA9101-06-D-0001/0014 MOELLER | 12 / FA9101-06-D-0001/014 | | 7,775.40 |
| University of Tennessee | AF FA9101-06-D-0001/0015 VAKILI | 12 / FA9101-06-D-00010015 | | 31,814.02 |
| University of Tennessee | AF FA9101-06-D-0001/0016 MOELLER | 12 / FA9101-06-D-00010016 | | 24,804.79 |
| University of Tennessee | AF FA9550-09-1-0570 STEINHOFF | 12 / FA9550-09-1-0570 | | 26,523.72 |
| University of Tennessee | AF-FA8750-09-1-0185 - Peterson | 12 / FA8750-09-1-0185-P08 | | 41,899.54 |
| University of Tennessee | AF-FA9550-11-1-0082 Hu | 12 / FA9550-11-1-0082-P01 | | 87,036.31 |
| University of Tennessee | Army Bimolecular Architectures-Stewart | 12 / W911NF0810107 | | 77,115.48 |
| University of Tennessee | Army CERL/CESU Vehicle Dynamics-Ayers | 12 / W9132T-08-2-0004 | | 59,203.21 |
| University of Tennessee | Army W911NF-10-1-0297 Mays | 12 / W911NF-10-1-0297-P01 | | 172,130.19 |
| University of Tennessee | Army W912HZ1120036 Atchafalaya Bsn-Clark | 12 / SW912HZX-11-20036 | | 13,531.59 |
| University of Tennessee | DOD Acoustic Aerial Monitoring-Wilkerson | 12 / W912HZ-11-2-0024 | | 286,180.66 |
| University of Tennessee | DOD Stream Bank Mapping-Ayers | 12 / ADVANCED ACCOUNT | | 4,364.52 |
| University of Tennessee | Missile Defense HQ0147-12-C-6019 Abidi | 12 / HQ0147-12-C-6019 | | 39,894.73 |
| University of Tennessee | Navy N62583-11-C-0521 Loeffler | 12 / N62583-11-C-0521 | | 80,895.69 |
| University of Tennessee | ONR Qulty Dfcts MRE/TTI Values-Zivanovic | 12 / SP4701-08-D-0014 | | 12,324.50 |
| University of Tennessee | ONR SP010302D0014 Applesauce-Zivanovic | 12 / SP010302D0014 | | 6,217.20 |
| University of Tennessee | ONR SP470108D0014 CORANET Trvl-Zivanovic | 12 / SP470108D0014 | | 3,702.21 |
| University of Tennessee | ONR SP470108D0014 MRE Pckg Sawhney | 12 / SP470108D0014 ORDER3 | | 94,378.67 |
| University of Tennessee | ONR SP470108D001402 Vitamins-Zivanovic | 12 / SP470108D0014-0002 | | (1,748.30) |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| University of Tennessee | SERDP W912HQ10C0006 Sb Lead-Essington | 12 / W912HQ-10-C-0006 | | 157,119.13 |
| University of Tennessee | SERDP W912HQ11C0067 Bioremedial Parker | 12 / W912HQ-11-C-00067 | | 338,408.22 |
| University of Tennessee | US Air Force FA8601-11-P-0439 Bell | 12 / FA8601-11-P-0439 | | 42,886.33 |
| University of Tennessee | US Army Evaluate Bacterial Spore-Ye | 12 / W911QY-09-0184 | | (150.00) |
| University of Tennessee | US Army W912HQ-10-C-0062 Loeffler | 12 / W912HQ-10-C-0062 | | 338,848.17 |
| University of Tennessee | USACE W91237-11-C-0017 Bray | 12 / W91237-11-C-0017 | | 48,676.25 |
| University of Tennessee | USACE W91237-11-P-0108 Bray | 12 / W91237-11-P-0108 | | 50,000.00 |
| University of Tennessee | USACE W91237-11-P-0299 Bray | 12 / W91237-11-P-0299 | | 40,729.38 |
| **Subtotal Direct Programs** | | | | $ 21,287,569.69 |
| **Passed Through University of Colorado** | | | | |
| University of Tennessee | Basic and Applied Scientific Research | 12.300 / 1548375 | | $ 42,375.99 |
| **Passed Through Children's Research Institute** | | | | |
| University of Tennessee | Military Medical Research and Development | 12.420 / W81XWH-09-1-0592 | | 30,472.87 |
| **Passed Through Indiana University** | | | | |
| University of Tennessee | Military Medical Research and Development | 12.420 / W81XWH-11-1-0347 | | 36,946.48 |
| **Passed Through National Neurovision Research Institute** | | | | |
| University of Tennessee | Military Medical Research and Development | 12.420 / W81XWH0710720 | | 136.96 |
| **Passed Through National Trauma Institute** | | | | |
| University of Tennessee | Military Medical Research and Development | 12.420 / W81XWH0810758 | $ 142,562.73 | |
| University of Tennessee | Military Medical Research and Development | 12.420 / W81XWH1110841 | 35,270.19 | 177,832.92 |
| **Passed Through University of Connecticut** | | | | |
| University of Tennessee | Military Medical Research and Development | 12.420 / PSA 524631 / 6911 | | 534.85 |
| **Passed Through Pennsylvania State University** | | | | |
| University of Tennessee | Basic Scientific Research | 12.431 / 4542-UTK-USA-0531 | | 17,712.46 |
| Tennessee State University | Robust Networking Architectures & Security Schemes for Heterogeneous Sensor Networks | 12 / DTRA01-03-D-0010 | | (576.60) |
| **Passed Through State University of New York** | | | | |
| Tennessee State University | Basic Scientific Research | 12.431 / W911NF-09-1-0392 | | 91,398.39 |
| **Passed Through University of California** | | | | |
| University of Memphis | Basic Scientific Research | 12.431 / SA5213-11807 | | 1,506.63 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Passed Through Thurgood Marshall College Fund** | | | |
| Tennessee State University | Basic, Applied, and Advanced Research in Science and Engineering | 12.630 / 32698 | 3,372.95 |
| **Passed Through University of Dayton** | | | |
| Tennessee State University | Air Force Defense Research Sciences Program | 12.800 / FA8650-09-D-3944/0006 | 115,333.27 |
| **Passed Through University of Houston** | | | |
| University of Tennessee | Air Force Defense Research Sciences Program | 12.800 / SUB NO R-09-0127-03 | 70,570.72 |
| **Passed Through University of Texas** | | | |
| Tennessee State University | Air Force Defense Research Sciences Program | 12.800 / FA9550-09-1-0165 | 5,312.76 |
| **Passed Through Academy of Applied Science** | | | |
| Tennessee State University | Research and Engineering Apprentice Program | 12 / DAAH04-93-G-0163 | 5,010.43 |
| **Passed Through Arkansas State University** | | | |
| University of Memphis | Sensors for Material Identification, Detection, and Characterization (SMIDC) | 12 / W15P7T 10 C A012 | 300,866.37 |
| **Passed Through Auburn University** | | | |
| University of Tennessee | Auburn Univ 10-ENG-202607-UTK Tolbert Y1 | 12 / 10-ENG-202607-UTK-M1 | 261,399.29 |
| University of Tennessee | Auburn Univ Ultra High Efficiency Tolbert | 12 / 12-ECE-202626-UTK | 70,840.24 |
| **Passed Through Marshall University Research Corporation** | | | |
| University of Tennessee | Marshall Univ Research Corp2011-232 Bray | 12 / P1200033 | 253,117.63 |
| **Passed Through The Ohio State University Research Foundation** | | | |
| University of Tennessee | OSU 60020780 Pb As Cleanup Goals-Jardine | 12 / 60020780 | 18,580.75 |
| **Passed Through Public Broadcasting Service** | | | |
| University of Memphis | Public Broadcasting Service Teaching Climate Change Project | 12 / NASAPBS | 39,903.19 |
| **Passed Through Sandia National Laboratories** | | | |
| University of Tennessee | Sandia Natl Lab PO#1231736 Parigger | 12 / PO# 1231736 | 1,915.50 |
| **Passed Through The Geneva Foundation** | | | |
| University of Tennessee | The Geneva Foundation S-1192-01 Speraw | 12 / S-1192-01;HU0001-10 | 22,050.69 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Passed Through Tufts University** | | | |
| University of Tennessee | Tufts University IN Situ RemedI Loeffler | 12 / USAF68 | 35,960.40 |
| **Passed Through University of Michigan** | | | |
| Tennessee State University | Nanosensors for Explosive Detection | 12 / N65540-10-C-0003 | 84,849.19 |
| **Passed Through Virginia Polytechic Institute and State University** | | | |
| University of Tennessee | Virginia Polytech-CR-19121-430344-Parker | 12 / CR-19121-430344 MOD5 | 21,009.17 |
| **Subtotal Pass-Through Programs** | | | $ 1,708,433.50 |
| **Subtotal Department of Defense** | | | $ 22,996,003.19 |
| **Department of Housing and Urban Development** | | | |
| **Office of Sustainable Housing and Community** | | | |
| **Passed Through Ken-Tenn Regional Alliance** | | | |
| Middle Tennessee State University | Sustainable Communities Regional Planning Grant Program | 14.703 / 3048108055 | $ 13,808.12 |
| **Passed Through City of Memphis Planning and Development** | | | |
| University of Memphis | Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants | 14.704 / CCPTN0023-10 | 130,105.75 |
| **Subtotal Office of Sustainable Housing and Community** | | | $ 143,913.87 |
| **Subtotal Department of Housing and Urban Development** | | | $ 143,913.87 |
| **Department of the Interior** | | | |
| **Bureau of Land Management** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Wildland Fire Research and Studies Program | 15.232 | $ 603.15 |
| **Subtotal Bureau of Land Management** | | | $ 603.15 |
| **Bureau of Reclamation** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Colorado Ute Indian Water Rights Settlement Act | 15.510 | $ 23,088.61 |
| **Subtotal Bureau of Reclamation** | | | $ 23,088.61 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Fish and Wildlife Service** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Coastal Program | 15.630 | | $ 1,487.60 |
| University of Tennessee | Challenge Cost Share | 15.642 | | 0.01 |
| University of Tennessee | Research Grants (Generic) | 15.650 | | 42,305.98 |
| University of Tennessee | Migratory Bird Monitoring, Assessment and Conservation | 15.655 | | 33,108.46 |
| University of Tennessee | Endangered Species - Candidate Conservation Action Funds | 15.660 | | 5,229.90 |
| **Subtotal Direct Programs** | | | | $ 82,131.95 |
| **Passed Through Cornell University** | | | | |
| University of Tennessee | Fish and Wildlife Management Assistance | 15.608 / 60287-9334 | | $ 60,949.44 |
| **Passed Through The Nature Conservancy** | | | | |
| Tennessee Technological University | Cooperative Endangered Species Conservation Fund | 15.615 / TNFO-080110-3830-02 AMENDMENT #2 | $ 92,049.11 | |
| Tennessee Technological University | Cooperative Endangered Species Conservation Fund | 15.615 / TNFO-100111-3850-01 | 156,388.19 | 248,437.30 |
| **Passed Through Mississippi State University** | | | | |
| University of Tennessee | Challenge Cost Share | 15.642 / 080300331289 | | 28,326.03 |
| **Subtotal Pass-Through Programs** | | | | $ 337,712.77 |
| **Subtotal Fish and Wildlife Service** | | | | $ 419,844.72 |
| **National Park Service** | | | | |
| **Direct Programs** | | | | |
| Tennessee Technological University | Outdoor Recreation_Acquisition, Development and Planning | 15.916 | $ 2,071.87 | |
| University of Tennessee | Outdoor Recreation_Acquisition, Development and Planning | 15.916 | 59,448.73 | $ 61,520.60 |
| East Tennessee State University | National Center for Preservation Technology and Training | 15.923 | | 223.95 |
| Tennessee Technological University | Natural Resource Stewardship | 15.944 | | 15,573.38 |
| University of Memphis | Cooperative Research and Training Programs - Resources of the National Park System | 15.945 | $ 40,201.50 | |
| University of Tennessee | Cooperative Research and Training Programs - Resources of the National Park System | 15.945 | 455,196.42 | 495,397.92 |
| Middle Tennessee State University | Cultural Resources Management | 15.946 | | 15,620.64 |
| **Subtotal Direct Programs** | | | | $ 588,336.49 |
| **Passed Through Western Kentucky University** | | | | |
| Tennessee State University | Outdoor Recreation_Acquisition, Development and Planning | 15.916 / P11AC50530 | | $ 18,598.14 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through New Mexico State University** | | | | |
| University of Tennessee | Cooperative Research and Training Programs - Resources of the National Park System | 15.945 / Q01537 | | 2,245.14 |
| **Subtotal Pass-Through Programs** | | | | $ 20,843.28 |
| **Subtotal National Park Service** | | | | $ 609,179.77 |
| **Office of Surface Mining** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Science and Technology Projects Related to Coal Mining and Reclamation | 15.255 | | $ 15,677.23 |
| **Subtotal Office of Surface Mining** | | | | $ 15,677.23 |
| **U.S. Geological Survey** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Assistance to State Water Resources Research Institutes | 15.805 | | $ 79,314.45 |
| University of Memphis | Earthquake Hazards Reduction Program | 15.807 | $ 956,951.58 | |
| University of Memphis | ARRA-Earthquake Hazards Reduction Program | 15.807 | 11,593.95 | 968,545.53 |
| University of Memphis | U.S. Geological Survey_ Research and Data Collection | 15.808 | $ 105,076.97 | |
| University of Tennessee | U.S. Geological Survey_ Research and Data Collection | 15.808 | 134,633.89 | 239,710.86 |
| University of Memphis | National Cooperative Geologic Mapping Program | 15.810 | $ 987.35 | |
| University of Tennessee | National Cooperative Geologic Mapping Program | 15.810 | 15,055.34 | 16,042.69 |
| Tennessee Technological University | Cooperative Research Units Program | 15.812 | | 316,426.81 |
| **Subtotal U.S. Geological Survey** | | | | $ 1,620,040.34 |
| **Other Programs** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Fish, Wildlife, and Parks Programs on Indian Lands | 15.039 | | $ 25,895.30 |
| Tennessee Technological University | Conservation Grants Private Stewardship for Imperiled Species | 15.632 | | 15,681.05 |
| Middle Tennessee State University | Oral History Project for Congaree National Park (CESU) | 15 / H5000095041 | | 829.44 |
| University of Tennessee | NPS Fraser Fir Health in GSMNP-Franklin | 15 / J5471100013 | | 21,946.79 |
| University of Tennessee | NPS H5000095041 Nat'l Cemetery-Sorochan | 15 / TASK #J5450100012 | | 690.46 |
| University of Tennessee | NPS J2265100006 Freeman | 15 / J2265100006 H5000095 | | 30,833.98 |
| University of Tennessee | NPS J5471100059 Treatment Mgt Plan-Grant | 15 / J5471100059 | | 76,293.58 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| University of Tennessee | NPS River Habitat Mapping #3-Ayers | 15 / H5000055040 MOD 3 | 30,306.97 |
| University of Tennessee | USDI/FWS TN M-5-C Biologist-McKenzie | 15 / TN M-5-C | 120,119.16 |
| University of Tennessee | USDI-NPS J5160101650 Fordyce | 15 / J5160101650 | 4,926.88 |
| University of Tennessee | USDI-OSM S11PX00094 Schwartz | 15 / S11PX00094 | 44,509.41 |
| University of Tennessee | USDI-OSM-S10PX00742 Schwartz | 15 / S10PX00742 | 4,248.62 |
| University of Tennessee | USGS Amphibian Disease Monitoring-Miller | 15 / G11PX10282 | 6,440.50 |
| University of Tennessee | USGS Louisiana Black Bear-Belli | 15 / G10AC00275 MOD 1 | 58,080.77 |
| **Subtotal Direct Programs** | | | $ 440,802.91 |
| **Passed Through University of Nebraska** | | | |
| University of Tennessee | UN of Neb Nematodes of GW Pkwy-Bernard | 15 / ADVANCED ACCOUNT | $ 2,697.66 |
| **Subtotal Pass-Through Programs** | | | $ 2,697.66 |
| **Subtotal Other Programs** | | | $ 443,500.57 |
| **Subtotal Department of the Interior** | | | $ 3,131,934.39 |
| **Department of Justice** | | | |
| **Bureau of Justice Assistance** | | | |
| **Direct Programs** | | | |
| University of Memphis | Congressionally Recommended Awards | 16.753 | $ 326,270.34 |
| **Subtotal Bureau of Justice Assistance** | | | $ 326,270.34 |
| **National Institute of Justice** | | | |
| **Direct Programs** | | | |
| University of Tennessee | National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | $ 454,598.71 |
| **Subtotal National Institute of Justice** | | | $ 454,598.71 |
| **Violence Against Women Office** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus | 16.525 | $ 291,246.73 |
| **Subtotal Violence Against Women Office** | | | $ 291,246.73 |
| **Other Programs** | | | |
| **Direct Programs** | | | |
| University of Memphis | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 16.580 | $ 769,314.71 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Direct Programs** | | | | $ 769,314.71 |
| **Passed Through Memphis City Schools** | | | | |
| University of Memphis | Juvenile Justice and Delinquency Prevention_Allocation to States | 16.540 / SHAPE 11 | | $ 4,143.58 |
| **Passed Through City of Memphis Police Department** | | | | |
| University of Memphis | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 16.580 / 27866 | | 9,762.36 |
| **Passed Through Shelby County Office of Early Childhood and Youth** | | | | |
| University of Memphis | Reduction and Prevention of Children's Exposure to Violence | 16.730 / PO#S006177 2011-MU-MU-K005 | $ 38,516.25 | |
| University of Memphis | Reduction and Prevention of Children's Exposure to Violence | 16.730 / CA1113041 | 9,379.32 | 47,895.57 |
| **Passed Through Research Triangle Institute** | | | | |
| University of Tennessee | ARRA-Recovery Act - VOCA Crime Victim Assistance Discretionary Grant Program | 16.807 / 2009-SZ-B9-K002 | | 2,902.74 |
| **Passed Through Shelby County District Attorney General's Office** | | | | |
| University of Memphis | DA's Truancy Abatement/Mentoring Evaluation Project | 16 / CA129628 PO #005887 | | 26,000.00 |
| **Passed Through Virginia Polytechic Institute and State University** | | | | |
| University of Tennessee | Virginia Tech-Sub 425977-19121 Liu 10&11 | 16 / SUB 425977-19121 | | 120,212.99 |
| **Subtotal Pass-Through Programs** | | | | $ 210,917.24 |
| **Subtotal Other Programs** | | | | $ 980,231.95 |
| **Subtotal Department of Justice** | | | | $ 2,052,347.73 |
| **Department of Labor** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Wage and Hour Standards | 17.303 | $ 1,720,174.55 | |
| University of Tennessee | ARRA-Wage and Hour Standards | 17.303 | (2,384.27) | $ 1,717,790.28 |
| University of Tennessee | US DOL-DOLJ089F26523-Moore | 17 / DOLJ089F26523 | | 248,237.65 |
| **Subtotal Direct Programs** | | | | $ 1,966,027.93 |
| **Passed Through Virginia Polytechic Institute and State University** | | | | |
| University of Tennessee | Va Tech Production Sys Africa-Eash | 17 / 425966-19121 | | $ 320,913.51 |
| **Subtotal Pass-Through Programs** | | | | $ 320,913.51 |
| **Subtotal Department of Labor** | | | | $ 2,286,941.44 |
| **Department of State** | | | | |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Bureau of Educational and Cultural Affairs** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Professional and Cultural Exchange Programs - Citizen Exchanges | 19.415 | $ 3,469.03 |
| **Subtotal Bureau of Educational and Cultural Affairs** | | | $ 3,469.03 |
| **Other Programs** | | | |
| **Passed Through University of Delaware** | | | |
| University of Memphis | The National Fund of the Republic of Kazakhstan: Is the Future Now? | 19 / 22336 | $ (211.41) |
| **Subtotal Other Programs** | | | $ (211.41) |
| **Subtotal Department of State** | | | $ 3,257.62 |
| **Department of Transportation** | | | |
| **Federal Highway Administration (FHWA)** | | | |
| **Passed Through Knox County Schools** | | | |
| University of Tennessee | Highway Research and Development Program | 20.200 / DTFH61-08-G-00020 | $ 7,508.84 |
| **Passed Through The National Academies** | | | |
| University of Memphis | Highway Research and Development Program | 20.200 / HR24-11(02) | 10,049.65 |
| **Subtotal Federal Highway Administration (FHWA)** | | | $ 17,558.49 |
| **Federal Transit Administration (FTA)** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Public Transportation Research | 20.514 | $ 621,604.31 |
| **Subtotal Federal Transit Administration (FTA)** | | | $ 621,604.31 |
| **Pipeline and Hazardous Materials Safety Administration** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Pipeline Safety Program State Base Grant | 20.700 | $ 182,895.15 |
| **Subtotal Pipeline and Hazardous Materials Safety Administration** | | | $ 182,895.15 |
| **Research and Innovative Technology Administration** | | | |
| **Direct Programs** | | | |
| University of Memphis | University Transportation Centers Program | 20.701 | $ 283,772.38 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| University of Tennessee | University Transportation Centers Program | 20.701 | 1,593,902.36 | $ 1,877,674.74 |
| **Subtotal Direct Programs** | | | | $ 1,877,674.74 |
| **Passed Through University of Illinois** | | | | |
| University of Tennessee | University Transportation Centers Program | 20.701 / 2012-02061-04 A0694 | | $ (20,595.18) |
| **Passed Through University of Georgia** | | | | |
| Middle Tennessee State University | Biobased Transportation Research | 20.761 / RR722-134/4893566 | | 2,930.78 |
| **Subtotal Pass-Through Programs** | | | | $ (17,664.40) |
| **Subtotal Research and Innovative Technology Administration** | | | | $ 1,860,010.34 |
| **Other Programs** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | FTA TN-26-7029 Vakili | 20 / TN-26-7029 | | $ 14,478.10 |
| University of Tennessee | US DOT Regional DTOS5907G00050 CRC-Rials | 20 / DTOS5907G00050 | | 1,651,398.79 |
| University of Tennessee | USDOT FHA DTFH64-10-G-0062 Han | 20 / DTFH64-10-G-0062 | | 4,995.12 |
| University of Tennessee | USDOT FHA DTFH64-11-G-00056 Cherry | 20 / DTFH64-11-G-00056 | | 4,899.94 |
| University of Tennessee | USDOT FHA DTFH64-11-G-00062 Cherry | 20 / DTFH64-11-G-00062 | | 5,000.00 |
| **Subtotal Direct Programs** | | | | $ 1,680,771.95 |
| **Passed Through Mississippi State University** | | | | |
| University of Tennessee | Mississippi State 061300-363994-02 JIn | 20 / 061300-363994-02 | | $ 35,252.94 |
| **Passed Through National Transportation Research Center** | | | | |
| University of Tennessee | NTRCI-03-06 Task Order 20 - Irick | 20 / TASK ORDER 20 | | 11,508.81 |
| University of Tennessee | NTRCI-DTRT-06-G-0043-04-U27-06-021-Han | 20 / DTRT-06-G-0043-04-21 | | 62,832.17 |
| University of Tennessee | NTRCI-DTRT-06-G-0043-04-U30-06-22 Clarke | 20 / DTRT-06-G-0043-04-U3 | | 31,790.22 |
| University of Tennessee | NTRCI-DTRT-06-G-0043-04-U35-06-023 Irick | 20 / DTRT-06-G-0043-04-U3 | | 6,876.02 |
| University of Tennessee | NTRCI-Task -Order No. 016 Cherry | 20 / TASK ORDER NO. 016 | | 529.27 |
| **Subtotal Pass-Through Programs** | | | | $ 148,789.43 |
| **Subtotal Other Programs** | | | | $ 1,829,561.38 |
| **Subtotal Department of Transportation** | | | | $ 4,511,629.67 |
| **Department of the Treasury** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | IRS-BPA-TIRNO09-Z-00019-TO-0003-Vossler | 21 / TIRNO09-Z-00019-TO-3 | | $ 193,787.41 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Department of the Treasury** | | | | $ 193,787.41 |
| **Appalachian Regional Commission** | | | | |
| **Direct Programs** | | | | |
| East Tennessee State University | Appalachian Research, Technical Assistance, and Demonstration Projects | 23.011 | | $ 97,858.81 |
| University of Tennessee | ARC CO-16505-09 Ezzell | 23 / CO-16505-09 | | (2,699.91) |
| **Subtotal Appalachian Regional Commission** | | | | $ 95,158.90 |
| **National Aeronautics and Space Administration** | | | | |
| **Direct Programs** | | | | |
| East Tennessee State University | Science | 43.001 | $ 22,162.67 | |
| Tennessee Technological University | Science | 43.001 | 54,422.48 | |
| University of Tennessee | Science | 43.001 | 307,779.60 | $ 384,364.75 |
| Middle Tennessee State University | Aeronautics | 43.002 | $ 622,094.54 | |
| Tennessee State University | Aeronautics | 43.002 | 76.10 | 622,170.64 |
| Austin Peay State University | Solar Energy LASER Physics | 43 / NNX10AJ04G | | 177,196.47 |
| Middle Tennessee State University | Cost Modeling for Telescopes | 43 / NNX09AG08G | | 4,997.74 |
| Middle Tennessee State University | MTSU Center for Research on Aviation Training | 43 / NNX09AU52G | | (1,682.27) |
| University of Tennessee | JPL Moersch | 43 / 1242851 | | 60,988.80 |
| University of Tennessee | JPL-IRS Spectra of Basaltic Astero-Emery | 43 / RSA NO. 1353476 | | (36.37) |
| University of Tennessee | JPL-NASA-RSA # 1367691-22.9% - Emery | 43 / RSA # 1367691 | | (1,323.90) |
| University of Tennessee | JPL-NASA-RSA#1416716 Emery Proposal 1 | 43 / RSA# 1416716 | | 48,160.59 |
| University of Tennessee | NASA Glenn NNX07AD58A MARTOS | 43 / NNX07AD58A | | 135,254.39 |
| University of Tennessee | NASA JPL 1451872 Moersch | 43 / CONTRACT NO. | | 24,503.50 |
| University of Tennessee | NASA JPL RSA # 1439682 Emery | 43 / RSA 1439682 | | 104.30 |
| University of Tennessee | NASA NNG06GB44G Islam | 43 / NNG06GB44G-004 | | (22,335.52) |
| University of Tennessee | NASA NNM08AA13A - Taylor | 43 / NNM08AA13A | | 17,559.20 |
| University of Tennessee | NASA NNX07AC14G Townsend | 43 / NNX07AC14G SUPP # 5 | | 114,564.44 |
| University of Tennessee | NASA NNX09AG75G - Fu | 43 / NNX09AG75G-000001 | | 32,659.75 |
| University of Tennessee | NASA NNX09AM86G Fedo | 43 / NNX09AM86G-000002 | | 75,404.31 |
| University of Tennessee | NASA NNX10AB23G Emery | 43 / NNX10AB23G | | 87,057.85 |
| University of Tennessee | NASA NNX10AH48G McSween | 43 / NNX10AH48G | | 184,941.48 |
| University of Tennessee | NASA NNX10AT66G Hayes | 43 / NNX10AT66G | | 75,701.66 |
| University of Tennessee | NASA NNX11AG58G Taylor | 43 / NNX11AG58G | | 72,838.52 |
| University of Tennessee | NASA-MARSHALL NNM09AB71P CORDA | 43 / NNM09AB71P | | (225.70) |
| University of Tennessee | NASA-NNX08AU47G - Burr | 43 / NNX08AU47G-00003 | | 15,825.66 |
| University of Tennessee | NASA-NNX08BA24G - Burr | 43 / NNX08BA24G-000004 | | 45,468.19 |
| University of Tennessee | NASA-NNX08BA78G - Emery | 43 / NNX08BA78G | | (13.39) |
| University of Tennessee | NASA-NNX08BA81G - Burr | 43 / NNX08BA81G | | 63,941.79 |
| University of Tennessee | NASA-NNX09AE08G - Emery | 43 / NNX09AE08G | | 48,718.19 |
| University of Tennessee | NASA-NNX09AH14G - Taylor | 43 / NNX09AH14G | | 124,133.44 |
| University of Tennessee | NASA-NNX09AQ51G - Burr | 43 / NNX09AQ51G | | 88,333.62 |
| University of Tennessee | NASA-RSA # 1378475 - Emery | 43 / RSA # 1378475-02 | | 41,510.47 |
| **Subtotal Direct Programs** | | | | $ 2,520,782.60 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through Arizona State University** | | | | |
| University of Tennessee | Science | 43.001 / 01-082 AMEND # 23 | $ 21,550.69 | |
| University of Tennessee | Science | 43.001 / 10-254 MOD 4 | 37,681.24 | $ 59,231.93 |
| **Passed Through California Institute of Technology Jet Propulsion Laboratory** | | | | |
| East Tennessee State University | Science | 43.001 / 1353814 | | 2,019.00 |
| **Passed Through Space Telescope Science Institute** | | | | |
| East Tennessee State University | Science | 43.001 / HST-GO-12198-02-A | | 9,640.00 |
| **Passed Through University of Virginia** | | | | |
| University of Tennessee | Science | 43.001 / GP10152-133756-04 | | 45,204.95 |
| **Passed Through Vanderbilt University** | | | | |
| University of Memphis | Science | 43.001 / 21631 51 | | 103,964.43 |
| Middle Tennessee State University | Tennessee Space Grant College and Fellowship Program | 43 / 21603-S6 | | 30,753.74 |
| Tennessee State University | Tennessee NASA Experimental Program to Stimulate Competitive Research (EPSCOR) Infrastructure Development | 43 / NNX09AW06A | | 7,797.49 |
| Tennessee Technological University | Tennessee Space Grant Consortium Award (Tennessee Space Grant College and Fellowship Program) | 43 / 21603-S8 AMEND 3 | | 23,779.97 |
| University of Memphis | Development and Automated Drinking Water Disinfection System Offering On Line Analysis of Disinfectants and Disinfection By-products to Optimize Treatment Practices for Higher Water Quality | 43 / 20343-S1 | | 11,891.89 |
| University of Memphis | Simulation of Magnetically Induced Fluid Motion in Reduced Gravity | 43 / 21603-S9 | | 17,474.40 |
| University of Tennessee | Vanderbilt Univ 21630-S1 Frankel 11 | 43 / 21630-S1 | | 171,876.52 |
| University of Tennessee | Vanderbilt Univ SUB#21603-SB12 MOELLER | 43 / SUB.#21603-S12 | | 28,829.26 |
| University of Tennessee | Vanderbilt University 21603-S11 Taylor | 43 / 21603-S11 | | 95,971.56 |
| **Passed Through Cornell University** | | | | |
| University of Tennessee | Aeronautics | 43.002 / OSP39361-6446 | | 8,549.31 |
| **Passed Through University of California** | | | | |
| University of Tennessee | Aeronautics | 43.002 / 2090-S-JB694 AMEND19 | | 28,022.78 |
| **Passed Through Brown University** | | | | |
| University of Tennessee | Brown Univ - PO #P258656 - Taylor | 43 / PO258656/SUB00000242 | | 62,551.00 |
| University of Tennessee | Brown Univ - PO #988930 - Taylor | 43 / PO#988930-11 | | 30,231.67 |
| **Passed Through Johns Hopkins University** | | | | |
| University of Tennessee | John Hopkins University 971503 Emery | 43 / 971503 | | 9,963.63 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through Search for Extraterrestrial Intelligence Institute** | | | | |
| University of Tennessee | SETI Institute-Thermal Behavior-Moersch | 43 / NNX09AE80A-09-001 | | (7,070.82) |
| University of Tennessee | SETI Ins 08-SC-1091 Moersch (AtacamaDes) | 43 / 08-SC-1091 | | 5,316.30 |
| University of Tennessee | SETI Ins 08-SC-1092 Moersch (LakeLander) | 43 / 08-SC-1092 | | 3,226.90 |
| **Passed Through Smithsonian Astrophysical Observatory** | | | | |
| University of Memphis | Solar B XRT | 43 / SV7-77005 AMEND 16 | | 124,886.41 |
| **Passed Through University of Arizona** | | | | |
| University of Tennessee | University of Arizona PO #30948 Emery | 43 / PO # 30948 | | 27,287.06 |
| **Passed Through University of New Hampshire** | | | | |
| University of Tennessee | Univ of New Hampshire 11-107 Townsend | 43 / 11-107 | | 159,521.23 |
| **Subtotal Pass-Through Programs** | | | | $ 1,060,920.61 |
| **Subtotal National Aeronautics and Space Administration** | | | | $ 3,581,703.21 |
| **National Endowment for the Arts** | | | | |
| **Direct Programs** | | | | |
| University of Memphis | Promotion of the Arts_Grants to Organizations and Individuals | 45.024 | | $ 7,919.41 |
| **Subtotal National Endowment for the Arts** | | | | $ 7,919.41 |
| **National Endowment for the Humanities** | | | | |
| **Direct Programs** | | | | |
| Tennessee Technological University | Promotion of the Humanities_ Fellowships and Stipends | 45.160 | | $ 3,102.89 |
| East Tennessee State University | Promotion of the Humanities_ Research | 45.161 | $ 77,795.09 | |
| University of Memphis | Promotion of the Humanities_ Research | 45.161 | 99,067.04 | |
| University of Tennessee | Promotion of the Humanities_ Research | 45.161 | 271,143.90 | 448,006.03 |
| University of Tennessee | Promotion of the Humanities_ Professional Development | 45.163 | | (490.95) |
| **Subtotal National Endowment for the Humanities** | | | | $ 450,617.97 |
| **Institute of Museum and Library Services** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | National Leadership Grants | 45.312 | | $ 325,330.39 |
| University of Tennessee | Laura Bush 21st Century Librarian Program | 45.313 | | 112,158.60 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Direct Programs** | | | | $ 437,488.99 |
| **Passed Through Johns Hopkins University** | | | | |
| University of Tennessee | Laura Bush 21st Century Librarian Program | 45.313 / RE-03-05-0020-05 | | $ (5,473.65) |
| **Passed Through University of Illinois** | | | | |
| University of Tennessee | Laura Bush 21st Century Librarian Program | 45.313 / 2010-03028-02 | | 148,149.66 |
| **Subtotal Pass-Through Programs** | | | | $ 142,676.01 |
| **Subtotal Institute of Museum and Library Services** | | | | $ 580,165.00 |
| **National Science Foundation** | | | | |
| **Direct Programs** | | | | |
| East Tennessee State University | Engineering Grants | 47.041 | $ 95,179.34 | |
| Middle Tennessee State University | Engineering Grants | 47.041 | 137,570.69 | |
| Tennessee State University | Engineering Grants | 47.041 | 25,795.34 | |
| Tennessee Technological University | Engineering Grants | 47.041 | 225,919.12 | |
| University of Memphis | Engineering Grants | 47.041 | 73,233.79 | |
| University of Tennessee | Engineering Grants | 47.041 | 4,189,237.05 | $ 4,746,935.33 |
| East Tennessee State University | Mathematical and Physical Sciences | 47.049 | $ 449,567.91 | |
| Tennessee State University | Mathematical and Physical Sciences | 47.049 | 174,207.29 | |
| Tennessee Technological University | Mathematical and Physical Sciences | 47.049 | 15,000.00 | |
| University of Memphis | Mathematical and Physical Sciences | 47.049 | 539,734.95 | |
| University of Tennessee | Mathematical and Physical Sciences | 47.049 | 3,670,060.49 | 4,848,570.64 |
| East Tennessee State University | Geosciences | 47.050 | $ 144,258.62 | |
| University of Memphis | Geosciences | 47.050 | 423,794.35 | |
| University of Tennessee | Geosciences | 47.050 | 720,466.08 | 1,288,519.05 |
| Austin Peay State University | Computer and Information Science and Engineering | 47.070 | $ 9,905.21 | |
| Middle Tennessee State University | Computer and Information Science and Engineering | 47.070 | 21,059.74 | |
| University of Memphis | Computer and Information Science and Engineering | 47.070 | 312,166.43 | |
| University of Tennessee | Computer and Information Science and Engineering | 47.070 | 1,545,246.57 | 1,888,377.95 |
| East Tennessee State University | Biological Sciences | 47.074 | $ 160,950.85 | |
| Middle Tennessee State University | Biological Sciences | 47.074 | (1,330.10) | |
| Tennessee State University | Biological Sciences | 47.074 | 160,731.63 | |
| Tennessee Technological University | Biological Sciences | 47.074 | (8,740.00) | |
| University of Memphis | Biological Sciences | 47.074 | 326,434.67 | |
| University of Memphis | ARRA-Biological Sciences | 47.074 | 177,000.89 | |
| University of Tennessee | Biological Sciences | 47.074 | 5,593,588.48 | 6,408,636.42 |
| Austin Peay State University | Social, Behavioral, and Economic Sciences | 47.075 | $ 4,033.42 | |
| Middle Tennessee State University | Social, Behavioral, and Economic Sciences | 47.075 | (198.38) | |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| University of Memphis | Social, Behavioral, and Economic Sciences | 47.075 | 406,781.14 | |
| University of Tennessee | Social, Behavioral, and Economic Sciences | 47.075 | 351,629.70 | 762,245.88 |
| East Tennessee State University | Education and Human Resources | 47.076 | $ 665,791.58 | |
| Middle Tennessee State University | Education and Human Resources | 47.076 | 120,163.53 | |
| Tennessee State University | Education and Human Resources | 47.076 | 1,135,995.39 | |
| Tennessee Technological University | Education and Human Resources | 47.076 | 1,065,698.83 | |
| University of Memphis | Education and Human Resources | 47.076 | 556,423.14 | |
| University of Tennessee | Education and Human Resources | 47.076 | 1,001,747.70 | 4,545,820.17 |
| University of Memphis | Polar Programs | 47.078 | $ 53,241.12 | |
| University of Tennessee | Polar Programs | 47.078 | 2,733.50 | 55,974.62 |
| University of Tennessee | International Science and Engineering (OISE) | 47.079 | | 54,593.26 |
| University of Tennessee | Office of Cyberinfrastructure | 47.080 | | 1,981,338.11 |
| Middle Tennessee State University | Office of Experimental Program to Stimulate Competitive Research | 47.081 | $ 76,534.94 | |
| University of Tennessee | Office of Experimental Program to Stimulate Competitive Research | 47.081 | 3,360,176.08 | 3,436,711.02 |
| East Tennessee State University | ARRA-Trans-NSF Recovery Act Research Support | 47.082 | $ 171,819.23 | |
| Middle Tennessee State University | ARRA-Trans-NSF Recovery Act Research Support | 47.082 | 2,035,408.36 | |
| Tennessee State University | ARRA-Trans-NSF Recovery Act Research Support | 47.082 | 198,381.67 | |
| Tennessee Technological University | ARRA-Trans-NSF Recovery Act Research Support | 47.082 | 100,152.84 | |
| University of Memphis | ARRA-Trans-NSF Recovery Act Research Support | 47.082 | 511,181.70 | |
| University of Tennessee | ARRA-Trans-NSF Recovery Act Research Support | 47.082 | 4,813,020.98 | 7,829,964.78 |
| University of Tennessee | NSF 0711134 Project Management-Zacharia | 47 / OCI-0711134 | | 8,251,709.65 |
| University of Tennessee | NSF VSEE Retirement - D Roberts | 47 / 11-MOR-1390 | | 29,516.58 |
| **Subtotal Direct Programs** | | | | $ 46,128,913.46 |
| **Passed Through Rice University** | | | | |
| University of Tennessee | Engineering Grants | 47.041 / R3B595 | | $ 3,131.87 |
| **Passed Through Texas A&M University** | | | | |
| Tennessee Technological University | Engineering Grants | 47.041 / EEC-1106529 Subaward No: 11-0113 | | 4,537.51 |
| **Passed Through University of Colorado** | | | | |
| University of Tennessee | Engineering Grants | 47.041 / SPO # 0000075352 | | 30,576.79 |
| University of Tennessee | Social, Behavioral, and Economic Sciences | 47.075 / PROJECT NO. 1548373 | | 7,800.21 |
| **Passed Through University of Georgia** | | | | |
| Middle Tennessee State University | Engineering Grants | 47.041 / RR722-136/4786866 | | 51,305.80 |
| **Passed Through Virginia Polytechnic Institute and State University** | | | | |
| University of Tennessee | Engineering Grants | 47.041 / 478583-19121 | | 26,077.09 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through California Institute of Technology** | | | | |
| University of Tennessee | Mathematical and Physical Sciences | 47.049 / 7E-1082277-14 | | 98,387.70 |
| **Passed Through Murray State University** | | | | |
| University of Tennessee | Mathematical and Physical Sciences | 47.049 / MOA NO. OSP 2009-067 | | 2,983.30 |
| **Passed Through University of Texas** | | | | |
| University of Tennessee | Mathematical and Physical Sciences | 47.049 / UTA09-000853 | | 105,428.92 |
| **Passed Through Vanderbilt University** | | | | |
| Tennessee State University | Mathematical and Physical Sciences | 47.049 / DMR-0907619 | $ 14,346.69 | |
| University of Tennessee | Mathematical and Physical Sciences | 47.049 / 20726-S2 AMEND # 2 | 71,240.07 | 85,586.76 |
| **Passed Through Florida International University** | | | | |
| University of Tennessee | Geosciences | 47.050 / 800001191-02 | | 10,904.80 |
| **Passed Through Pennsylvania State University** | | | | |
| University of Tennessee | Geosciences | 47.050 / 3687-UT-NSF-5019-05 | | 5,024.13 |
| University of Tennessee | Biological Sciences | 47.074 / 4373-UT-NSF-5974 | | 39,223.83 |
| **Passed Through University of Texas at El Paso** | | | | |
| University of Tennessee | Geosciences | 47.050 / EAR-1009533 | | 22,375.55 |
| **Passed Through University of Chicago** | | | | |
| University of Tennessee | Computer and Information Science and Engineering | 47.070 / SUBAWARD # 30085-S-2 | | 528,013.29 |
| University of Tennessee | Office of Cyberinfrastructure | 47.080 / 41994-E AMEND # 2 | | 820,983.81 |
| **Passed Through University of Minnesota** | | | | |
| University of Tennessee | Computer and Information Science and Engineering | 47.070 / A001629601 | | 18,156.50 |
| Middle Tennessee State University | ARRA-Trans-NSF Recovery Act Research Support | 47.082 / A001887402 | | 76,128.07 |
| **Passed Through University of New Mexico** | | | | |
| University of Tennessee | Computer and Information Science and Engineering | 47.070 / 063014-87H2 AMEND# 4 | | 542,310.14 |
| **Passed Through University of North Carolina** | | | | |
| University of Tennessee | Computer and Information Science and Engineering | 47.070 / 2975-07-0580-UTK-A03 | | 1,916.14 |
| **Passed Through University of South Florida** | | | | |
| Tennessee Technological University | Computer and Information Science and Engineering | 47.070 / 2108-1039-00-A | | 12,776.32 |
| **Passed Through Auburn University** | | | | |
| Middle Tennessee State University | Biological Sciences | 47.074 / 10-FAA-360030-MTSU | | 15,196.47 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Passed Through Boston University** | | | |
| University of Tennessee | Biological Sciences | 47.074 / 4500000653 | 28,042.23 |
| **Passed Through Carnegie Museum of Natural History** | | | |
| University of Tennessee | Biological Sciences | 47.074 / SUBGRANT #1 | 194.96 |
| **Passed Through Portland State University** | | | |
| University of Tennessee | Biological Sciences | 47.074 / 201REY307 | 5,423.51 |
| **Passed Through University of Arizona** | | | |
| University of Tennessee | Biological Sciences | 47.074 / PO Y553515 MOD #4 | 134,322.83 |
| **Passed Through University of California** | | | |
| University of Tennessee | Biological Sciences | 47.074 / S-0000336 AMENDMENT 3 | 199,815.65 |
| **Passed Through University of Massachusetts** | | | |
| University of Memphis | Biological Sciences | 47.074 / 07-004407 B 00 | 3,676.86 |
| **Passed Through University of South Carolina** | | | |
| University of Tennessee | Biological Sciences | 47.074 / SUB11-1890; PO#31834 | 55,130.70 |
| **Passed Through University of California, Irvine** | | | |
| University of Tennessee | Social, Behavioral, and Economic Sciences | 47.075 / 2010-2420 AMEND # 1 | 9,392.50 |
| **Passed Through Alignment Nashville** | | | |
| Tennessee Technological University | Education and Human Resources | 47.076 / DRL-0833643 AMEND 2 | 56,697.26 |
| **Passed Through Cal Poly Corporation** | | | |
| Middle Tennessee State University | Education and Human Resources | 47.076 / 10-020-51621 | (3.93) |
| **Passed Through Illinois Institute of Technology** | | | |
| University of Memphis | Education and Human Resources | 47.076 / SA460-1201-7993 | 75,827.49 |
| **Passed Through Loyola Marymount University** | | | |
| University of Memphis | Education and Human Resources | 47.076 / 12019 | 7,915.02 |
| **Passed Through North Carolina Central University** | | | |
| University of Memphis | Education and Human Resources | 47.076 / P0042123 | 21,061.73 |
| **Passed Through San Diego State University Research Foundation** | | | |
| Tennessee Technological University | Education and Human Resources | 47.076 / DUE-1044172 Subaward 56825A P1623 7803 211 | 14,059.91 |
| **Passed Through Stark State College of Technology** | | | |
| University of Tennessee | Education and Human Resources | 47.076 / NSFFC-0802536-11-10 | 78,277.44 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through University of Louisville Research Foundation** | | | | |
| Tennessee Technological University | Education and Human Resources | 47.076 / HRD-1136234 Subaward ULRF 11-1048-01 | | 5,501.41 |
| **Passed Through University of Maryland** | | | | |
| Tennessee Technological University | Education and Human Resources | 47.076 / Prime DRL-1118755; Subaward Z379202 | | 3,495.47 |
| **Passed Through University of Wisconsin** | | | | |
| University of Memphis | Education and Human Resources | 47.076 / DRL-0918409 | | 157,056.77 |
| **Passed Through Columbia University** | | | | |
| University of Tennessee | International Science and Engineering (OISE) | 47.079 / 1(ACCT#5-60276) | | 188,541.73 |
| **Passed Through Georgia Institute of Technology** | | | | |
| University of Tennessee | Office of Cyberinfrastructure | 47.080 / RA241-G1 | | 335,692.78 |
| **Passed Through Indiana University** | | | | |
| University of Tennessee | Office of Cyberinfrastructure | 47.080 / BL-4812439-UTK | | 167,008.69 |
| **Passed Through Rowan University** | | | | |
| Tennessee State University | Office of Cyberinfrastructure | 47.080 / OCI-1041306 | | 58,508.00 |
| Tennessee State University | ARRA-Trans-NSF Recovery Act Research Support | 47.082 / NSF0935089 | | 14,444.14 |
| **Passed Through University of Illinois** | | | | |
| University of Tennessee | Office of Cyberinfrastructure | 47.080 / 2009-06519-05-00 | $ (44,837.86) | |
| University of Tennessee | Office of Cyberinfrastructure | 47.080 / SUB2009-02232-02 | 24,055.77 | |
| University of Tennessee | Office of Cyberinfrastructure | 47.080 / 2011-00318-04 AMEND1 | 2,308,300.55 | 2,287,518.46 |
| **Passed Through University of Oregon** | | | | |
| University of Tennessee | Office of Cyberinfrastructure | 47.080 / 207401C-05 | | 9,479.60 |
| **Passed Through Clemson University** | | | | |
| University of Tennessee | ARRA-Trans-NSF Recovery Act Research Support | 47.082 / 13292062087448 ARRA | | 46,958.45 |
| **Passed Through Dartmouth College** | | | | |
| University of Tennessee | ARRA-Trans-NSF Recovery Act Research Support | 47.082 / SUBWARD NO. 969 | | 16,484.20 |
| **Passed Through Louisiana State University** | | | | |
| University of Tennessee | ARRA-Trans-NSF Recovery Act Research Support | 47.082 / SUBAWARD NO. 64512 | | 5,743.28 |
| **Passed Through Purdue University** | | | | |
| University of Tennessee | ARRA-Trans-NSF Recovery Act Research Support | 47.082 / 4101-31975 AMEND #3 | | 52,835.34 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through University of Louisiana at Monroe** | | | | |
| University of Tennessee | ARRA-Trans-NSF Recovery Act Research Support | 47.082 / P0006114/HYS008-UTC | | 6,081.47 |
| **Passed Through Washington University** | | | | |
| University of Tennessee | ARRA-Trans-NSF Recovery Act Research Support | 47.082 / WU-HT-10-51-AMEND# 1 | | 36,939.31 |
| **Passed Through Smithsonian Institution** | | | | |
| University of Memphis | Best Practices & Inventory Development for Smithsonian Steam Education 2011 | 47 / 11-PO-620-0000225545 | | 12,003.36 |
| **Subtotal Pass-Through Programs** | | | | $ 6,602,951.62 |
| **Subtotal National Science Foundation** | | | | $ 52,731,865.08 |
| **Securities and Exchange Commission** | | | | |
| **Direct Programs** | | | | |
| University of Memphis | One Year Visiting at the Securities and Exchange Commission (SEC) - Intergovernmental Personnel Act Appointment | 58 / MOD35000-11-0006 | $ 224,134.27 | |
| University of Memphis | One Year Visiting at the Securities and Exchange Commission (SEC) - Intergovernmental Personnel Act Appointment | 58 / M10 0636 | 31,632.86 | $ 255,767.13 |
| **Subtotal Securities and Exchange Commission** | | | | $ 255,767.13 |
| **Small Business Administration** | | | | |
| **Direct Programs** | | | | |
| University of Memphis | 8(a) Business Development Program | 59.006 | | $ 227,699.73 |
| **Subtotal Small Business Administration** | | | | $ 227,699.73 |
| **Environmental Protection Agency** | | | | |
| **Office of Air and Radiation** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Air Pollution Control Program Support | 66.001 | | $ 418,359.80 |
| **Subtotal Office of Air and Radiation** | | | | $ 418,359.80 |
| **Office of Chemical Safety and Pollution Prevention** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Source Reduction Assistance | 66.717 | | $ (356.30) |
| **Subtotal Office of Chemical Safety and Pollution Prevention** | | | | $ (356.30) |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Office of Research and Development (ORD)** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Science To Achieve Results (STAR) Research Program | 66.509 | | $ (1,121.39) |
| University of Memphis | Greater Research Opportunities (GRO) Fellowships for Undergraduate Environmental Study | 66.513 | | (601.00) |
| University of Tennessee | P3 Award: National Student Design Competition for Sustainability | 66.516 | | (3,132.21) |
| **Subtotal Office of Research and Development (ORD)** | | | | $ (4,854.60) |
| **Office of the Chief Financial Officer** | | | | |
| **Passed Through Consortium for Plant Biotechnnology Research, Incorporated** | | | | |
| University of Tennessee | Congressionally Mandated Projects | 66.202 / EM83438801 | $ 1,454.75 | |
| University of Tennessee | Congressionally Mandated Projects | 66.202 / EPA83438801-303 | 24,982.13 | $ 26,436.88 |
| **Passed Through University of New Hampshire** | | | | |
| University of Tennessee | Congressionally Mandated Projects | 66.202 / AGREEMENT NO. 10- | | 41,237.39 |
| **Subtotal Office of the Chief Financial Officer** | | | | $ 67,674.27 |
| **Office of Water** | | | | |
| **Direct Programs** | | | | |
| Middle Tennessee State University | Regional Wetland Program Development Grants | 66.461 | $ 31,050.08 | |
| Tennessee Technological University | Regional Wetland Program Development Grants | 66.461 | 41,890.03 | $ 72,940.11 |
| **Subtotal Office of Water** | | | | $ 72,940.11 |
| **Other Programs** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | EPA-Nat'l Resource Policy Ctr-Schwartz | 66 / EM-83298901-1 | | $ 2,660.85 |
| **Subtotal Other Programs** | | | | $ 2,660.85 |
| **Subtotal Environmental Protection Agency** | | | | $ 556,424.13 |
| **Nuclear Regulatory Commission** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | U.S. Nuclear Regulatory Commission Nuclear Education Grant Program | 77.006 | | $ 16,186.98 |
| University of Tennessee | U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program | 77.008 | | 166,128.22 |
| University of Tennessee | U.S. Nuclear Regulatory Commission Office of Research Financial Assistance Program | 77.009 | | 44,399.37 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Direct Programs** | | | | $ 226,714.57 |
| **Passed Through University of Florida** | | | | |
| University of Tennessee | U.S. Nuclear Regulatory Commission Nuclear Education Grant Program | 77.006 / UF-EIES-1008038-UTN | | $ 6,737.47 |
| **Passed Through Oak Ridge Institute for Science and Education** | | | | |
| Tennessee State University | Gamma Spectroscopy of Heavy Metals in Bauxite Tailings and COUNT Summer Program | 77 / NRC-27-10-506 | | 10,024.29 |
| **Subtotal Pass-Through Programs** | | | | $ 16,761.76 |
| **Subtotal Nuclear Regulatory Commission** | | | | $ 243,476.33 |
| **Department of Energy** | | | | |
| **Direct Programs** | | | | |
| Middle Tennessee State University | Office of Science Financial Assistance Program | 81.049 | $ 459,499.64 | |
| Tennessee Technological University | Office of Science Financial Assistance Program | 81.049 | 94,142.51 | |
| University of Memphis | Office of Science Financial Assistance Program | 81.049 | 137,915.97 | |
| University of Tennessee | Office of Science Financial Assistance Program | 81.049 | 5,537,691.77 | |
| University of Tennessee | ARRA-Office of Science Financial Assistance Program | 81.049 | 83,367.49 | $ 6,312,617.38 |
| University of Tennessee | University Coal Research | 81.057 | | 57,686.83 |
| University of Tennessee | Conservation Research and Development | 81.086 | | 308,562.27 |
| Education | ARRA-Renewable Energy Research and Development | 81.087 | $ 767,338.75 | |
| University of Memphis | Renewable Energy Research and Development | 81.087 | 53,888.45 | 821,227.20 |
| Tennessee State University | Fossil Energy Research and Development | 81.089 | $ 80,669.93 | |
| Tennessee Technological University | Fossil Energy Research and Development | 81.089 | 71,002.62 | |
| University of Tennessee | Fossil Energy Research and Development | 81.089 | 429,889.79 | 581,562.34 |
| University of Tennessee | Stewardship Science Grant Program | 81.112 | | 138,319.02 |
| University of Tennessee | Defense Nuclear Nonproliferation Research | 81.113 | | 490,068.26 |
| Tennessee Technological University | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 | $ 213,826.94 | |
| Tennessee Technological University | ARRA-Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 | 9,745.80 | |
| University of Tennessee | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 | 182,951.06 | 406,523.80 |
| University of Tennessee | Nuclear Energy Research, Development and Demonstration | 81.121 | | 227,831.46 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| Tennessee State University | National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program | 81.123 | 250,435.02 |
| Tennessee State University | Department of Energy Chair of Excellence Professorship | 81 / DE-FG02-94EW11428 | 59,499.80 |
| University of Tennessee | DOE DE-FG02-06ER46338 Nieh | 81 / DE-FG02-06ER46338-03 | 10,355.88 |
| University of Tennessee | DOE DE-FG05-91ER40627 Task T Siopsis | 81 / DE-FG05-91ER40627-34 | 730,641.07 |
| University of Tennessee | DOE Energy Crop Operating CRC-Jackson | 81 / DE-EE0002993 | 590,171.21 |
| University of Tennessee | DOE Foxtail Millet Biomass Prod CRC-Chen | 81 / DE-FG02-08ER64667 | 74,159.83 |
| University of Tennessee | DOE-Minimize System Noise Effects-Dongarra | 81 / DE-FG02-08ER25845 | 916.15 |
| University of Tennessee | DOE-Spectroscopic Investig - Musfeldt | 81 / DE-FG02-01ER45885-12 | 169,626.66 |
| University of Tennessee | Lawrence Livermore B591195 Symes | 81 / B591195 | 2,131.55 |
| University of Tennessee | NREL ZCO-0-40616-01 Zawodzinski 11 | 81 / ZCO-0-40616-01 | 188,080.55 |
| University of Tennessee | PNNL Battelle POLYSYS-FCA-Hellwinckel | 81 / 150652 | 32,946.26 |
| University of Tennessee | Savannah River Nuclear AC841440 Miller | 81 / AC841440 | 20,369.47 |
| University of Tennessee | Univ of California-LBNL-6898750 - Liu | 81 / 6898750 | 9,761.05 |
| **Subtotal Direct Programs** | | | $ 11,483,493.06 |
| **Passed Through Louisiana State University** | | | |
| University of Tennessee | Office of Science Financial Assistance Program | 81.049 / 44159-3 | $ 112,610.49 |
| **Passed Through Pennsylvania State University** | | | |
| University of Tennessee | Office of Science Financial Assistance Program | 81.049 / 4230-UT-DOE-5267 | 135,119.52 |
| University of Tennessee | Renewable Energy Research and Development | 81.087 / 4502-UTK-NFCI-SUX1 | 96,970.13 |
| **Passed Through Princeton University** | | | |
| University of Tennessee | Office of Science Financial Assistance Program | 81.049 / SUBAWARD # 00001871 | 241,149.68 |
| **Passed Through Purdue University** | | | |
| University of Tennessee | ARRA-Office of Science Financial Assistance Program | 81.049 / 4105-29625 MOD 3 | 294,157.30 |
| **Passed Through University of California** | | | |
| University of Tennessee | ARRA-Office of Science Financial Assistance Program | 81.049 / 00007727 | 237,358.67 |
| **Passed Through University of Massachusetts** | | | |
| University of Tennessee | Office of Science Financial Assistance Program | 81.049 / DOE-03001804D-00 | (3,252.88) |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Passed Through University of Texas** | | | |
| University of Tennessee | Office of Science Financial Assistance Program | 81.049 / UTA08-929 AMEND 1 | (8,727.76) |
| **Passed Through South Dakota State University** | | | |
| University of Tennessee | Regional Biomass Energy Programs | 81.079 / 3TA157 | 96,831.19 |
| **Passed Through Northeastern University** | | | |
| University of Tennessee | Renewable Energy Research and Development | 81.087 / 50301678052 | 197,315.05 |
| **Passed Through University of Georgia** | | | |
| Middle Tennessee State University | Renewable Energy Research and Development | 81.087 / RR722-077/4785266 | 3,865.99 |
| **Passed Through Wichita State University** | | | |
| University of Tennessee | Renewable Energy Research and Development | 81.087 / SUB110169-1 | 55,123.03 |
| **Passed Through Rutgers, The State University of New Jersey** | | | |
| University of Tennessee | Stewardship Science Grant Program | 81.112 / SUB #3538 PO #S1135633 | 195,950.50 |
| **Passed Through Southern Methodist University** | | | |
| University of Tennessee | Defense Nuclear Nonproliferation Research | 81.113 / SUBCONTRACT #20499-10 | 39,084.55 |
| **Passed Through University of Idaho** | | | |
| University of Tennessee | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 / PO # 0024282 | 75,546.81 |
| **Passed Through West Virginia University** | | | |
| Tennessee Technological University | ARRA-State Energy Program Special Projects | 81.119 / 09-232-TTU AMENDMENT NO. 2 | 14,053.13 |
| **Passed Through Washington State University** | | | |
| Tennessee Technological University | Nuclear Energy Research, Development and Demonstration | 81.121 / 108880 G002296 AMENDMENT NO 3 | 3,289.25 |
| **Passed Through Electric Power Research Institute** | | | |
| University of Tennessee | Electricity Delivery and Energy Reliability, Research, Development and Analysis | 81.122 / EP-P36560/C16585 | 2,209.14 |
| **Passed Through Ames Laboratory** | | | |
| University of Tennessee | Ames Laboratory SC-09-323 Zhu | 81 / SC-09-323 MOD# 1 | 101,819.19 |
| University of Tennessee | Ames Laboratory SC-10-331 Wu | 81 / SC-10-331 | 87.65 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Passed Through Argonne National Laboratory** | | | |
| Middle Tennessee State University | Load-Balancing for Leadership Class Computers and Scalable Systems Software | 81 / 1F-32181 | 35,685.07 |
| University of Tennessee | Argonne Natl Lab-Sub1F-30501 - Dongarra | 81 / SUB 1F-30501-M0001 | 108,484.51 |
| **Passed Through Battelle Energy Alliance, Limited Liability Company** | | | |
| University of Tennessee | Battelle Energy 00103759 Wirth Yr 1 | 81 / 00103759 | 122,441.84 |
| University of Tennessee | Battelle Energy Allian00120767 Upadhyaya | 81 / 00120767 | 156,348.23 |
| University of Tennessee | Battelle Energy Alliance 001182894 Hines | 81 / 00118294 | 178,123.74 |
| University of Tennessee | Battelle Energy Alliance 00119262 Liaw | 81 / 00119262 | 85,537.32 |
| University of Tennessee | Battelle Energy Alliance, LLC - Khomami | 81 / 00091981 | 265,973.21 |
| University of Tennessee | Battelle Energy AllianceLLC 120607 Wirth | 81 / 120607 | 85,820.91 |
| University of Tennessee | Battelle Energy-00105162-Wirth | 81 / 00105162 | 319,180.05 |
| **Passed Through Battelle Memorial Institute** | | | |
| University of Tennessee | Battelle Memorial Inst PNNL 169906 Wirth | 81 / 169906 | 38,867.14 |
| University of Tennessee | Battelle Memorial Institute-103164-Liaw | 81 / 103164 | (380.95) |
| University of Tennessee | Battelle Memorial-PND 134949 Loeffler | 81 / 134949 | 85,510.09 |
| **Passed Through Fermi Research Alliance, Limited Liability Company** | | | |
| University of Tennessee | Fermi Research Alliance, LLC - Spanier | 81 / P. O. # 580849 REV#4 | 9,779.64 |
| **Passed Through Gas Technology Institute** | | | |
| University of Tennessee | Gas Tech Instit- Sub#S218 - Lin | 81 / SUB #S218 | 14,395.55 |
| **Passed Through Los Alamos National Laboratory** | | | |
| University of Tennessee | Los Alamos National Lab 159500-1 Hall | 81 / 159500-1 | 81,300.19 |
| **Passed Through North Carolina State University** | | | |
| University of Tennessee | NC State Univ-Sub2010-1691-01 Weber Yr1 | 81 / SUB2010-1691-01 | 49,936.09 |
| University of Tennessee | NCSU-2007-1694-03 - Sanders | 81 / 2007-1694-03 MOD 5 | 30,526.83 |
| **Passed Through Rensselaer Polytechnic Institute** | | | |
| University of Tennessee | Rensselaer Polytechni-A305260-Nazarewicz | 81 / SUBCONTRACT # A30560 | 63,081.04 |
| **Passed Through Sandia National Laboratories** | | | |
| Tennessee Technological University | Automatic Dynamic Resource-Aware Runtime System | 81 / PO 1104071 Revision 1 | 25,881.22 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Tennessee Technological University | Establish a Quantitative Structure/Property Relationship (QSAR) for Binding Affinities of Functionalized Organic Molecular Groups | 81 / PO 15573 Revision 6 | | (107.50) |
| University of Memphis | Strategy Shifting in Complex Multimodal Environments | 81 / PO 1071364 | | 40,477.60 |
| University of Tennessee | Sandia National Lab Multisensor Abidi | 81 / PO 1101746 Revision 3 | | 65,370.00 |
| **Passed Through University of Arizona** | | | | |
| University of Tennessee | Univ of Arizona PO # Y561966 Maldonado | 81 / PO # Y561966-MOD 1 | | 66,464.45 |
| **Passed Through UT-Battelle, Limited Liability Company** | | | | |
| Middle Tennessee State University | Bio-Sensor Detection Research | 81 / 4000071940 | | 290.50 |
| Middle Tennessee State University | Fly Ash Analysis | 81 / 4000104962 | | 6,133.55 |
| Tennessee Technological University | Alumina Forming Coatings for Power Generation Applications | 81 / 4000071336 MOD 5 | | 26,155.47 |
| Tennessee Technological University | ARRA-Aluminide Coatings | 81 / 4000087522 MOD 1 | | 5,593.33 |
| Tennessee Technological University | Environmental Remediation of Radioactive Waste and Chemical Process of Spent Nuclear Fuel | 81 / 4000101346 MOD 4 | | 38,246.02 |
| Tennessee Technological University | Molecular Photoredox Chemistry of Mercury in Aquatic Systems: Kinetics, Mechanism and Environmental Implication | 81 / 4000069118 MOD 5 | | 8,868.53 |
| Tennessee Technological University | Optimization of High Voltage Lines - Phase II | 81 / 4000051155 MOD 4 | | (5,500.77) |
| Tennessee Technological University | Resiliency Techniques for Large-Scale and Heterogeneous Environments | 81 / 4000112013 | | 22,746.73 |
| Tennessee Technological University | Smart Grid Research (High Voltage Transmission Lines - Phase II) | 81 / 4000085540 MOD 2 | | 18,407.74 |
| Tennessee Technological University | Stonecipher Professor of Distinction Joint Faculty Agreement with ORNL | 81 / 4000102091 MOD 2 | | 84,455.74 |
| University of Tennessee | UT -Battelle | 81 / B0199BTL | $ 21,421,110.18 | |
| University of Tennessee | ARRA-UT-Battelle | 81 / B0199BTL | 445,449.62 | 21,866,559.80 |
| **Subtotal Pass-Through Programs** | | | | $ 25,891,213.54 |
| **Subtotal Department of Energy** | | | | $ 37,374,706.60 |
| **Department of Education** | | | | |
| **Institute of Education Sciences** | | | | |
| **Direct Programs** | | | | |
| University of Memphis | Education Research, Development and Dissemination | 84.305 | $ 1,387,848.76 | |
| University of Tennessee | Education Research, Development and Dissemination | 84.305 | 521,688.52 | $ 1,909,537.28 |
| **Subtotal Direct Programs** | | | | $ 1,909,537.28 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through Northern Illinois University** | | | | |
| University of Memphis | Education Research, Development and Dissemination | 84.305 / PO 89595 | | $ 62,499.27 |
| **Passed Through Siskin Children's Institute** | | | | |
| Middle Tennessee State University | Research in Special Education | 84.324 / R 324 B070003 | | 29,816.72 |
| **Subtotal Pass-Through Programs** | | | | $ 92,315.99 |
| **Subtotal Institute of Education Sciences** | | | | $ 2,001,853.27 |
| **Office of Educational Research and Improvement** | | | | |
| **Passed Through Virginia Department of Education** | | | | |
| University of Memphis | Twenty-First Century Community Learning Centers | 84.287 / 21CCLC2009 | $ (1,423.94) | |
| University of Memphis | Twenty-First Century Community Learning Centers | 84.287 / 780-86784-S287C100047 | 57,133.36 | $ 55,709.42 |
| **Subtotal Office of Educational Research and Improvement** | | | | $ 55,709.42 |
| **Office of Innovation and Improvement** | | | | |
| **Passed Through Hardin County Schools** | | | | |
| University of Memphis | Fund for the Improvement of Education | 84.215 / Q215E110461 | | $ 13,754.33 |
| **Subtotal Office of Innovation and Improvement** | | | | $ 13,754.33 |
| **Office of Postsecondary Education** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Fund for the Improvement of Postsecondary Education | 84.116 | | $ 13.56 |
| University of Memphis | Centers for International Business Education | 84.220 | | 208,708.13 |
| University of Tennessee | Transition Programs for Students with Intellectual Disabilities into Higher Education | 84.407 | | 288,688.69 |
| **Subtotal Direct Programs** | | | | $ 497,410.38 |
| **Passed Through Smithsonian Institution** | | | | |
| University of Memphis | ARRA-Overseas Programs - Doctoral Dissertation Research Abroad | 84.022 / 11-SUBC-440-0000220859 | | $ 901,221.93 |
| **Subtotal Pass-Through Programs** | | | | $ 901,221.93 |
| **Subtotal Office of Postsecondary Education** | | | | $ 1,398,632.31 |
| **Other Programs** | | | | |
| **Direct Programs** | | | | |
| University of Memphis | Bilingual Education Support Services | 84.194 | | $ 248,289.49 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Subtotal Other Programs** | | | $ 248,289.49 |
| **Subtotal Department of Education** | | | $ 3,718,238.82 |
| **National Archives and Records Administration** | | | |
| **Direct Programs** | | | |
| University of Tennessee | National Historical Publications and Records Grants | 89.003 | $ 179,626.33 |
| **Subtotal National Archives and Records Administration** | | | $ 179,626.33 |
| **Department of Health and Human Services** | | | |
| **Administration for Children and Families** | | | |
| **Passed Through Methodist LeBonheur Healthcare, Incorporated** | | | |
| University of Memphis | Child Abuse and Neglect Discretionary Activities | 93.670 / 97212-2011 | $ 5,503.69 |
| **Subtotal Administration for Children and Families** | | | $ 5,503.69 |
| **Administration for Community Living** | | | |
| **Passed Through Texas A&M University** | | | |
| University of Memphis | ARRA-Special Programs for the Aging_Title IV_and Title II_ Discretionary Projects | 93.048 / S120018 | $ 23,597.60 |
| **Subtotal Administration for Community Living** | | | $ 23,597.60 |
| **Agency for Healthcare Research and Quality** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Research on Healthcare Costs, Quality and Outcomes | 93.226 | $ 239,341.39 |
| **Subtotal Direct Programs** | | | $ 239,341.39 |
| **Passed Through Olmsted Medical Center** | | | |
| University of Tennessee | Research on Healthcare Costs, Quality and Outcomes | 93.226 / HS019408 | $ 25,297.98 |
| **Subtotal Pass-Through Programs** | | | $ 25,297.98 |
| **Subtotal Agency for Healthcare Research and Quality** | | | $ 264,639.37 |
| **Centers for Disease Control and Prevention** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Immunization Research, Demonstration, Public Information and Education_Training and Clinical Skills Improvement Projects | 93.185 | $ 3,805.16 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| University of Tennessee | Research, Prevention, and Education Programs on Lyme Disease in the United States | 93.942 | 234,785.88 |
| Middle Tennessee State University | Assistance Programs for Chronic Disease Prevention and Control | 93.945 | 355,595.29 |
| **Subtotal Direct Programs** | | | $ 594,186.33 |
| **Passed Through Emory University** | | | |
| University of Tennessee | Environmental Public Health and Emergency Response | 93.070 / S519954-01 | $ 73,780.37 |
| **Passed Through Georgia Institute of Technology** | | | |
| East Tennessee State University | Environmental Public Health and Emergency Response | 93.070 / RA153-G1 | 20,243.07 |
| **Passed Through St. Jude Children's Research Hospital** | | | |
| University of Tennessee | Immunization Research, Demonstration, Public Information and Education_Training and Clinical Skills Improvement Projects | 93.185 / IP000302 | 80,005.81 |
| University of Tennessee | The Affordable Care Act: Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.283 / IP000489 | 408,397.60 |
| **Passed Through Colorado State University** | | | |
| University of Tennessee | Occupational Safety and Health Program | 93.262 / G-4603-1 | 43,387.61 |
| **Passed Through University of Kentucky Research Foundation** | | | |
| East Tennessee State University | Occupational Safety and Health Program | 93.262 / 3049024627-12-474 | 4,992.62 |
| **Passed Through University of North Carolina** | | | |
| University of Tennessee | The Affordable Care Act: Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.283 / DD000199 | 8,719.62 |
| **Passed Through Metropolitan Government of Nashville and Davidson County** | | | |
| Tennessee State University | ARRA-Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) | 93.724 / 1U58DP002447-01 | 2,645.93 |
| **Passed Through American College of Sports Medicine** | | | |
| University of Tennessee | Assistance Programs for Chronic Disease Prevention and Control | 93.945 / 5U58DP001132-05 CDC | 4,820.69 |
| **Passed Through Shelby County Office of Early Childhood and Youth** | | | |
| University of Memphis | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 93.946 / CA1111118 | 15,666.68 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Pass-Through Programs** | | | | $ 662,660.00 |
| **Subtotal Centers for Disease Control and Prevention** | | | | $ 1,256,846.33 |
| **Food and Drug Administration** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Food and Drug Administration_ Research | 93.103 | | $ 130,461.53 |
| **Subtotal Food and Drug Administration** | | | | $ 130,461.53 |
| **Health Resources and Services Administration** | | | | |
| **Direct Programs** | | | | |
| University of Tennessee | Nursing Workforce Diversity | 93.178 | | $ 244,900.52 |
| University of Tennessee | Specially Selected Health Projects | 93.888 | | 44,228.77 |
| **Subtotal Direct Programs** | | | | $ 289,129.29 |
| **Passed Through University of North Carolina** | | | | |
| University of Tennessee | Maternal and Child Health Federal Consolidated Programs | 93.110 / MC05053 | | $ 18,464.33 |
| **Passed Through Mountain States Health Alliance** | | | | |
| East Tennessee State University | Telehealth Programs | 93.211 / 1H2AIT16637 | | 48,437.05 |
| **Passed Through University of Kentucky** | | | | |
| University of Tennessee | Public Health Training Centers Program | 93.249 / 304810583-12-526 | | 31,333.67 |
| **Passed Through Methodist LeBonheur Healthcare, Incorporated** | | | | |
| University of Memphis | Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 / 97212UMCHANG | | 16,971.00 |
| **Passed Through Delta Health Alliance** | | | | |
| University of Tennessee | Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program | 93.912 / RH08555 | | 35,188.48 |
| **Subtotal Pass-Through Programs** | | | | $ 150,394.53 |
| **Subtotal Health Resources and Services Administration** | | | | $ 439,523.82 |
| **National Institutes of Health** | | | | |
| **Direct Programs** | | | | |
| East Tennessee State University | Environmental Health | 93.113 | $ 29,496.62 | |
| University of Memphis | Environmental Health | 93.113 | 551,909.41 | |
| University of Tennessee | Environmental Health | 93.113 | 163,337.48 | $ 744,743.51 |
| University of Tennessee | Oral Diseases and Disorders Research | 93.121 | | 46,039.92 |
| University of Tennessee | Human Genome Research | 93.172 | | 19,072.89 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| East Tennessee State University | Research Related to Deafness and Communication Disorders | 93.173 | $ 38,343.62 | |
| University of Memphis | Research Related to Deafness and Communication Disorders | 93.173 | 619,882.27 | |
| University of Tennessee | Research Related to Deafness and Communication Disorders | 93.173 | 722,175.35 | 1,380,401.24 |
| East Tennessee State University | Mental Health Research Grants | 93.242 | $ 733,318.60 | |
| University of Memphis | Mental Health Research Grants | 93.242 | (0.01) | |
| University of Tennessee | Mental Health Research Grants | 93.242 | 900,255.72 | 1,633,574.31 |
| University of Memphis | Alcohol Research Programs | 93.273 | $ 103,104.25 | |
| University of Tennessee | Alcohol Research Programs | 93.273 | 2,262,078.62 | 2,365,182.87 |
| East Tennessee State University | Drug Abuse and Addiction Research Programs | 93.279 | $ 262,526.28 | |
| University of Memphis | Drug Abuse and Addiction Research Programs | 93.279 | 203,245.51 | |
| University of Tennessee | Drug Abuse and Addiction Research Programs | 93.279 | 931,977.52 | 1,397,749.31 |
| University of Tennessee | Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 231,592.00 |
| East Tennessee State University | Minority Health and Health Disparities Research | 93.307 | | 338,196.59 |
| University of Tennessee | Nursing Research | 93.361 | | 331,767.00 |
| University of Tennessee | National Center for Research Resources | 93.389 | | 540,526.95 |
| East Tennessee State University | Cancer Cause and Prevention Research | 93.393 | $ 273,853.79 | |
| Tennessee State University | Cancer Cause and Prevention Research | 93.393 | 267,825.02 | |
| University of Tennessee | Cancer Cause and Prevention Research | 93.393 | 1,111,764.36 | 1,653,443.17 |
| East Tennessee State University | Cancer Detection and Diagnosis Research | 93.394 | $ 610,008.25 | |
| University of Memphis | Cancer Detection and Diagnosis Research | 93.394 | 52,820.53 | 662,828.78 |
| University of Tennessee | Cancer Treatment Research | 93.395 | | 1,579,859.83 |
| University of Tennessee | Cancer Biology Research | 93.396 | | 1,242,066.64 |
| University of Tennessee | Cancer Control | 93.399 | | (16,943.11) |
| East Tennessee State University | ARRA-Trans-NIH Recovery Act Research Support | 93.701 | $ 510,839.12 | |
| Middle Tennessee State University | ARRA-Trans-NIH Recovery Act Research Support | 93.701 | 41,524.13 | |
| University of Memphis | ARRA-Trans-NIH Recovery Act Research Support | 93.701 | 373,291.37 | |
| University of Tennessee | ARRA-Trans-NIH Recovery Act Research Support | 93.701 | 4,381,207.00 | 5,306,861.62 |
| East Tennessee State University | ARRA-National Center for Research Resources, Recovery Act Construction Support | 93.702 | | 116,274.80 |
| East Tennessee State University | Cardiovascular Diseases Research | 93.837 | $ 1,578,658.08 | |
| University of Memphis | Cardiovascular Diseases Research | 93.837 | 154,909.12 | |
| University of Tennessee | Cardiovascular Diseases Research | 93.837 | 8,983,075.19 | 10,716,642.39 |
| East Tennessee State University | Lung Diseases Research | 93.838 | $ 42,639.55 | |
| University of Tennessee | Lung Diseases Research | 93.838 | 1,367,434.86 | 1,410,074.41 |
| University of Tennessee | Blood Diseases and Resources Research | 93.839 | | 247,409.78 |
| University of Tennessee | Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | | 959,500.36 |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| East Tennessee State University | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | $ 458,713.06 | |
| Tennessee State University | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 35,673.84 | |
| University of Tennessee | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 3,520,820.22 | 4,015,207.12 |
| University of Memphis | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | $ 390,696.69 | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | 4,764,394.41 | 5,155,091.10 |
| East Tennessee State University | Allergy, Immunology and Transplantation Research | 93.855 | $ 327,543.47 | |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 | 3,784,876.12 | |
| University of Tennessee | ARRA-Allergy, Immunology and Transplantation Research | 93.855 | 92,950.51 | 4,205,370.10 |
| University of Tennessee | Microbiology and Infectious Diseases Research | 93.856 | | 255,000.96 |
| East Tennessee State University | Biomedical Research and Research Training | 93.859 | $ 598,894.41 | |
| Tennessee State University | Biomedical Research and Research Training | 93.859 | 18,710.24 | |
| University of Tennessee | Biomedical Research and Research Training | 93.859 | 1,780,611.75 | 2,398,216.40 |
| East Tennessee State University | Child Health and Human Development Extramural Research | 93.865 | $ 38,867.03 | |
| University of Memphis | Child Health and Human Development Extramural Research | 93.865 | (11,191.05) | |
| University of Tennessee | Child Health and Human Development Extramural Research | 93.865 | 641,678.23 | 669,354.21 |
| University of Tennessee | Aging Research | 93.866 | | 1,100,257.11 |
| University of Tennessee | Vision Research | 93.867 | $ 2,149,512.18 | |
| University of Tennessee | ARRA-Vision Research | 93.867 | (356.48) | 2,149,155.70 |
| Middle Tennessee State University | Medical Library Assistance | 93.879 | | 55,282.38 |
| **Subtotal Direct Programs** | | | | $ 52,909,800.34 |
| **Passed Through University of Michigan** | | | | |
| University of Tennessee | Environmental Health | 93.113 / 3001668850 | | $ (1,208.18) |
| University of Tennessee | Cardiovascular Diseases Research | 93.837 / HL094345 | | 40,812.11 |
| **Passed Through The Ohio State University Research Foundation** | | | | |
| University of Tennessee | Oral Diseases and Disorders Research | 93.121 / 60025882 | | 78,750.87 |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 / RF01228833 PO | | 58,253.35 |
| **Passed Through University of North Carolina** | | | | |
| University of Tennessee | Human Genome Research | 93.172 / #5-34534 | $ (8,060.52) | |
| University of Tennessee | Human Genome Research | 93.172 / SUB 5-30792 | 91,373.24 | 83,312.72 |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 / AI057157 | | 49,534.00 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through Cornell University** | | | | |
| University of Tennessee | Research Related to Deafness and Communication Disorders | 93.173 / DC-008702 | | 13,374.13 |
| University of Tennessee | Cancer Treatment Research | 93.395 / 54352-9027 | | 32,274.83 |
| **Passed Through Duke University** | | | | |
| East Tennessee State University | Research Related to Deafness and Communication Disorders | 93.173 / 12-NIH-1032 | | 161,989.51 |
| University of Tennessee | Cancer Cause and Prevention Research | 93.393 / SUBAWARD # 303-3941 | $ 27,980.50 | |
| University of Tennessee | Cancer Cause and Prevention Research | 93.393 / 203-0310 AMEND # 1 | 44,255.28 | 72,235.78 |
| **Passed Through University of Iowa** | | | | |
| East Tennessee State University | Research Related to Deafness and Communication Disorders | 93.173 / UNKNOWN | | 230.75 |
| **Passed Through Emory University** | | | | |
| University of Tennessee | Research and Training in Complementary and Alternative Medicine | 93.213 / S494529 AMENDMENT# 1 | | 8,951.99 |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS062778 | $ (10,240.21) | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS065701 | 215.48 | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS067201 | 118,934.73 | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS071867 | 449.03 | 109,359.03 |
| **Passed Through Medical College of Wisconsin** | | | | |
| University of Memphis | Mental Health Research Grants | 93.242 / P01236907 | | 73,647.15 |
| **Passed Through Research Foundation for Mental Hygiene, Incorporated** | | | | |
| University of Tennessee | Mental Health Research Grants | 93.242 / 96757 | | 68,036.63 |
| **Passed Through University of Illinois at Chicago** | | | | |
| University of Tennessee | Mental Health Research Grants | 93.242 / 491739 E5151 | $ 40,493.71 | |
| University of Tennessee | Mental Health Research Grants | 93.242 / 5P20MH078458-03 | 66,838.63 | 107,332.34 |
| **Passed Through Vanderbilt University** | | | | |
| Middle Tennessee State University | Mental Health Research Grants | 93.242 / 21357-S1 | $ 32,474.07 | |
| University of Tennessee | Mental Health Research Grants | 93.242 / MH063232 | 19,453.68 | 51,927.75 |
| University of Tennessee | Lung Diseases Research | 93.838 / HL109977 | | 200,276.05 |
| **Passed Through Jackson Laboratory** | | | | |
| University of Tennessee | Alcohol Research Programs | 93.273 / PO 659700 | | 89,238.38 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through University of British Columbia** | | | | |
| University of Tennessee | Alcohol Research Programs | 93.273 / AA016666 | | 40,187.95 |
| **Passed Through Virginia Commonwealth University** | | | | |
| University of Tennessee | Alcohol Research Programs | 93.273 / PT100580-SC100569 | | 52,887.44 |
| **Passed Through Florida International University** | | | | |
| University of Memphis | Drug Abuse and Addiction Research Programs | 93.279 / 800001039-02 AMEND 01 | | 22,306.40 |
| **Passed Through Health Research, Incorporated** | | | | |
| East Tennessee State University | Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 / 3687-01 | | 30,993.39 |
| **Passed Through Louisiana State University** | | | | |
| University of Tennessee | Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 / 1R01EB006639-01A1 | | 68,574.91 |
| **Passed Through Meharry Medical College** | | | | |
| Tennessee State University | Minority Health and Health Disparities Research | 93.307 / 5P20MD000516-06 | $ (275.94) | |
| Tennessee State University | Minority Health and Health Disparities Research | 93.307 / 5P20MD000516-07 | 38,899.23 | |
| Tennessee State University | Minority Health and Health Disparities Research | 93.307 / 5P20MD000516-08 | 37,553.32 | |
| University of Tennessee | Minority Health and Health Disparities Research | 93.307 / 110804PJ158 02 | 5,429.99 | 81,606.60 |
| Tennessee State University | Cancer Centers Support Grants | 93.397 / 1P20CA144809-01 | $ 4,987.77 | |
| Tennessee State University | Cancer Centers Support Grants | 93.397 / 1P20CA144809-02 | 10,930.00 | |
| Tennessee State University | Cancer Centers Support Grants | 93.397 / 1U54CA153708-01 | 3,241.45 | 19,159.22 |
| Tennessee State University | Biomedical Research and Research Training | 93.859 / 5U54CA091408-10 | | 14,821.35 |
| **Passed Through University of Pittsburgh** | | | | |
| University of Tennessee | Nursing Research | 93.361 / NR012459 | | 168,426.33 |
| University of Memphis | Cancer Cause and Prevention Research | 93.393 / 0019106 | | 116,375.59 |
| University of Tennessee | Aging Research | 93.866 / AG028050 | | 4,610.18 |
| **Passed Through Clemson University** | | | | |
| University of Tennessee | National Center for Research Resources | 93.389 / 1307-7558-2092007132 | | 70,450.42 |
| **Passed Through Miami University** | | | | |
| University of Memphis | Cancer Cause and Prevention Research | 93.393 / 401966 | | 7,169.06 |
| **Passed Through University of Massachusetts** | | | | |
| University of Tennessee | Cancer Cause and Prevention Research | 93.393 / 08 004521 C01-1 | | 16,192.66 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through University of Rochester** | | | | |
| East Tennessee State University | Cancer Cause and Prevention Research | 93.393 / 414462-G | | 6,142.30 |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS050095 | | (1,813.86) |
| **Passed Through The Miriam Hospital** | | | | |
| University of Tennessee | Cancer Detection and Diagnosis Research | 93.394 / 710-9801 AMENDMENT 2 | | 7,060.37 |
| University of Tennessee | Cardiovascular Diseases Research | 93.837 / 710-9866 | | 14,852.38 |
| **Passed Through Duke University Medical Center** | | | | |
| University of Tennessee | Cancer Treatment Research | 93.395 / CA 112519 | | (8,182.03) |
| University of Tennessee | Child Health and Human Development Extramural Research | 93.865 / HD057956 | | 10.71 |
| **Passed Through National Childhood Cancer Foundation** | | | | |
| East Tennessee State University | Cancer Treatment Research | 93.395 / 98543-1033 | | 1,312.20 |
| **Passed Through St. Jude Children's Research Hospital** | | | | |
| University of Tennessee | Cancer Treatment Research | 93.395 / CA081457 | $ 47,531.34 | |
| University of Tennessee | Cancer Treatment Research | 93.395 / CA132901 | 6,893.35 | 54,424.69 |
| University of Tennessee | ARRA-Trans-NIH Recovery Act Research Support | 93.701 / AI062415 | $ (6,103.68) | |
| University of Tennessee | ARRA-Trans-NIH Recovery Act Research Support | 93.701 / EY014867 | 60,729.16 | 54,625.48 |
| University of Tennessee | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 / DK088988 | | 5,741.61 |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 / AI062415 | $ 110,052.87 | |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 / AI069529 | 155,219.72 | |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 / AI076816 | (1,479.52) | |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 / AI088729 | 38,185.93 | |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 / AI090810 | 215,060.11 | 517,039.11 |
| University of Tennessee | Child Health and Human Development Extramural Research | 93.865 / HD059292 | | 2,771.44 |
| **Passed Through University of Rhode Island** | | | | |
| East Tennessee State University | Cancer Biology Research | 93.396 / 041211/0002821 | $ 35,020.97 | |
| East Tennessee State University | Cancer Biology Research | 93.396 / 052912/0003156 | 11,994.86 | 47,015.83 |
| **Passed Through CTRC Research Foundation** | | | | |
| East Tennessee State University | Cancer Control | 93.399 / CA37429 | | 12,292.60 |
| **Passed Through Dana-Farber Cancer Institute** | | | | |
| University of Tennessee | Cancer Control | 93.399 / CA148596 | | 42,539.02 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Passed Through Children's Mercy Hospital** | | | |
| University of Tennessee | ARRA-Trans-NIH Recovery Act Research Support | 93.701 / DK066143 | 2,009.29 |
| **Passed Through University of Florida** | | | |
| University of Tennessee | ARRA-Trans-NIH Recovery Act Research Support | 93.701 / AG033005 | 23,788.56 |
| **Passed Through University of Kansas Medical Center** | | | |
| University of Tennessee | ARRA-Trans-NIH Recovery Act Research Support | 93.701 / DK057301 | 3,442.80 |
| **Passed Through University of Utah** | | | |
| University of Tennessee | ARRA-Trans-NIH Recovery Act Research Support | 93.701 / NS069066 | (2,411.10) |
| **Passed Through Baylor College of Medicine** | | | |
| University of Tennessee | Cardiovascular Diseases Research | 93.837 / HL056865 | 14,936.31 |
| **Passed Through Ithaca College** | | | |
| East Tennessee State University | Cardiovascular Diseases Research | 93.837 / 1R01HL098589 | 54,393.17 |
| **Passed Through Northwestern University** | | | |
| University of Tennessee | Cardiovascular Diseases Research | 93.837 / HL106462 | 7,817.51 |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS047085 | 210,909.55 |
| **Passed Through University of Washington** | | | |
| University of Tennessee | Cardiovascular Diseases Research | 93.837 / HL077863 | 91,593.29 |
| University of Tennessee | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 / DK080840 | 12,042.49 |
| **Passed Through University of Alabama** | | | |
| University of Tennessee | Lung Diseases Research | 93.838 / 000272595-004 | 14,197.04 |
| **Passed Through University of California, San Francisco** | | | |
| University of Tennessee | Lung Diseases Research | 93.838 / HL094338 | 31,028.80 |
| University of Memphis | Child Health and Human Development Extramural Research | 93.865 / 6705SC | 6,599.52 |
| **Passed Through University of Chicago** | | | |
| University of Tennessee | Lung Diseases Research | 93.838 / HL080417 | (0.01) |
| **Passed Through Johns Hopkins University** | | | |
| University of Tennessee | Blood Diseases and Resources Research | 93.839 / HL68927 | (894.68) |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through University of Alabama at Birmingham** | | | | |
| University of Tennessee | Blood Diseases and Resources Research | 93.839 / HL095468 | | 59,827.34 |
| University of Tennessee | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 / DK-082753 | | 14,622.73 |
| **Passed Through University of South Florida** | | | | |
| Tennessee Technological University | Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 / 2107-1060-00-A MODIFICATION 1 | | 14,136.29 |
| **Passed Through Case Western Reserve University** | | | | |
| University of Tennessee | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 / DK094157 | $ 6,897.71 | |
| University of Tennessee | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 / N01-DK-6-2203 | 156,565.36 | 163,463.07 |
| **Passed Through State University of New York** | | | | |
| University of Tennessee | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 / PO#R635210 AMEND 02 | | 28,735.41 |
| **Passed Through Tufts Medical Center** | | | | |
| University of Tennessee | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 / DK091958 | | 3,275.21 |
| **Passed Through Children's Hospital Research Foundation** | | | | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS045911 | | 6,694.38 |
| **Passed Through Cornell Medical Center** | | | | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS50324 | | 19,071.30 |
| **Passed Through Massachusetts General Hospital** | | | | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / AT000613 | $ 53,954.96 | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS052592 | 3,605.29 | 57,560.25 |
| **Passed Through Mayo Clinic** | | | | |
| University of Memphis | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / 1R01NS07087201A1 | | 30,184.47 |
| **Passed Through Medical University of South Carolina** | | | | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS058728 | | 3,217.67 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through University of Pennsylvania** | | | | |
| University of Memphis | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / 558624 | | 3,056.54 |
| **Passed Through Yale University** | | | | |
| University of Tennessee | Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 / NS053865 | | 19,696.96 |
| **Passed Through Seattle Children's Hospital** | | | | |
| University of Tennessee | Allergy, Immunology and Transplantation Research | 93.855 / AI071163 | | 36,067.60 |
| **Passed Through University of Arkansas for Medical Sciences** | | | | |
| University of Memphis | Allergy, Immunology and Transplantation Research | 93.855 / 30646 AMEND 4 | | 18,522.64 |
| **Passed Through Minneapolis Medical Research Foundation** | | | | |
| University of Tennessee | Aging Research | 93.866 / AG029824 | | 75,969.38 |
| **Passed Through Wake Forest University** | | | | |
| University of Tennessee | Aging Research | 93.866 / AG033087 | | 85,982.97 |
| **Passed Through University of California** | | | | |
| University of Tennessee | Vision Research | 93.867 / EY013198 | | (0.15) |
| **Passed Through Columbia University** | | | | |
| University of Tennessee | International Research and Research Training | 93.989 / 1 (ACCT #5-63306) | | 7,669.27 |
| **Subtotal Pass-Through Programs** | | | | $ 3,885,128.41 |
| **Subtotal National Institutes of Health** | | | | $ 56,794,928.75 |
| **Office of the Secretary** | | | | |
| **Passed Through Shelby County Government** | | | | |
| University of Memphis | Pregnancy Assistance Fund Program | 93.500 / S006102 | $ 292,549.86 | |
| University of Memphis | Pregnancy Assistance Fund Program | 93.500 / S006172 | 4,255.00 | $ 296,804.86 |
| **Passed Through Shelby County Office of Early Childhood and Youth** | | | | |
| University of Memphis | Pregnancy Assistance Fund Program | 93.500 / S006101 | $ 53,500.94 | |
| University of Memphis | Pregnancy Assistance Fund Program | 93.500 / S006103 | 49,612.32 | |
| University of Memphis | Pregnancy Assistance Fund Program | 93.500 / S006170 | 102,575.81 | 205,689.07 |
| **Passed Through University of Washington** | | | | |
| University of Tennessee | ARRA-Strategic Health IT Advanced Research Projects (SHARP) | 93.728 / 716217Z | | 16,359.82 |
| **Subtotal Office of the Secretary** | | | | $ 518,853.75 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **President's Council on Fitness, Sports, and Nutrition** | | | |
| **Passed Through University of Kentucky** | | | |
| University of Tennessee | President's Council on Fitness, Sports, and Nutrition | 93.289 / 3049024225-11-192 | $ (3.20) |
| **Subtotal President's Council on Fitness, Sports, and Nutrition** | | | $ (3.20) |
| **Substance Abuse and Mental Health Services Administration** | | | |
| **Direct Programs** | | | |
| East Tennessee State University | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | $ 88,250.04 |
| **Subtotal Direct Programs** | | | $ 88,250.04 |
| **Passed Through Case Management, Incorporated** | | | |
| University of Memphis | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 / BABYLOVE II | $ 8,575.54 |
| **Subtotal Pass-Through Programs** | | | $ 8,575.54 |
| **Subtotal Substance Abuse and Mental Health Services Administration** | | | $ 96,825.58 |
| **Other Programs** | | | |
| **Direct Programs** | | | |
| University of Tennessee | Digestive Diseases and Nutrition Research | 93.848 | $ 1,976,419.83 |
| East Tennessee State University | Academic Research Enhancement Award | 93 / 1R15HL091502 | 17,964.18 |
| University of Memphis | Alzheimer's Disease and Social Networks | 93 / HHSN268201100195P | 27,125.51 |
| University of Tennessee | NCI COTC007a Topotecan Dogs-Phillips | 93 / COTC007A | (20,962.49) |
| University of Tennessee | NIH 1R21EY018935-01A1 Chen, Yl | 93 / 1R21EY018935-01A1 | 161,062.61 |
| University of Tennessee | ARRA-NIH 1R21EY018385-01A2 Chen, Yl | 93 / 1R21EY018385-01A2 | 83,393.56 |
| University of Tennessee | NIH 2R01AI01436725A2 Replication-Brian | 93 / 2R01AI01436725A2 | 317,109.83 |
| University of Tennessee | NIH Green Tea Precancer Prevention-Wang | 93 / 1R21CA129772-01A2 | 68,673.95 |
| University of Tennessee | NIH-NINR IPA Agmt-2256486-Cashion | 93 / 2256486 | 115,944.26 |
| **Subtotal Direct Programs** | | | $ 2,746,731.24 |
| **Passed Through Buffalo Valley, Incorporated** | | | |
| University of Memphis | Consolidated Knowledge Development and Application (KD&A) Program | 93.230 / T109006 | $ 59,210.04 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Passed Through Children's Mercy Hospital** | | | |
| University of Tennessee | Kidney Diseases, Urology and Hematology Research | 93.849 / DK066143 | 351.78 |
| **Passed Through Shelby County Drug Court** | | | |
| University of Memphis | Evaluation of the Shelby County Drug Court for Individuals with Co-Occurring Mental Health Disorders | 93 / 1H79T1021892 01 | 32,701.99 |
| **Passed Through University of Alabama at Birmingham** | | | |
| University of Tennessee | ARRA-Univ Alabama HHSN268200900047C | 93 / HHSN268200900047C | 163,990.39 |
| **Passed Through University of Texas** | | | |
| University of Tennessee | Univ Texas HSC Subcont HL077863 | 93 / HL077863 | 194,677.84 |
| **Passed Through University of Toledo** | | | |
| University of Tennessee | Univ Toledo Sub HHSN261200433000C | 93 / HHSN261200433000C | 138,722.18 |
| **Passed Through Urban Institute** | | | |
| University of Memphis | Housing Assistance and Supportive Services in Memphis | 93 / 08350-022-00-UOM-01 | 20,362.89 |
| **Passed Through Vanderbilt University Medical Center** | | | |
| Tennessee Technological University | VEHI Subcontract w/ Vanderbilt - Amendment #5 | 93 / VUMC31882-R - AMENDMENT NO 5 | (773.10) |
| **Subtotal Pass-Through Programs** | | | $ 609,244.01 |
| **Subtotal Other Programs** | | | $ 3,355,975.25 |
| **Subtotal Department of Health and Human Services** | | | $ 62,887,152.47 |
| **Department of Homeland Security** | | | |
| **Direct Programs** | | | |
| Tennessee State University | Scientific Leadership Awards | 97.062 | $ 163,474.13 |
| University of Tennessee | Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection | 97.077 | 745,268.77 |
| Tennessee Technological University | Detecting Anomalies in Shipping Data Using a Graph-Based Approach | 97 / HSHQDC-10-C-00212 | 111,469.63 |
| **Subtotal Direct Programs** | | | $ 1,020,212.53 |
| **Passed Through Mississippi State University** | | | |
| University of Tennessee | Mississippi State 061300-362972-01 JIn | 97 / 061300-362972-01 | $ 16,082.85 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Passed Through University of Mississippi** | | | |
| University of Memphis | Nano Coated Metal Oxides Smart Sensors for Explosive Diagnostics and Monitoring | 97 / 1007011 | (1,583.10) |
| **Subtotal Pass-Through Programs** | | | $ 14,499.75 |
| **Subtotal Department of Homeland Security** | | | $ 1,034,712.28 |
| **Agency for International Development** | | | |
| **Direct Programs** | | | |
| University of Tennessee | USAID Foreign Assistance for Programs Overseas | 98.001 | $ 826,834.87 |
| **Subtotal Agency for International Development** | | | $ 826,834.87 |
| **Other Federal Assistance** | | | |
| **Tennessee Valley Authority** | | | |
| **Direct Programs** | | | |
| Tennessee Technological University | Propogation of Pink Muckets (Lampsilis abrupta) | 62 / PO 165700 | $ 10,000.00 |
| University of Tennessee | TVA - PO#205185 - DeCorse | 62 / TVA PO#205185 | 1,522.38 |
| University of Tennessee | TVA 272087 Occasional Flooding-English | 62 / PO 272087 | 41,281.76 |
| University of Tennessee | TVA PO # 215726 DeCorse | 62 / PO # 215726/330761 | 11,759.49 |
| University of Tennessee | TVA PO # 216056 AlgaeWheel Spratt 11 | 62 / PO NO 216056 | 8,619.08 |
| University of Tennessee | TVA PO # 226713 DeCorse | 62 / PO # 226713 | 43,225.26 |
| University of Tennessee | TVA PO # 244457 Sander's Site DeCorse | 62 / PO # 244457 REV 1 | 8,098.25 |
| University of Tennessee | TVA PO # 293171 Murray 12 | 62 / PO # 293171 | 117,060.00 |
| University of Tennessee | TVA PO # 335382 Yerka | 62 / PO # 335382 | 10,550.92 |
| University of Tennessee | TVA PO # 389909 DeCorse | 62 / PO # 389909 | 11,901.02 |
| University of Tennessee | TVA PO 260141-Elec Transp 11 Bailey | 62 / PO # 260141 | 55,050.25 |
| University of Tennessee | TVA PO# 27296 XRD 09-10 Mies | 62 / PO NO 27296 | 1,985.81 |
| University of Tennessee | TVA PO#274537 Vishnivetskaya | 62 / PO#274537 | 10,542.00 |
| University of Tennessee | TVA Rel #110 Fly Ash Exposure-Souza | 62 / RELEASE #110 | 1,112.62 |
| University of Tennessee | TVA Solar Decathlon Stach Year 1 | 62 / PO#156617 | 185,994.61 |
| University of Tennessee | TVA-99998950 Release No. 109 - Gage | 62 / PO# 073151 | 5,535.80 |
| **Subtotal Direct Programs** | | | $ 524,239.25 |
| **Passed Through Tennessee Advisory Commission** | | | |
| Middle Tennessee State University | Web Site of Economic Indicators for Tennessee's Economy | 62 / 16721 | $ 7,573.41 |
| **Subtotal Pass-Through Programs** | | | $ 7,573.41 |
| **Subtotal Tennessee Valley Authority** | | | $ 531,812.66 |
| **Subtotal Other Federal Assistance** | | | $ 531,812.66 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Total Research and Development Cluster** | | | | $ 215,806,890.98 |
| **Student Financial Assistance Cluster** | | | | |
| **Department of Education** | | | | |
| **Direct Programs** | | | | |
| Austin Peay State University | Federal Supplemental Educational Opportunity Grants | 84.007 | $ 286,578.00 | |
| Chattanooga State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 192,220.50 | |
| Cleveland State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 81,030.50 | |
| Columbia State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 115,976.75 | |
| Dyersburg State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 66,294.00 | |
| East Tennessee State University | Federal Supplemental Educational Opportunity Grants | 84.007 | 308,433.00 | |
| Jackson State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 217,808.84 | |
| Middle Tennessee State University | Federal Supplemental Educational Opportunity Grants | 84.007 | 608,091.00 | |
| Motlow State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 88,655.50 | |
| Nashville State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 236,129.95 | |
| Northeast State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 143,523.00 | |
| Pellissippi State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 291,018.65 | |
| Roane State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 157,042.00 | |
| Southwest Tennessee Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 447,567.31 | |
| Tennessee State University | Federal Supplemental Educational Opportunity Grants | 84.007 | 1,148,848.32 | |
| Tennessee Technological University | Federal Supplemental Educational Opportunity Grants | 84.007 | 193,927.26 | |
| University of Memphis | Federal Supplemental Educational Opportunity Grants | 84.007 | 554,677.00 | |
| University of Tennessee | Federal Supplemental Educational Opportunity Grants | 84.007 | 934,300.00 | |
| Volunteer State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 161,312.60 | |
| Walters State Community College | Federal Supplemental Educational Opportunity Grants | 84.007 | 149,874.08 | $ 6,383,308.26 |
| Cleveland State Community College | Federal Family Education Loans | 84.032 | $ 8,525,712.00 | |
| Northeast State Community College | Federal Family Education Loans | 84.032 | 6,771,166.00 | 15,296,878.00 |
| Austin Peay State University | Federal Work-Study Program | 84.033 | $ 365,857.91 | |
| Chattanooga State Community College | Federal Work-Study Program | 84.033 | 204,557.43 | |
| Cleveland State Community College | Federal Work-Study Program | 84.033 | 101,206.07 | |
| Columbia State Community College | Federal Work-Study Program | 84.033 | 94,638.68 | |
| Dyersburg State Community College | Federal Work-Study Program | 84.033 | 105,707.51 | |

## State of Tennessee
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## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| East Tennessee State University | Federal Work-Study Program | 84.033 | 643,056.00 | |
| Jackson State Community College | Federal Work-Study Program | 84.033 | 138,445.44 | |
| Middle Tennessee State University | Federal Work-Study Program | 84.033 | 575,370.85 | |
| Motlow State Community College | Federal Work-Study Program | 84.033 | 91,122.81 | |
| Nashville State Community College | Federal Work-Study Program | 84.033 | 85,954.44 | |
| Northeast State Community College | Federal Work-Study Program | 84.033 | 122,383.34 | |
| Pellissippi State Community College | Federal Work-Study Program | 84.033 | 146,872.58 | |
| Roane State Community College | Federal Work-Study Program | 84.033 | 221,266.00 | |
| Southwest Tennessee Community College | Federal Work-Study Program | 84.033 | 521,976.24 | |
| Tennessee State University | Federal Work-Study Program | 84.033 | 969,570.46 | |
| Tennessee Technological University | Federal Work-Study Program | 84.033 | 423,605.41 | |
| University of Memphis | Federal Work-Study Program | 84.033 | 945,722.31 | |
| University of Tennessee | Federal Work-Study Program | 84.033 | 1,849,530.40 | |
| University of Tennessee | ARRA-Federal Work-Study Program | 84.033 | (134.32) | |
| Volunteer State Community College | Federal Work-Study Program | 84.033 | 76,425.50 | |
| Walters State Community College | ARRA-Federal Work-Study Program | 84.033 | 179,093.22 | 7,862,228.28 |
| Austin Peay State University | Federal Perkins Loan Program_ Federal Capital Contributions | 84.038 | $ 1,049,571.75 | |
| East Tennessee State University | Federal Perkins Loan Program_ Federal Capital Contributions | 84.038 | 6,151,826.95 | |
| Jackson State Community College | Federal Perkins Loan Program_ Federal Capital Contributions | 84.038 | 170,169.88 | |
| Middle Tennessee State University | Federal Perkins Loan Program_ Federal Capital Contributions | 84.038 | 2,581,178.08 | |
| Tennessee State University | Federal Perkins Loan Program_ Federal Capital Contributions | 84.038 | 2,262,720.75 | |
| Tennessee Technological University | Federal Perkins Loan Program_ Federal Capital Contributions | 84.038 | 1,812,018.68 | |
| University of Memphis | Federal Perkins Loan Program_ Federal Capital Contributions | 84.038 | 4,388,548.11 | |
| University of Tennessee | Federal Perkins Loan Program_ Federal Capital Contributions | 84.038 | 29,144,476.32 | 47,560,510.52 |
| Austin Peay State University | Federal Pell Grant Program | 84.063 | $ 22,811,616.42 | |
| Chattanooga State Community College | Federal Pell Grant Program | 84.063 | 23,879,485.00 | |
| Cleveland State Community College | Federal Pell Grant Program | 84.063 | 8,861,472.86 | |
| Columbia State Community College | Federal Pell Grant Program | 84.063 | 10,796,270.94 | |
| Dyersburg State Community College | Federal Pell Grant Program | 84.063 | 8,115,201.36 | |
| East Tennessee State University | Federal Pell Grant Program | 84.063 | 23,950,642.50 | |
| Jackson State Community College | Federal Pell Grant Program | 84.063 | 16,995,846.25 | |
| Middle Tennessee State University | Federal Pell Grant Program | 84.063 | 42,993,436.00 | |
| Motlow State Community College | Federal Pell Grant Program | 84.063 | 9,289,668.85 | |
| Nashville State Community College | Federal Pell Grant Program | 84.063 | 23,464,857.33 | |
| Northeast State Community College | Federal Pell Grant Program | 84.063 | 15,957,424.38 | |
| Pellissippi State Community College | Federal Pell Grant Program | 84.063 | 20,446,960.98 | |
| Roane State Community College | Federal Pell Grant Program | 84.063 | 16,100,736.99 | |
| Southwest Tennessee Community College | Federal Pell Grant Program | 84.063 | 35,844,924.47 | |
| Tennessee State University | Federal Pell Grant Program | 84.063 | 22,229,521.50 | |
| Tennessee Technological University | Federal Pell Grant Program | 84.063 | 16,149,665.28 | |
| University of Memphis | Federal Pell Grant Program | 84.063 | 40,655,858.00 | |
| University of Tennessee | Federal Pell Grant Program | 84.063 | 57,205,015.50 | |

## State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Volunteer State Community College | Federal Pell Grant Program | 84.063 | 15,597,404.79 | |
| Walters State Community College | Federal Pell Grant Program | 84.063 | 14,126,085.64 | 445,472,095.04 |
| Austin Peay State University | Federal Direct Student Loans | 84.268 | $ 115,315,635.00 | |
| Chattanooga State Community College | Federal Direct Student Loans | 84.268 | 33,321,371.00 | |
| Columbia State Community College | Federal Direct Student Loans | 84.268 | 6,849,352.00 | |
| Dyersburg State Community College | Federal Direct Student Loans | 84.268 | 3,500,360.00 | |
| East Tennessee State University | Federal Direct Student Loans | 84.268 | 95,230,771.00 | |
| Middle Tennessee State University | Federal Direct Student Loans | 84.268 | 129,146,981.58 | |
| Motlow State Community College | Federal Direct Student Loans | 84.268 | 2,135,530.00 | |
| Nashville State Community College | Federal Direct Student Loans | 84.268 | 24,198,107.00 | |
| Pellissippi State Community College | Federal Direct Student Loans | 84.268 | 20,507,177.00 | |
| Tennessee State University | Federal Direct Student Loans | 84.268 | 76,331,045.00 | |
| Tennessee Technological University | Federal Direct Student Loans | 84.268 | 34,474,633.00 | |
| University of Memphis | Federal Direct Student Loans | 84.268 | 136,510,463.00 | |
| University of Tennessee | Federal Direct Student Loans | 84.268 | 287,937,515.00 | |
| Volunteer State Community College | Federal Direct Student Loans | 84.268 | 6,253,202.00 | |
| Walters State Community College | Federal Direct Student Loans | 84.268 | 3,761,707.00 | 975,473,849.58 |
| Chattanooga State Community College | Academic Competitiveness Grants | 84.375 | $ (2,251.00) | |
| Cleveland State Community College | Academic Competitiveness Grants | 84.375 | 750.00 | |
| East Tennessee State University | Academic Competitiveness Grants | 84.375 | (510.50) | |
| Jackson State Community College | Academic Competitiveness Grants | 84.375 | 9,124.00 | |
| Middle Tennessee State University | Academic Competitiveness Grants | 84.375 | (325.00) | |
| Pellissippi State Community College | Academic Competitiveness Grants | 84.375 | 1,786.50 | |
| Tennessee State University | Academic Competitiveness Grants | 84.375 | (2,250.00) | |
| Tennessee Technological University | Academic Competitiveness Grants | 84.375 | 701.00 | |
| University of Memphis | Academic Competitiveness Grants | 84.375 | (375.00) | |
| University of Tennessee | Academic Competitiveness Grants | 84.375 | 949.23 | |
| Volunteer State Community College | Academic Competitiveness Grants | 84.375 | (375.00) | 7,224.23 |
| Austin Peay State University | National Science and Mathematics Access to Retain Talent (SMART) Grants | 84.376 | $ 1,000.00 | |
| Middle Tennessee State University | National Science and Mathematics Access to Retain Talent (SMART) Grants | 84.376 | 1,000.00 | |
| Tennessee State University | National Science and Mathematics Access to Retain Talent (SMART) Grants | 84.376 | (2,000.00) | |
| Tennessee Technological University | National Science and Mathematics Access to Retain Talent (SMART) Grants | 84.376 | 11,500.00 | |
| University of Tennessee | National Science and Mathematics Access to Retain Talent (SMART) Grants | 84.376 | 500.00 | 12,000.00 |
| Chattanooga State Community College | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | $ 10,000.00 | |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| East Tennessee State University | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | 30,000.00 | |
| Middle Tennessee State University | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | 204,619.00 | |
| Tennessee State University | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | 26,081.50 | |
| Tennessee Technological University | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | 323,000.00 | |
| University of Memphis | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | 96,000.00 | |
| University of Tennessee | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | 70,680.00 | 760,380.50 |
| Austin Peay State University | Postsecondary Education Scholarships for Veteran's Dependents | 84.408 | | 2,775.00 |
| **Subtotal Department of Education** | | | | $ 1,498,831,249.41 |
| | **Department of Health and Human Services** | | | |
| **Direct Programs** | | | | |
| East Tennessee State University | Nurse Faculty Loan Program (NFLP) | 93.264 | $ 107,268.49 | |
| University of Tennessee | Nurse Faculty Loan Program (NFLP) | 93.264 | 66,004.00 | $ 173,272.49 |
| University of Tennessee | Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students | 93.342 | | 1,367,663.54 |
| University of Tennessee | Nursing Student Loans | 93.364 | | 376,969.77 |
| University of Tennessee | ARRA-Scholarships for Disadvantaged Students | 93.407 | | 407.00 |
| Tennessee State University | Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925 | $ 182,561.25 | |
| University of Tennessee | Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925 | 13,888.00 | 196,449.25 |
| **Subtotal Department of Health and Human Services** | | | | $ 2,114,762.05 |
| **Total Student Financial Assistance Cluster** | | | | $ 1,500,946,011.46 |
| | **SNAP Cluster** | | | |
| | **Department of Agriculture** | | | |
| **Direct Programs** | | | | |
| Human Services | Supplemental Nutrition Assistance Program | 10.551 | | $ 2,075,107,520.68 |
| Human Services | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | $ 50,178,114.69 | |
| Labor and Workforce Development | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 3,609,804.33 | 53,787,919.02 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Department of Agriculture** | | | | $ 2,128,895,439.70 |
| **Total SNAP Cluster** | | | | $ 2,128,895,439.70 |
| **Child Nutrition Cluster** | | | | |
| **Department of Agriculture** | | | | |
| **Direct Programs** | | | | |
| Education | School Breakfast Program | 10.553 | | $ 81,422,919.43 |
| Agriculture | National School Lunch Program (Noncash Award) | 10.555 | $ 24,912,891.00 | |
| Education | National School Lunch Program | 10.555 | 224,549,339.13 | 249,462,230.13 |
| Education | Special Milk Program for Children | 10.556 | | 30,444.19 |
| Human Services | Summer Food Service Program for Children | 10.559 | | 5,815,734.16 |
| **Subtotal Department of Agriculture** | | | | $ 336,731,327.91 |
| **Total Child Nutrition Cluster** | | | | $ 336,731,327.91 |
| **Emergency Food Assistance Cluster** | | | | |
| **Department of Agriculture** | | | | |
| **Direct Programs** | | | | |
| Agriculture | Emergency Food Assistance Program (Administrative Costs) | 10.568 | | $ 1,742,319.55 |
| Agriculture | Emergency Food Assistance Program (Food Commodities) (Noncash Award) | 10.569 | | 6,154,102.00 |
| **Subtotal Department of Agriculture** | | | | $ 7,896,421.55 |
| **Total Emergency Food Assistance Cluster** | | | | $ 7,896,421.55 |
| **Forest Service Schools and Roads Cluster** | | | | |
| **Department of Agriculture** | | | | |
| **Direct Programs** | | | | |
| Revenue | Schools and Roads - Grants to States | 10.665 | | $ 1,279,478.34 |
| **Subtotal Department of Agriculture** | | | | $ 1,279,478.34 |
| **Total Forest Service Schools and Roads Cluster** | | | | $ 1,279,478.34 |
| **Economic Development Cluster** | | | | |
| **Department of Commerce** | | | | |
| **Direct Programs** | | | | |
| Roane State Community College | Economic Adjustment Assistance | 11.307 | | $ 32,359.33 |
| **Subtotal Department of Commerce** | | | | $ 32,359.33 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Total Economic Development Cluster** | | | | $ 32,359.33 |
| **Section 8 Project-Based Cluster** | | | | |
| **Department of Housing and Urban Development** | | | | |
| **Direct Programs** | | | | |
| Tennessee Housing Development Agency | Section 8 Housing Assistance Payments Program | 14.195 | | $ 156,932,919.94 |
| **Subtotal Department of Housing and Urban Development** | | | | $ 156,932,919.94 |
| **Total Section 8 Project-Based Cluster** | | | | $ 156,932,919.94 |
| **CDBG - Entitlement Grants Cluster** | | | | |
| **Department of Housing and Urban Development** | | | | |
| **Passed Through City of Murfreesboro** | | | | |
| Middle Tennessee State University | Community Development Block Grants/Entitlement Grants | 14.218 / B-09-MC-47-0009 | | $ 2,442.41 |
| **Subtotal Department of Housing and Urban Development** | | | | $ 2,442.41 |
| **Total CDBG - Entitlement Grants Cluster** | | | | $ 2,442.41 |
| **CDBG - State-Administered CDBG Cluster** | | | | |
| **Department of Housing and Urban Development** | | | | |
| **Direct Programs** | | | | |
| Economic and Community Development | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | $ 33,007,470.36 | |
| Tennessee Housing Development Agency | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 6,409,495.20 | $ 39,416,965.56 |
| Economic and Community Development | ARRA-Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - (Recovery Act Funded) | 14.255 | | 842,908.76 |
| **Subtotal Department of Housing and Urban Development** | | | | $ 40,259,874.32 |
| **Total CDBG - State-Administered CDBG Cluster** | | | | $ 40,259,874.32 |
| **Housing Voucher Cluster** | | | | |
| **Department of Housing and Urban Development** | | | | |
| **Direct Programs** | | | | |
| Tennessee Housing Development Agency | Section 8 Housing Choice Vouchers | 14.871 | | $ 35,372,929.67 |
| **Subtotal Department of Housing and Urban Development** | | | | $ 35,372,929.67 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Total Housing Voucher Cluster** | | | | $ 35,372,929.67 |
| **Fish and Wildlife Cluster** | | | | |
| **Department of the Interior** | | | | |
| **Direct Programs** | | | | |
| Tennessee Wildlife Resources Agency | Sport Fish Restoration Program | 15.605 | | $ 8,322,487.44 |
| Tennessee Wildlife Resources Agency | Wildlife Restoration and Basic Hunter Education | 15.611 | | 7,857,252.33 |
| **Subtotal Department of the Interior** | | | | $ 16,179,739.77 |
| **Total Fish and Wildlife Cluster** | | | | $ 16,179,739.77 |
| **JAG Program Cluster** | | | | |
| **Department of Justice** | | | | |
| **Direct Programs** | | | | |
| Finance and Administration | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | $ 5,539,634.26 | |
| Middle Tennessee State University | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 1,363.62 | $ 5,540,997.88 |
| Finance and Administration | ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories | 16.803 | | 3,037,769.07 |
| **Subtotal Direct Programs** | | | | $ 8,578,766.95 |
| **Passed Through Shelby County District Attorney General's Office** | | | | |
| University of Memphis | ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government | 16.804 / PO #S005970 | | $ 2,499.56 |
| **Subtotal Pass-Through Programs** | | | | $ 2,499.56 |
| **Subtotal Department of Justice** | | | | $ 8,581,266.51 |
| **Total JAG Program Cluster** | | | | $ 8,581,266.51 |
| **Employment Service Cluster** | | | | |
| **Department of Labor** | | | | |
| **Direct Programs** | | | | |
| Labor and Workforce Development | Employment Service/Wagner-Peyser Funded Activities | 17.207 | $ 17,148,036.91 | |
| Labor and Workforce Development | ARRA-Employment Service/Wagner-Peyser Funded Activities | 17.207 | (10,769.35) | $ 17,137,267.56 |
| Labor and Workforce Development | Disabled Veterans' Outreach Program (DVOP) | 17.801 | | 1,206,435.41 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Labor and Workforce Development | Local Veterans' Employment Representative Program | 17.804 | | 1,930,062.02 |
| **Subtotal Department of Labor** | | | | $ 20,273,764.99 |
| **Total Employment Service Cluster** | | | | $ 20,273,764.99 |
| **WIA Cluster** | | | | |
| **Department of Labor** | | | | |
| **Direct Programs** | | | | |
| Labor and Workforce Development | WIA Adult Program | 17.258 | $ 15,930,494.59 | |
| Labor and Workforce Development | ARRA-WIA Adult Program | 17.258 | 4,641.80 | $ 15,935,136.39 |
| Labor and Workforce Development | WIA Youth Activities | 17.259 | $ 18,139,451.45 | |
| Labor and Workforce Development | ARRA-WIA Youth Activiites | 17.259 | 545.83 | 18,139,997.28 |
| Labor and Workforce Development | WIA Dislocated Workers | 17.260 | $ 725,862.85 | |
| Labor and Workforce Development | ARRA-WIA Dislocated Workers | 17.260 | 211,757.14 | 937,619.99 |
| Labor and Workforce Development | WIA Dislocated Worker Formula Grants | 17.278 | | 19,683,780.97 |
| **Subtotal Direct Programs** | | | | $ 54,696,534.63 |
| **Passed Through Upper Cumberland Human Resource Agency** | | | | |
| Volunteer State Community College | WIA Adult Program | 17.258 / 11-07-999-501-02-STATE | | $ 62,920.56 |
| Tennessee Technological University | WIA Dislocated Workers | 17.260 / Local | | 500.00 |
| **Passed Through Workforce Solutions** | | | | |
| Middle Tennessee State University | WIA Adult Program | 17.258 / 16351 | | (15.75) |
| Tennessee Technological University | WIA Dislocated Workers | 17.260 / Non-Local | | 9,694.45 |
| **Subtotal Pass-Through Programs** | | | | $ 73,099.26 |
| **Subtotal Department of Labor** | | | | $ 54,769,633.89 |
| **Total WIA Cluster** | | | | $ 54,769,633.89 |
| **Highway Planning and Construction Cluster** | | | | |
| **Department of Transportation** | | | | |
| **Direct Programs** | | | | |
| Environment and Conservation | Highway Planning and Construction | 20.205 | $ 166,755.38 | |
| Transportation | Highway Planning and Construction | 20.205 | 919,229,009.16 | |
| Transportation | ARRA-Highway Planning and Construction | 20.205 | 72,133,731.06 | $ 991,529,495.60 |
| Environment and Conservation | Recreational Trails Program | 20.219 | | 1,305,909.07 |
| **Subtotal Direct Programs** | | | | $ 992,835,404.67 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Passed Through City of Memphis** | | | |
| University of Memphis | Highway Planning and Construction | 20.205 / 27727 | $ 1,342.34 |
| **Passed Through University of Southern Mississippi** | | | |
| University of Memphis | Highway Planning and Construction | 20.205 / USM-GR04263-01 | 8,019.58 |
| **Subtotal Pass-Through Programs** | | | $ 9,361.92 |
| **Subtotal Department of Transportation** | | | $ 992,844,766.59 |
| **Total Highway Planning and Construction Cluster** | | | $ 992,844,766.59 |
| **Federal Transit Cluster** | | | |
| **Department of Transportation** | | | |
| **Direct Programs** | | | |
| Transportation | Federal Transit_Capital Investment Grants | 20.500 | $ 1,823,452.43 |
| **Subtotal Department of Transportation** | | | $ 1,823,452.43 |
| **Total Federal Transit Cluster** | | | $ 1,823,452.43 |
| **Transit Services Programs Cluster** | | | |
| **Department of Transportation** | | | |
| **Direct Programs** | | | |
| Transportation | Capital Assistance Program for Elderly Persons and Persons with Disabilities | 20.513 | $ 1,659,407.94 |
| Transportation | Job Access_Reverse Commute | 20.516 | 1,060,302.66 |
| Transportation | New Freedom Program | 20.521 | 357,031.70 |
| **Subtotal Department of Transportation** | | | $ 3,076,742.30 |
| **Total Transit Services Programs Cluster** | | | $ 3,076,742.30 |
| **Highway Safety Cluster** | | | |
| **Department of Transportation** | | | |
| **Direct Programs** | | | |
| Transportation | State and Community Highway Safety | 20.600 | $ 3,321,892.22 |
| Transportation | Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | 2,356,715.86 |
| Transportation | Safety Belt Performance Grants | 20.609 | 35,232.99 |
| Transportation | State Traffic Safety Information System Improvement Grants | 20.610 | 575,849.86 |
| Transportation | Incentive Grant Program to Increase Motorcyclist Safety | 20.612 | 25,500.73 |
| Transportation | Child Safety and Child Booster Seats Incentive Grants | 20.613 | 517,204.54 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Department of Transportation** | | | | $ 6,832,396.20 |
| **Total Highway Safety Cluster** | | | | $ 6,832,396.20 |
| **Title I, Part A Cluster** | | | | |
| **Department of Education** | | | | |
| **Direct Programs** | | | | |
| Education | Title I Grants to Local Educational Agencies | 84.010 | | $ 285,374,478.61 |
| Education | ARRA-Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | | 21,377,151.01 |
| **Subtotal Direct Programs** | | | | $ 306,751,629.62 |
| **Passed Through Alabama Department of Education** | | | | |
| University of Memphis | Title I Grants to Local Educational Agencies | 84.010 / CIU0431 | | $ 15,668.19 |
| **Passed Through Hamilton County Department of Education** | | | | |
| Chattanooga State Community College | Title I Grants to Local Educational Agencies | 84.010 / P32295 | | 66,919.03 |
| Chattanooga State Community College | ARRA-Title I Grants to Local Educational Agencies, Recovery Act | 84.389 / S389A090042 | | 50,000.00 |
| **Passed Through Illinois Board of Education** | | | | |
| University of Memphis | Title I Grants to Local Educational Agencies | 84.010 / MY10624 | | 68,706.75 |
| **Passed Through Virginia Department of Education** | | | | |
| University of Memphis | Title I Grants to Local Educational Agencies | 84.010 / 780-86600-S010A090046 | $ 27,360.00 | |
| University of Memphis | Title I Grants to Local Educational Agencies | 84.010 / 780-86600-S010A100046 | 56,443.39 | |
| University of Memphis | Title I Grants to Local Educational Agencies | 84.010 / S010A110046 | 2,309.60 | 86,112.99 |
| **Subtotal Pass-Through Programs** | | | | $ 287,406.96 |
| **Subtotal Department of Education** | | | | $ 307,039,036.58 |
| **Total Title I, Part A Cluster** | | | | $ 307,039,036.58 |
| **Special Education Cluster (IDEA)** | | | | |
| **Department of Education** | | | | |
| **Direct Programs** | | | | |
| Education | Special Education_Grants to States | 84.027 | | $ 239,222,724.07 |
| Education | Special Education_Preschool Grants | 84.173 | | 6,766,958.13 |
| Education | ARRA-Special Education Grants to States, Recovery Act | 84.391 | | 30,703,763.19 |
| Education | ARRA-Special Education - Preschool Grants, Recovery Act | 84.392 | | 1,347,380.88 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Department of Education** | | | | $ 278,040,826.27 |
| **Total Special Education Cluster (IDEA)** | | | | $ 278,040,826.27 |
| **TRIO Cluster** | | | | |
| **Department of Education** | | | | |
| **Direct Programs** | | | | |
| Austin Peay State University | TRIO_Student Support Services | 84.042 | $ 256,081.56 | |
| Columbia State Community College | TRIO_Student Support Services | 84.042 | 224,057.26 | |
| East Tennessee State University | TRIO_Student Support Services | 84.042 | 287,960.71 | |
| Middle Tennessee State University | TRIO_Student Support Services | 84.042 | 248,969.15 | |
| Northeast State Community College | TRIO_Student Support Services | 84.042 | 277,206.19 | |
| Pellissippi State Community College | TRIO_Student Support Services | 84.042 | 254,954.99 | |
| Tennessee State University | TRIO_Student Support Services | 84.042 | 594.00 | |
| University of Memphis | TRIO_Student Support Services | 84.042 | 485,337.17 | |
| University of Tennessee | TRIO_Student Support Services | 84.042 | 487,393.52 | |
| Volunteer State Community College | TRIO_Student Support Services | 84.042 | 221,392.71 | $ 2,743,947.26 |
| East Tennessee State University | TRIO_Talent Search | 84.044 | $ 241,075.96 | |
| Middle Tennessee State University | TRIO_Talent Search | 84.044 | 230,488.48 | |
| Tennessee State University | TRIO_Talent Search | 84.044 | 341,438.70 | |
| University of Tennessee | TRIO_Talent Search | 84.044 | 230,894.10 | 1,043,897.24 |
| Austin Peay State University | TRIO_Upward Bound | 84.047 | $ 896,118.01 | |
| Dyersburg State Community College | TRIO_Upward Bound | 84.047 | 283,051.94 | |
| East Tennessee State University | TRIO_Upward Bound | 84.047 | 1,201,866.71 | |
| Southwest Tennessee Community College | TRIO_Upward Bound | 84.047 | 245,193.84 | |
| Tennessee State University | TRIO_Upward Bound | 84.047 | 175,606.97 | |
| University of Tennessee | TRIO_Upward Bound | 84.047 | 1,716,518.13 | 4,518,355.60 |
| Austin Peay State University | TRIO_Educational Opportunity Centers | 84.066 | $ 367,481.71 | |
| East Tennessee State University | TRIO_Educational Opportunity Centers | 84.066 | 232,824.01 | |
| University of Tennessee | TRIO_Educational Opportunity Centers | 84.066 | 715,821.03 | 1,316,126.75 |
| East Tennessee State University | TRIO_McNair Post-Baccalaureate Achievement | 84.217 | $ 240,302.50 | |
| Middle Tennessee State University | TRIO_McNair Post-Baccalaureate Achievement | 84.217 | 230,363.44 | 470,665.94 |
| **Subtotal Department of Education** | | | | $ 10,092,992.79 |
| **Total TRIO Cluster** | | | | $ 10,092,992.79 |
| **Vocational Rehabilitation Cluster** | | | | |
| **Department of Education** | | | | |
| **Direct Programs** | | | | |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| Human Services | Rehabilitation Services_Vocational Rehabilitation Grants to States | 84.126 | $ 59,536,586.36 |
| **Subtotal Department of Education** | | | $ 59,536,586.36 |
| **Total Vocational Rehabilitation Cluster** | | | $ 59,536,586.36 |
| **Early Intervention Services (IDEA) Cluster** | | | |
| **Department of Education** | | | |
| **Direct Programs** | | | |
| Education | Special Education-Grants for Infants and Families | 84.181 | $ 12,633,445.66 |
| Education | ARRA-Special Education - Grants for Infants and Families, Recovery Act | 84.393 | 1,898,110.88 |
| **Subtotal Department of Education** | | | $ 14,531,556.54 |
| **Total Early Intervention Services (IDEA) Cluster** | | | $ 14,531,556.54 |
| **Educational Technology State Grants Cluster** | | | |
| **Department of Education** | | | |
| **Direct Programs** | | | |
| Education | Educational Technology State Grants | 84.318 | $ 1,176,273.14 |
| Education | ARRA-Education Technology State Grants, Recovery Act | 84.386 | 2,534,566.99 |
| **Subtotal Department of Education** | | | $ 3,710,840.13 |
| **Total Educational Technology State Grants Cluster** | | | $ 3,710,840.13 |
| **School Improvement Grants Cluster** | | | |
| **Department of Education** | | | |
| **Direct Programs** | | | |
| Education | School Improvement Grants | 84.377 | $ 3,526,763.85 |
| Education | ARRA-School Improvement Grants, Recovery Act | 84.388 | 6,560,576.14 |
| **Subtotal Department of Education** | | | $ 10,087,339.99 |
| **Total School Improvement Grants Cluster** | | | $ 10,087,339.99 |
| **State Fiscal Stabilization Fund Cluster** | | | |
| **Department of Education** | | | |
| **Direct Programs** | | | |
| Education | ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | $ 817,658.00 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| Finance and Administration | ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | 13,099,917.14 | $ 13,917,575.14 |
| Education | ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act | 84.397 | $ 20,009,823.38 | |
| Health | ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act | 84.397 | 452,284.53 | 20,462,107.91 |
| **Subtotal Direct Programs** | | | | $ 34,379,683.05 |
| **Passed Through United Way of Chattanooga** | | | | |
| University of Tennessee | ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act | 84.397 / ARRA PROJECT DIAB. | | $ 1,304.23 |
| **Subtotal Pass-Through Programs** | | | | $ 1,304.23 |
| **Subtotal Department of Education** | | | | $ 34,380,987.28 |
| **Total State Fiscal Stabilization Fund Cluster** | | | | $ 34,380,987.28 |
| **Aging Cluster** | | | | |
| **Department of Health and Human Services** | | | | |
| **Direct Programs** | | | | |
| Commission on Aging and Disability | Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers | 93.044 | | $ 8,351,718.34 |
| Commission on Aging and Disability | Special Programs for the Aging_Title III, Part C_Nutrition Services | 93.045 | | 13,045,095.27 |
| Commission on Aging and Disability | Nutrition Services Incentive Program | 93.053 | | 1,721,795.00 |
| **Subtotal Department of Health and Human Services** | | | | $ 23,118,608.61 |
| **Total Aging Cluster** | | | | $ 23,118,608.61 |
| **Health Centers Cluster** | | | | |
| **Department of Health and Human Services** | | | | |
| **Direct Programs** | | | | |
| East Tennessee State University | Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers) | 93.224 | $ 1,193,068.51 | |
| Health | Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers) | 93.224 | 2,910,119.37 | $ 4,103,187.88 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Department of Health and Human Services** | | | | $ 4,103,187.88 |
| **Total Health Centers Cluster** | | | | $ 4,103,187.88 |
| **Immunization Cluster** | | | | |
| **Department of Health and Human Services** | | | | |
| **Direct Programs** | | | | |
| Health | Immunization Cooperative Agreements | 93.268 | $ 4,389,908.47 | |
| Health | Immunization Cooperative Agreements (Noncash Award) | 93.268 | 69,299,579.00 | $ 73,689,487.47 |
| Health | ARRA-Immunization | 93.712 | | 62,915.94 |
| **Subtotal Department of Health and Human Services** | | | | $ 73,752,403.41 |
| **Total Immunization Cluster** | | | | $ 73,752,403.41 |
| **TANF Cluster** | | | | |
| **Department of Health and Human Services** | | | | |
| **Direct Programs** | | | | |
| Human Services | Temporary Assistance for Needy Families | 93.558 | | $ 200,306,113.73 |
| **Subtotal Department of Health and Human Services** | | | | $ 200,306,113.73 |
| **Total TANF Cluster** | | | | $ 200,306,113.73 |
| **CSBG Cluster** | | | | |
| **Department of Health and Human Services** | | | | |
| **Direct Programs** | | | | |
| Human Services | Community Services Block Grant | 93.569 | | $ 12,872,547.25 |
| **Subtotal Department of Health and Human Services** | | | | $ 12,872,547.25 |
| **Total CSBG Cluster** | | | | $ 12,872,547.25 |
| **CCDF Cluster** | | | | |
| **Department of Health and Human Services** | | | | |
| **Direct Programs** | | | | |
| Human Services | Child Care and Development Block Grant | 93.575 | $ 68,506,167.26 | |
| University of Tennessee | Child Care and Development Block Grant | 93.575 | 13,334.33 | $ 68,519,501.59 |
| Human Services | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 94,439,516.62 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Subtotal Direct Programs** | | | | $ 162,959,018.21 |
| **Passed Through Signal Centers, Incorporated** | | | | |
| University of Tennessee | Child Care and Development Block Grant | 93.575 / GR-11-31681 | $ (1,239.24) | |
| University of Tennessee | Child Care and Development Block Grant | 93.575 / GR-12-35623 | 152,943.93 | $ 151,704.69 |
| **Subtotal Pass-Through Programs** | | | | $ 151,704.69 |
| **Subtotal Department of Health and Human Services** | | | | $ 163,110,722.90 |
| **Total CCDF Cluster** | | | | $ 163,110,722.90 |
| **Head Start Cluster** | | | | |
| **Department of Health and Human Services** | | | | |
| **Direct Programs** | | | | |
| Education | Head Start | 93.600 | $ 158,889.21 | |
| Tennessee State University | Head Start | 93.600 | 1,848,130.89 | $ 2,007,020.10 |
| Education | ARRA-Head Start | 93.708 | | 83,171.85 |
| Tennessee State University | ARRA-Early Head Start | 93.709 | | 1,007,983.67 |
| **Subtotal Direct Programs** | | | | $ 3,098,175.62 |
| **Passed Through American Alliance for Health** | | | | |
| University of Memphis | Head Start | 93.600 / US DHHS VIA AAHPERD | | $ 15,232.27 |
| **Passed Through Shelby County Government** | | | | |
| Southwest Tennessee Community College | Head Start | 93.600 / CA128778 | $ 276,155.51 | |
| University of Memphis | Head Start | 93.600 / CA084475 | 128.40 | |
| University of Memphis | Head Start | 93.600 / CA114475 | (3,556.14) | |
| University of Memphis | Head Start | 93.600 / CA114475A | 15.09 | 272,742.86 |
| **Subtotal Pass-Through Programs** | | | | $ 287,975.13 |
| **Subtotal Department of Health and Human Services** | | | | $ 3,386,150.75 |
| **Total Head Start Cluster** | | | | $ 3,386,150.75 |
| **Medicaid Cluster** | | | | |
| **Department of Health and Human Services** | | | | |
| **Direct Programs** | | | | |
| Tennessee Bureau of Investigation | State Medicaid Fraud Control Units | 93.775 | | $ 2,811,697.86 |
| Health | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | 93.777 | | 7,460,423.29 |
| Finance and Administration | Medical Assistance Program | 93.778 | $ 5,961,230,112.57 | |
| Finance and Administration | ARRA-Medical Assistance Program | 93.778 | 81,752,961.08 | $ 6,042,983,073.65 |
| **Subtotal Direct Programs** | | | | $ 6,053,255,194.80 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues | |
|---|---|---|---|---|
| **Passed Through Shelby County Office of Early Childhood and Youth** | | | | |
| University of Memphis | Medical Assistance Program | 93.778 / CA1211350 | $ 54,750.60 | |
| University of Memphis | Medical Assistance Program | 93.778 / USDHHS-STATE OF TN-COUNTY | 3,664.87 | $ 58,415.47 |
| **Passed Through University Health System, Incorporated** | | | | |
| University of Tennessee | Medical Assistance Program | 93.778 / GMEP | | 32,834,233.67 |
| **Subtotal Pass-Through Programs** | | | | $ 32,892,649.14 |
| **Subtotal Department of Health and Human Services** | | | | $ 6,086,147,843.94 |
| **Total Medicaid Cluster** | | | | $ 6,086,147,843.94 |
| **Disability Insurance/SSI Cluster** | | | | |
| **Social Security Administration** | | | | |
| **Direct Programs** | | | | |
| Human Services | Social Security_Disability Insurance | 96.001 | | $ 62,991,636.11 |
| **Subtotal Social Security Administration** | | | | $ 62,991,636.11 |
| **Total Disability Insurance/SSI Cluster** | | | | $ 62,991,636.11 |
| **Independent Living State Grants Cluster** | | | | |
| **Department of Education** | | | | |
| **Direct Programs** | | | | |
| Human Services | Independent Living_State Grants | 84.169 | | $ 132,611.63 |
| Human Services | ARRA-Independent Living State Grants, Recovery Act | 84.398 | | 29,862.33 |
| **Subtotal Department of Education** | | | | $ 162,473.96 |
| **Total Independent Living State Grants Cluster** | | | | $ 162,473.96 |
| **Independent Living Services for Older Individuals Who Are Blind Cluster** | | | | |
| **Department of Education** | | | | |
| **Direct Programs** | | | | |
| Human Services | Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind | 84.177 | | $ 613,359.52 |
| Human Services | ARRA-Independent Living Services for Older Individuals Who are Blind, Recovery Act | 84.399 | | 34,569.91 |
| **Subtotal Department of Education** | | | | $ 647,929.43 |
| **Total Independent Living Services for Older Individuals Who Are Blind Cluster** | | | | $ 647,929.43 |

# State of Tennessee
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2012

| State Grantee Agency | Program Name | CFDA / Other Identifying Number | Disbursement/Issues |
|---|---|---|---|
| **Education of Homeless Children and Youth Cluster** | | | |
| **Department of Education** | | | |
| **Direct Programs** | | | |
| Education | Education for Homeless Children and Youth | 84.196 | $ 1,195,776.04 |
| Education | ARRA-Education for Homeless Children and Youth, Recovery Act | 84.387 | 386,075.20 |
| **Subtotal Department of Education** | | | $ 1,581,851.24 |
| **Total Education of Homeless Children and Youth Cluster** | | | $ 1,581,851.24 |
| **Teacher Incentive Fund Cluster** | | | |
| **Department of Education** | | | |
| **Direct Programs** | | | |
| Education | Teacher Incentive Fund | 84.374 | $ 1,971,433.85 |
| **Subtotal Department of Education** | | | $ 1,971,433.85 |
| **Total Teacher Incentive Fund Cluster** | | | $ 1,971,433.85 |
| **Grand Total Federal Assistance** | | | $ 15,910,625,963.86 |

The accompanying notes are an integral part of this schedule.

## NOTE 1. PURPOSE OF THE SCHEDULE

The Single Audit of the State of Tennessee for the year ended June 30, 2012, was conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* which requires a disclosure of the financial activities of all federally funded programs. To comply with the circular, the Department of Finance and Administration required each department, agency, and institution that expended direct or pass-through federal funding during the year to prepare a schedule of expenditures of federal awards and reconciliations with both the state's accounting system and grantor financial reports. The schedules for the departments, agencies, and institutions were combined to form the Schedule of Expenditures of Federal Awards for the State of Tennessee. The schedules for the technology centers have been combined with the schedules for the community colleges designated as their lead institutions.

## NOTE 2. BASIS OF ACCOUNTING FOR PRESENTATION OF SCHEDULE

The Schedule of Expenditures of Federal Awards is reported on the accrual basis of accounting.

## NOTE 3. UNEMPLOYMENT INSURANCE

State unemployment tax revenues and other payments and revenues are combined with federal funds and used to pay benefits under the Unemployment Insurance (CFDA 17.225) program. The state and federal portions of the total expenditures reported in the Schedule of Expenditures of Federal Awards were $562,180,022.96 and $713,262,973.50, respectively.

## NOTE 4. LOAN AND LOAN GUARANTEE PROGRAMS

Federal Perkins Loan Program_Federal Capital Contributions (CFDA 84.038); Nurse Faculty Loan Program (NFLP) (CFDA 93.264); Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (CFDA 93.342); and Nursing Student Loans (CFDA 93.364): Institutions of higher education within the state reporting entity administer these federal student loan programs. Expenditures of federal awards in the accompanying Schedule of Expenditures of Federal Awards include the value of new loans made during the year, the balance of loans from previous years due to federal continuing compliance requirements, and administrative cost allowances.

Loan balances outstanding at year-end:

| Program | CFDA # | Amount Outstanding |
|---|---|---|
| Federal Perkins Loan Program_Federal Capital Contributions | 84.038 | $47,560,510.52 |
| Nurse Faculty Loan Program (NFLP) | 93.264 | $107,268.49 |
| Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students | 93.342 | $1,367,663.54 |
| Nursing Student Loans | 93.364 | $376,969.77 |

Federal Family Education Loans (CFDA 84.032) and Federal Direct Student Loans (CFDA 84.268): The loans under these programs are made by outside lenders to students at institutions of higher education within the state reporting entity. The institutions are responsible for certain administrative requirements for new loans. As a result, the value of loans made during the year and administrative cost allowances are recognized as expenditures of federal awards in the accompanying Schedule of Expenditures of Federal Awards. The balance of loans for previous years is not included because the lender accounts for the prior balances.

The Federal Family Education Loans are insured by the Tennessee Student Assistance Corporation (TSAC), a component unit. At June 30, 2012, the insured loans outstanding totaled $3,383,276,353.52. Expenditures of the federal award to TSAC for administrative cost allowances and payments on defaulted loans are reported in the unclustered section of the accompanying Schedule of Expenditures of Federal Awards.

## NOTE 5. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level.

Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 10.95 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2012.

## NOTE 6. STATE ENERGY PROGRAM

The expenditures for State Energy Program (CFDA 81.041) reported in this Schedule of Expenditures of Federal Awards are the amounts paid by the University of Tennessee (UT) to non-state entities plus expenditures paid by the Department of Economic and Community Development (ECD) directly to non-state entities. These expenditures do not agree to the expenditures reported on federal reports under the American Recovery and Reinvestment Act (ARRA).

ECD received ARRA funds from the United States Department of Energy (DOE) for the State Energy Program. ECD transferred the majority of the funds to UT to administer the program, in accordance with the grant agreement. Based on advice from DOE, ECD reported the transfer to UT as expenditures to a subrecipient on Federal reports as allowed under ARRA. UT is a part of the state reporting entity and, therefore, not defined by the state as a subrecipient of ECD. Therefore, the transfers to UT do not become expenditures of ECD until UT pays the funds to a non-state entity.