State of Tennessee
Single Audit Report
For the Year Ended June 30, 2013

Tennessee Comptroller of the Treasury

Division of State Audit

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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March 28, 2014

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 thirtieth *Single Audit Report* for the State of Tennessee. This report covers the year ended June 30, 2013. 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 billion. We noted instances of noncompliance that resulted in a qualified opinion on compliance for one of the state's thirty 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, 2013, 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 three deficiencies that we considered to be material weaknesses in internal control over financial reporting. We noted two deficiencies that we considered to be significant deficiencies 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 deficiencies, 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, 2013

Table of Contents

		Page
Selected Statistical Data		1
Total Federal Expenditures – Ten-Year Summary		3
Expenditures by Awarding Agency		4
Number of Type A and Type B Programs		5
Type A and Type B Program Expenditures		5
Auditor's Reports		7
Independent Auditor's 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*		9
Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		11
Auditor's Findings – Schedule of Findings and Questioned Costs		15
Section I – Summary of Auditor's Results		17
Section II – Financial Statement Findings	Finding	19
Department of Finance and Administration	2013-045	19
Department of Labor and Workforce Development	2013-025	21
Department of Labor and Workforce Development	2013-027	25
Department of Transportation	2013-046	31
Department of the Treasury	2013-047	33
Section III – Federal Award Findings and Questioned Costs		37
Department of Children's Services	2013-001	37
Department of Education	2013-002	38
Department of Education	2013-003	40
Department of Education	2013-004	45

State of Tennessee
Single Audit Report
For the Year Ended June 30, 2013

Table of Contents (continued)

Department of Finance and Administration	2013-005	49
Department of Finance and Administration	2013-006	52
Department of Finance and Administration	2013-007	54
Department of Finance and Administration	2013-008	57
Department of Finance and Administration	2013-009	59
Department of Finance and Administration	2013-010	64
Department of Health	2013-011	68
Department of Human Services	2013-012	70
Department of Human Services	2013-013	72
Department of Human Services	2013-014	80
Department of Human Services	2013-015	84
Department of Human Services	2013-016	86
Department of Human Services	2013-017	89
Department of Human Services	2013-018	94
Department of Human Services	2013-019	97
Department of Human Services	2013-020	107
Department of Human Services	2013-021	111
Department of Human Services	2013-022	119
Department of Human Services	2013-023	121
Department of Human Services	2013-024	126
Department of Labor and Workforce Development	2013-025	131
Department of Labor and Workforce Development	2013-026	135
Department of Labor and Workforce Development	2013-027	139
Department of Labor and Workforce Development	2013-028	145
Department of Labor and Workforce Development	2013-029	155
Department of Labor and Workforce Development	2013-030	163

Table of Contents (continued)

Department of Labor and Workforce Development	2013-031	167
Department of Labor and Workforce Development	2013-032	172
Department of Labor and Workforce Development	2013-033	176
Department of Labor and Workforce Development	2013-034	179
Department of Transportation	2013-035	184
Department of Transportation	2013-036	189
Department of Transportation	2013-037	190
Tennessee State University	2013-038	194
Tennessee State University	2013-039	197
Tennessee Technological University	2013-040	200
University of Memphis	2013-041	202
University of Tennessee	2013-042	205
University of Tennessee	2013-043	208
Multiple State Agencies	2013-044	211
Auditee's Section		217
Schedule of Expenditures of Federal Awards		219
Notes to the Schedule of Expenditures of Federal Awards		308

Selected Statistical Data

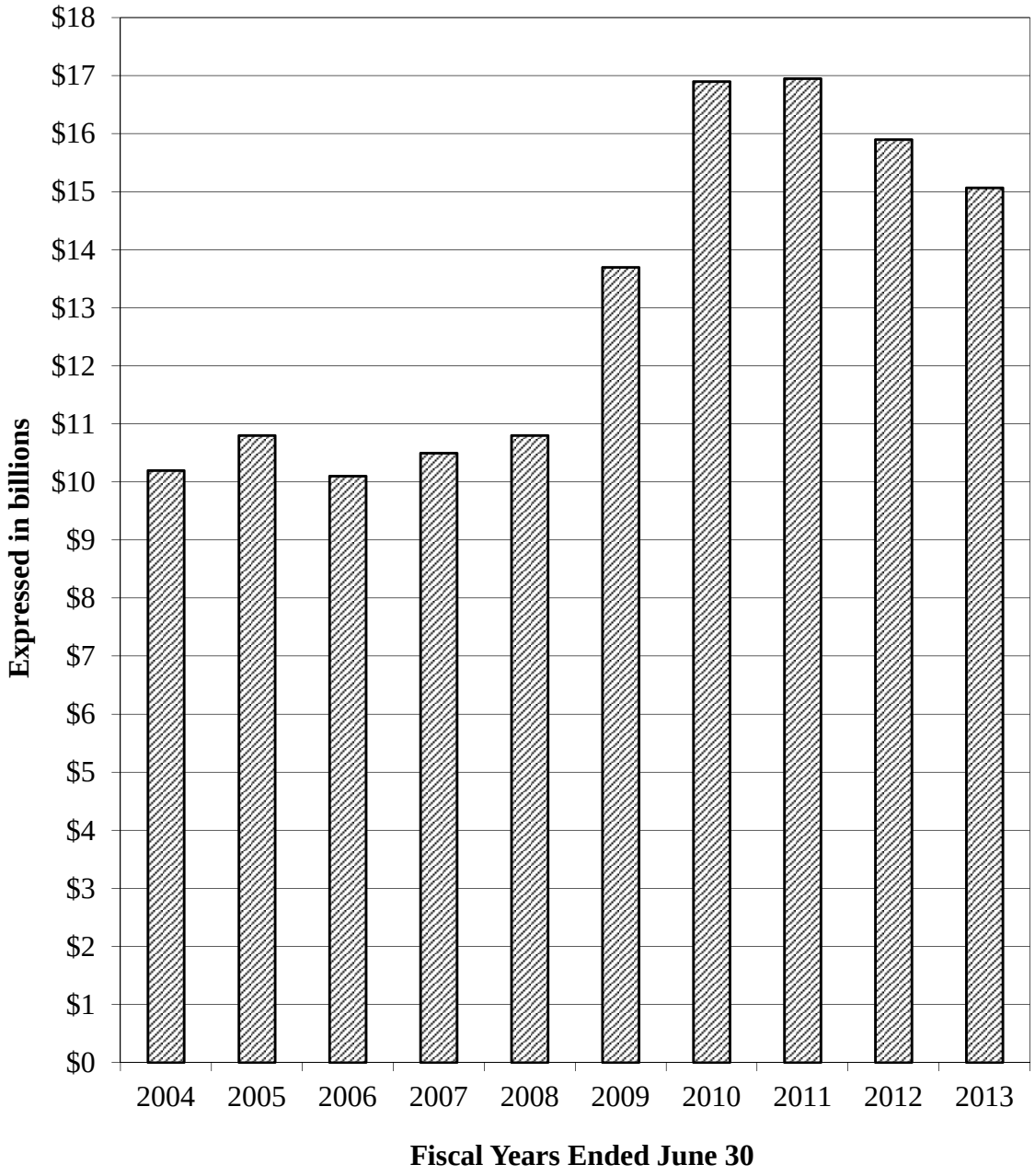
Total Federal Expenditures – Ten-Year Summary

Expenditures by Awarding Agency

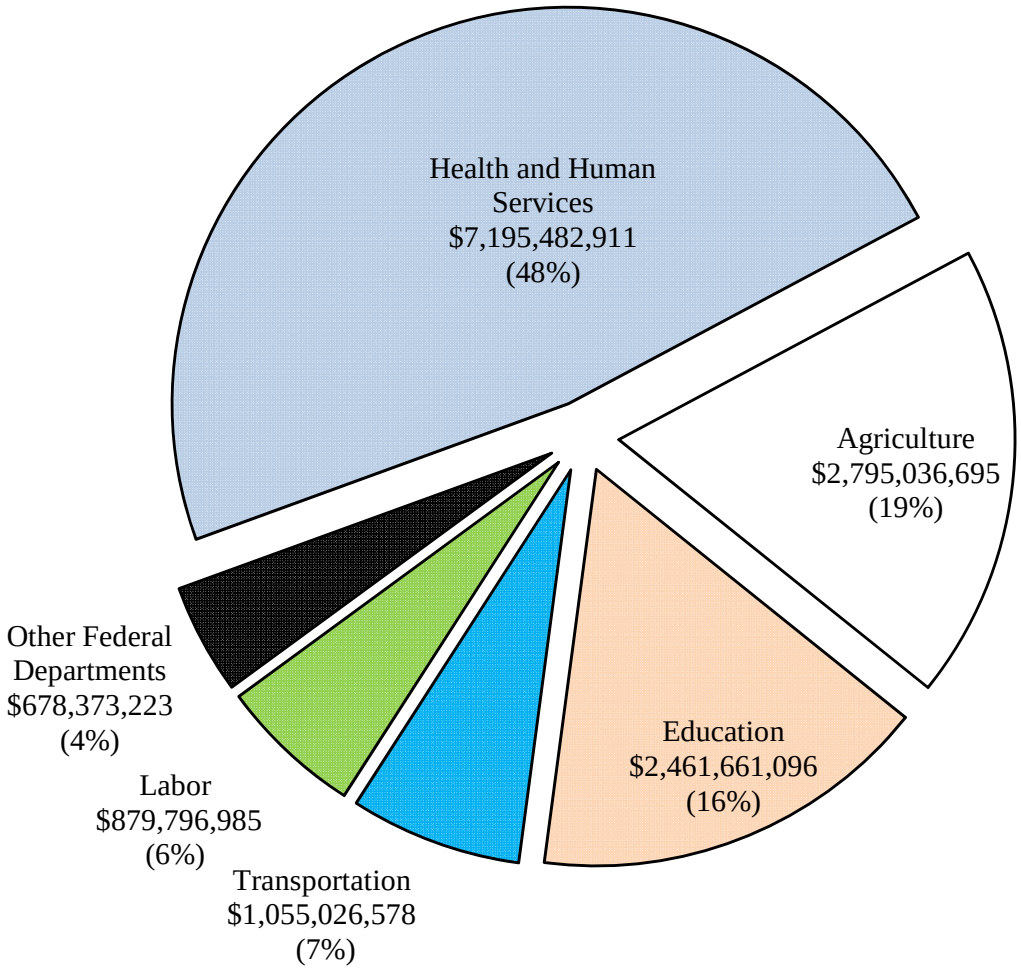
Number of Type A and Type B Programs

Type A and Type B Program Expenditures

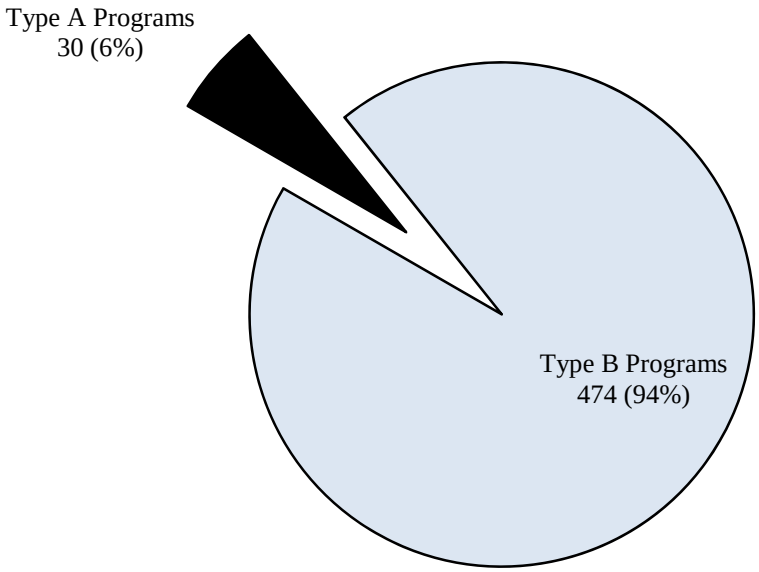
Total Federal Expenditures - Ten-Year Summary



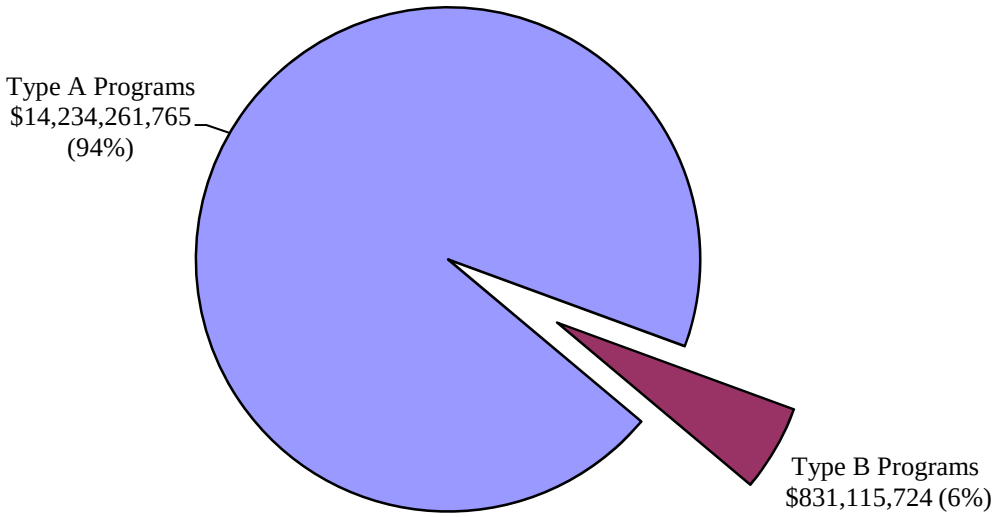
Expenditures by Awarding Agency
July 1, 2012, through June 30, 2013



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, 2013, 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

Independent Auditor's 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 for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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Independent Auditor's 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*

The Honorable Bill Haslam, Governor
Members of the General Assembly

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, 2013, and the related notes to the financial statements, which collectively comprise the State of Tennessee's basic financial statements, and have issued our report thereon dated December 13, 2013. 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 *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the State of Tennessee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 2013-025,

2013-027, and 2013-047 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 consider the deficiencies described in 2013-045 and 2013-046 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

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 *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-027.

The State of Tennessee's Response to Findings

The State of Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
December 13, 2013

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Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Honorable Bill Haslam, Governor
Members of the General Assembly

Report on Compliance for Each Major Federal Program

We have audited the State of Tennessee's compliance with the types of compliance requirements described in the *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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. 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 *Government Auditing Standards* issued by the Comptroller General of the United States; 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Tennessee's compliance.

Basis for Qualified Opinion on CFDA 17.225 Unemployment Insurance Program

As described in the accompanying schedule of findings and questioned costs, the State of Tennessee did not comply with Eligibility requirements regarding CFDA 17.225 Unemployment Insurance as described in finding numbers 2013-026 and 2013-027. Compliance with such requirements is necessary, in our opinion, for the State of Tennessee to comply with requirements applicable to that program.

Qualified Opinion on CFDA 17.225 Unemployment Insurance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 17.225 Unemployment Insurance for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, 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 cost as items 2013-003 through 2013-011, 2013-013, 2013-015 through 2013-021, 2013-023, 2013-024, 2013-026, 2013-028 through 2013-030, 2013-033 through 2013-035, and 2013-038 through 2013-044. Our opinion on each major federal program is not modified with respect to these matters.

The State of Tennessee's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Tennessee's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State of Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Tennessee's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 2013-003, 2013-013, 2013-025 through 2013-027, and 2013-031 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 2013-001, 2013-002, 2013-004, 2013-006, 2013-009, 2013-012, 2013-014 through 2013-017, 2013-019 through 2013-024, 2013-028 through 2013-030, 2013-032, and 2013-034 through 2013-044 to be significant deficiencies.

The State of Tennessee's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Tennessee's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the State of Tennessee's basic financial statements. We issued our report thereon dated December 13, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements taken as a whole.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
March 28, 2014

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, 2013

Section I – Summary of Auditor's Results

Financial Statements

- We issued an unmodified opinion on the basic financial statements.
- We identified material weaknesses in internal control over financial reporting.
- We identified significant deficiencies 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 a qualified opinion for CFDA 17.225 Unemployment Insurance. We issued unmodified opinions for each of the other major federal 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, 2013

Section I – Summary of Auditor's Results (continued)

CFDA Number	Name of Major Federal Program or Cluster
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*
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States
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*
93.268	Immunization Cooperative Agreements
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
-	Student Financial Assistance Cluster
-	Supplemental Nutrition Assistance Program (SNAP) Cluster
-	Child Nutrition Cluster
-	Justice Assistance Grant (JAG) Program Cluster*
-	Workforce Investment Act Cluster*
-	Highway Planning and Construction Cluster*
-	Title I, Part A Cluster*
-	Special Education Cluster (IDEA)
-	School Improvement Grants Cluster*
-	Temporary Assistance for Needy Families (TANF) Cluster
-	Child Care and Development Fund (CCDF) Cluster
-	Medicaid Cluster*
-	Disability Insurance/Supplemental Security Income (SSI) Cluster

*Program includes ARRA funding.

Section II – Financial Statement Findings

Finding Number	2013-045
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Finance and Administration
Grant/Contract No.	N/A
Federal Award Year	N/A
Finding Type	Significant Deficiency
Compliance Requirement	N/A
Questioned Costs	N/A

The Department of Finance and Administration has not consistently implemented internal controls in two specific areas

Finding

The Department of Finance and Administration did not consistently design and monitor internal controls in two areas. Inconsistent implementation of internal controls increases the risk of fraud or error.

The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the department with detailed information regarding the specific conditions we identified as well as our recommendations for improvement.

After our audit procedures were completed, the department informed us that certain corrective actions have since been taken. We will review these items during our next audit.

Recommendation

Management should ensure that these conditions are remedied by the prompt development and consistent implementation of internal controls in two specific areas. In addition, management should ensure that these controls include ongoing monitoring of their effectiveness and should take all other steps available to establish or improve any compensating controls until these conditions are remedied. Finally, management should ensure the conditions associated with this finding are adequately identified and assessed in the department's documented risk assessment.

Management's Comment

We concur. Management will review our internal controls, revise as appropriate and monitor on an ongoing basis.

Finding Number	2013-025
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-16775-08-55-A-47, UI-18048-09-55-A-47, UI-19610-10-55-A-47, UI-22341-12-55-A-47, and UI-23919-13-55-A-47,
Federal Award Year	2008 through 2015
Finding Type	Material Weakness
Compliance Requirement	Eligibility
Questioned Costs	N/A

As noted in the *2012 Single Audit Report*, prior management of the Department of Labor and Workforce Development threatened the integrity of the Unemployment Insurance program by failing to provide sufficient internal controls and oversight, which has resulted in the payment of tens of millions of dollars to ineligible claimants over the past six years and an uncollected balance of over $181 million as of June 30, 2013

Finding

As noted in the *2012 Single Audit Report*, prior management of the Department of Labor and Workforce Development (LWD) threatened the integrity of the Unemployment Insurance (UI) program by not adequately addressing critical functions of the program during the period July 1, 2012, through June 30, 2013. We found that LWD personnel were unable to properly manage all of the claims submitted through the program. Specifically, LWD continued to have backlogs in receiving and responding to incoming telephone calls for new and existing unemployment claims; processing initial unemployment claims; and resolving pending claims. Those backlogs increased as the state's unemployment level remained high. In addition, prior LWD management had not ensured that UI payments were only made to eligible individuals.

Because prior management, which was in place during the majority of the fiscal year 2013 audit, had not corrected the 2012 Single Audit findings, our testwork for the period July 1, 2012, through June 30, 2013, showed the same control and compliance deficiencies as the prior period. We also identified new deficiencies that include: a claims backlog that was not investigated for potential overpayments and UI payments that were made to ineligible incarcerated individuals. Additionally, we determined that the overall internal controls over the UI program operations still needed significant improvements because the controls were not operating effectively. As a result, LWD has continued to pay tens of millions of dollars to ineligible claimants each of the past six years and has an uncollected UI balance of over $181 million as of June 30, 2013.

The *2013 Single Audit Report* reflects federal and state expenditures of over $788 million for the UI program. We are required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," 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. We noted material weaknesses and significant deficiencies in internal control over compliance for the UI program during the period July 1, 2012, through June 30, 2013. We have also qualified our opinion at the compliance requirement level for eligibility.

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.

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's prior management 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. We detailed several noncompliance and control weaknesses in separate findings in this audit report that indicate that LWD's prior management did not properly administer the program during the period July 1, 2012, through June 30, 2013. (See findings 2013-026 through 2013-032 in this report.)

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.

Two of the UI findings in this report contain questioned costs for noncompliance with federal grant-related requirements. The questioned costs in these findings total $293,309. (See more information regarding questioned costs in findings 2013-027 and 2013-029.) 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 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.

While we recognize that many of the corrective actions may take months, and some may take longer for management to implement, prior management was unable to properly administer this state and federal program as a result of the ineffectiveness of program controls. 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 in the future, 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 current Commissioner of the Department of Labor and Workforce Development should continue to ensure that the recommendations in this report are implemented and should develop a timeline for all corrective action to address the findings in this report. The Commissioner and top management should determine if the current leadership and staff are 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 and determine whether adequate progress is being made.

Management's Comment

We concur in part.

Since the current management team was put in place (during the last quarter of this audit period), emphasis has been placed on finding causes of issues within the UI program rather than addressing symptoms. This "root cause" analysis has already resulted in a number of changes occurring and many more already in progress.

Many of the issues noted within this audit are actually due to technological limitations. The UI program is operating with a 42+ aged mainframe system (COBOL) with dozens of separate systems linked to it that addressed program changes needed over the years. The current management team has already embarked on replacing the entire system with the goal to have a fully implemented benefits system within the next two years.

Overpayments continue to be noted in the findings, and we do concur in part with issues noted regarding the detection and review of overpayments. The Department has participated in the Treasure Offset Program since July 2012, and has collected over $22.5 million since that time. Another $1.4 million has been collected in installment collections during this period. Collections of overpayments have increased significantly.

The Department's comments to the specific findings are detailed for each finding.

Finding Number	2013-027
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-16775-08-55-A-47, UI-18048-09-55-A-47, UI-19610-10-55-A-47, UI-22341-12-55-A-47, and UI-23919-13-55-A-47,
Federal Award Year	2008 through 2015
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$72,860

As noted in the prior *Single Audit Report*, the staff of the Department of Labor and Workforce Development, while operating under prior management, failed to comply with the department's Unemployment Insurance program procedures in determining claimants' eligibility and prior management failed to ensure the operating effectiveness of controls over claimants' eligibility determinations, which resulted in payments to ineligible individuals

Finding

As noted in the prior *Single Audit Report*, the staff of the Department of Labor and Workforce Development (LWD), while operating under prior management (which was in place during the majority of the fiscal year 2013 audit period), failed to comply with LWD's Unemployment Insurance (UI) program procedures in determining claimants' eligibility and prior management failed to ensure the operating effectiveness of controls over claimants' eligibility determinations, which resulted in payments to ineligible individuals. LWD could continue to improperly pay tens of millions of dollars each year to ineligible claimants if changes are not made to follow established procedures and to ensure the operating effectiveness of controls in administering the UI program. As a result, this is considered a material weakness in internal control and noncompliance with Office of Management and Budget Circular A-133, "Compliance Requirements for Eligibility."

Our audit work on a sample of 200 paid UI claims for the period July 1, 2012, through June 30, 2013, disclosed that for 36 claims (18%), LWD staff did not maintain required documentation in the case files to support the claimants' eligibility for UI benefits (regular unemployment benefits and dependent allowance benefits). Initial eligibility determinations for these claimants could have occurred as early as the 2011 fiscal year. (See the "Results of Testwork" section below for further information).

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.

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 amount up to the $275 maximum weekly benefit amount. 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 department 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.

Dependent 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 additional benefits for dependents. When eligible, UI claimants will receive an additional $15 for each minor child, not to exceed a total of $50 a week.

RESULTS OF 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 3,388,249 paid claims (weekly payments) of the UI program for the fiscal year ended June 30, 2013. The sample represented $48,349 out of $752,617,557 in total claims paid. Our testwork disclosed that for 40 of the 200 paid claims tested (20%), LWD staff did not maintain required documentation in the case files to support the claimants' eligibility for UI benefits (regular unemployment benefits and dependent allowance benefits). These 40 claims represented 42 errors; two claims contained errors in both the regular unemployment benefits and dependent allowance benefits. Subsequent to audit fieldwork, current management provided the documentation for 4 of the 40 original claims with errors. This reduced the number of claims with errors to 36 and the number of errors to 38. The following results summarize the 38 errors. See the tables below for details on questioned costs.

Test Results for Eligibility

We reviewed the 200 paid claims and related case files to determine if the claimants were eligible to receive UI benefits. We found that 21 of the 200 case files tested (10.5%) did not contain required documentation to support the claimant's eligibility for the UI program. Below is a summary of the discrepancies we noted:

- For 12 claims, the claimants obtained benefits by misrepresenting income for multiple weeks. After benefit payments had been made, employers reported to the department

that these claimants had earned wages, which conflicted with the claimant's previous assertions. For 2 of these 12 claims, the claimants were also ineligible to receive the dependent allowance.

- For 7 claims, there was insufficient (3 of 7) or missing (4 of 7) documentary evidence to justify awarding UI benefits to these claimants.
- For 2 claims, LWD staff improperly approved the claims. For one of these claims, the adjudicator issued the agency decision without considering conflicting information from the employer. The other claim was approved without issuing an agency decision related to a training (non-separation) issue, as required by the department's procedures.

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 72 claims that included a dependent allowance of at least $15. Our testwork disclosed, however, that for 17 of the 72 (23.6%), LWD staff had not maintained the required documents to support eligibility for dependent benefit payments. Two of the 17 claims for dependent allowance payments were included in the 21 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

The table below summarizes our sample errors and the total benefits paid without proper supporting documentation for the period July 1, 2012, through June 30, 2013:

Category	**Eligibility**	**Dependent Allowance**
Sample Size	200	72
Number of Errors	21*	17*
Error Rate	10.5%	23.6%

* Two of the items had errors in both eligibility and dependent allowance testing.

The table below summarizes questioned costs for the 38 errors based on one week of UI and dependent allowance benefit payments made to these 36 ineligible claimants.

Questioned Costs for Benefits Paid for One Week to the 36 Ineligible Claimants

	Federal Funds	State UI Trust Funds	Total
Eligibility Questioned Costs	$1,501	$2,349	$3,850
Dependent Allowance Questioned Costs	$255	$105	$360
Total Questioned Costs	$1,756	$2,454	$4,210

Sample Dollars Tested by Funding Source for One Benefit Week	$16,736	$31,613	$48,349

Total UI Claims Paid for the Fiscal Year Ended June 30, 2013 (Population)	$752,617,557

Based on the results of our sample, we expanded our testwork on these 36 claimants to determine the total amount of UI and dependent allowance benefits paid to these claimants from their first payment through present, February 18, 2014. These questioned costs represent benefit payments occurring as early as fiscal year 2011. These results are shown in the table below.

Questioned Costs for Benefits Paid to the Ineligible Claimants through February 18, 2014

	Federal Funds	State UI Trust Funds	Total
Eligibility Questioned Costs	$64,586	$63,114	$127,700
Dependent Allowance Questioned Costs	$8,274	$6,540	$14,814
Total Questioned Costs	$72,860	$69,654	$142,514

The total amount of all federal questioned costs noted in this finding is $72,860.

Unless LWD ensures the operating effectiveness of controls over the claimant eligibility process for the UI program, the risk of LWD paying UI benefits to ineligible individuals increases.

Recommendation

The current Commissioner of the Department of Labor and Workforce Development 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 should ensure that UI benefits are only paid to eligible claimants. The Commissioner should ensure that payments for the UI program are made based on adequate supporting documentation.

Management's Comment

We concur in part.

As noted in the prior *Single Audit Report*, the Department struggled with an inadequate case management system. When the system completely failed, a manual operations process was the only available alternative. In December 2013, an imaging center was set up in-house:

- Utilized an existing document storage system to house scanned claims material.
- Documents from a variety of sources (mainframe, fax, mail, email, SIDES, etc.) are being directed to this system.
- Searchable by Social Security number, the documents will be readily available for review and claims decisions to be made.

The Department also has concerns over the sample cases used to determine eligibility. By pulling the sample cases from payments, the actual eligibility determinations could have occurred (and did occur) in prior audit periods. Eligibility determinations should have been tested by pulling samples of initial claims filed and decisions made during this audit period.

We do not concur with the lack of documentation for dependent allowances. Prior to August 2013, department policy did not require claims agents to request proof of dependents. A summary policy dated June 2010, stated that the "Agency will conduct random accuracy audits of claims for dependent benefits and claimants may be required to submit documentation satisfactory to establish the existence of the claimed dependent." The audits are conducted as part of the Benefit Accuracy Measurement (BAM) program. The Department was not required to collect this documentation unless selected for the random audit.

Finding Number	2013-046
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 remain inadequate

Finding

As noted in the prior two audits, the Department of Transportation did not have properly designed internal controls over the cash receipting process for escrow checks received for overweight/overdimensional permits. The reconciliation between permit fees entered into the permit issuance system (TOOPS) with permit fees entered into the state's accounting system (Edison) was not performed in fiscal year 2011 and was not sufficient in fiscal year 2012. This reconciliation was still not sufficient in fiscal year 2013. Further, employees in the Division of Central Services still had access to checks and the permit issuance system.

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 then the state deposits these checks in escrow. Overweight/overdimensional permit receipts totaled $11,859,345.27 for fiscal year 2013.

During fiscal year 2013, segregation of duties in the Finance Division was not adequate. The Administrative Services Assistant in the Finance Division received escrow checks, prepared the deposit, and entered the deposit information into the INOVAH receipting system. The Accounting Manager performed a reconciliation between the amounts deposited and the state's accounting system; however, because the persons opening the mail did not maintain a listing of checks received, the reconciliation does not ensure that all checks were deposited. A reconciliation of the permit issuance system with the state's accounting system, as recommended in previous audits, was not performed.

In addition, segregation of duties was not adequate in the Central Services Division. The permit issuance system was updated by Central Services based on an email from the secretaries from the Finance Division without verification of the actual deposits. Also, some escrow checks were still received in Central Services, even though we recommended in prior audits that checks not be received in Central Services because all employees in the division had access to the permit issuance system. The persons opening the mail in this division also did not maintain a listing of checks received.

Segregation of duties and management review are key objectives of internal controls over the cash receipt process. Insufficient internal controls provide opportunities for employees to misappropriate checks.

Recommendation

The Commissioner of the Department of Transportation should implement adequate segregation of duties to mitigate the risk of misappropriation of escrow checks received for overweight/overdimensional permits. The Director of Finance and the Director of Central Services should ensure that the individuals opening the mail maintain a listing of all checks received in both divisions. The Directors should also ensure that adequate reconciliations are performed and reviewed between the check log and the bank deposit and also between the permit issuance system and the state's accounting system by individuals who are independent of the cash receipting function.

Management's Comment

We concur. The implementation of additional internal controls will be completed in March 2014, subsequent to the audit period. We have implemented the controls as recommended.

Finding Number	2013-047
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of the Treasury
Grant/Contract No.	N/A
Federal Award Year	N/A
Finding Type	Material Weakness
Compliance Requirement	N/A
Questioned Costs	N/A

Internal controls were not adequate to ensure that required disclosures of noncompliance with investment policies were included in the notes to the financial statements of the State Pooled Investment Fund and the Chairs of Excellence Trust

Finding

During the year ended June 30, 2013, the Treasury Investment Division violated the State Pooled Investment Fund's investment policy and state laws limiting investments of the Chairs of Excellence (COE) Trust, and did not report the violations to the Treasury Accounting Division, resulting in an omission of required financial statement disclosures. Section I50.135 of the Governmental Accounting Standards Board's *Governmental Accounting and Financial Reporting Codification* requires that significant violations of legal or contractual provisions for deposits and investments and the actions taken to address such violations be disclosed in the notes to the financial statements.

State statutes governing the State Pooled Investment Fund require that investments be made in accordance with policy guidelines approved by the state funding board. The fund's approved policy guidelines (investment policy) limit the purchase of a specific corporation's commercial paper to $100 million, excluding commercial paper maturing on the next business day. The Second Deputy Treasurer stated that the preparers of the State Pooled Investment Fund's financial statements were unaware of the following instances of noncompliance with the fund's investment policy:

- Purchases of commercial paper issued by the Nieuw Amsterdam Receivables Corporation for $41 million on September 26, 2012, caused the $100 million limit to be exceeded by $41 million, and purchases of $39 million on September 28, 2012, caused the $100 million limit to be exceeded by $80 million. Treasury sold $80 million of commercial paper on October 3, 2012, to reduce the corporation's commercial paper held to $100 million.
- The fund held commercial paper issued by Cargill, not maturing on the next business day, of $70 million before an additional purchase for $50 million was made on April 15, 2013. The purchase on April 15, 2013, brought the fund's total investment in commercial paper issued by Cargill to $120 million, which exceeded the limit set forth in the investment policy until May 2, 2013, the day before $50 million of the commercial paper issued by Cargill matured.

- The fund held commercial paper issued by the Nieuw Amsterdam Receivables Corporation of $70 million before an additional purchase of the corporation's commercial paper was made for $34.935 million on May 9, 2013. The purchase on May 9, 2013, brought the fund's total investment in commercial paper issued by Nieuw Amsterdam Receivables Corporation to $104.935 million, which exceeded the limit set forth in the investment policy until May 15, 2013, the day before $30 million of the commercial paper matured.

State statutes governing the COE Trust investments and the COE Trust's investment policy authorize the COE Trust to invest in certain Exchange Traded Funds (ETFs). The COE Trust's policy refers to the state statutes governing investments for the Tennessee Consolidated Retirement System, which in turn reference the state statutes governing investments for domestic life insurance companies. The COE Trust's investment policy and state statutes governing investments for the COE Trust require ETFs to be considered an equity interest in a business entity for the purpose of determining compliance with the policy and statutes' investment restrictions. As a result of this reference, the COE Trust is limited to investing 1% of assets in a single business entity. While the COE Trust's investment policy provides for the investment in certain ETFs as an effective and efficient alternative to selecting individual securities for the equity portfolio, the COE Trust's investment in two ETFs exceeded the 1% limitation on the percentage of assets that can be invested in a single business entity, as referenced within the domestic life insurance statutes. At June 30, 2013, 13% of the COE's total assets were invested in one equity ETF (an ETF that replicates all the stocks in the MSCI EAFE index), and 40% of its total assets were invested in another equity ETF (an ETF that replicates all the stocks in the S&P 500 index).

The instances of noncompliance with the State Pooled Investment Fund's investment policy and with the statutes governing the COE Trust's investments were not disclosed to the appropriate financial statement preparers in a timely manner. Existing procedures were not effective in ensuring that all of the required disclosures were included in the notes to the financial statements timely. The notes to the financial statements were revised to disclose these instances of noncompliance.

Recommendation

The Treasurer should ensure that internal controls over financial reporting are properly designed and operating effectively to ensure staff of the Treasury Investment Division, as well as all other divisions, communicate matters that are required to be disclosed in the financial statements to the financial statement preparers.

Management's Comment

We concur. Treasury Department management in the Investments, Legal/Compliance and Accounting divisions have identified and implemented internal reporting processes relative to noncompliance of investment policies, and the department will continue to implement improvements in the communication of information to financial statement preparers that is

necessary for the compilation of Treasury financial statements and accompanying required financial disclosures.

The Treasury Department has recently taken a more proactive approach towards the development of a formal compliance program to facilitate the prevention, monitoring, detection and reporting of violations of investment policies and laws, with the hiring of its first investment compliance officer this past year. In addition, the department continuously makes efforts to utilize available software tools and automated processes to aid and support both the investment compliance and investment management areas.

Relative to the noncompliance with the statutes governing the limitations on the Chairs of Excellence (COE) Trust's investment in two Exchange Traded Funds (ETFs), the Treasury Department believes that this matter is a technical issue within the referenced state statutes governing the investments of domestic life insurance companies, and is pursuing legislation which would remedy this noncompliance. We continue to feel that the use of the ETFs is an effective and efficient strategy for managing the equity portfolio of the COE Trust without introducing additional risk over the use of a separate account or comingled fund. Please reference the attached letter, dated November 27, 2013, from the Treasury Department's investment consultant, Strategic Investment Solutions, Inc., which further supports our position.

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

Memorandum

Date: **November 27, 2013**

To: **David Lillard, Tennessee State Treasurer**

Cc: **Bill Abney, Assistant Treasurer; Michael Brakebill, CIO**

From: **Pete Keliuotis, SIS**

Re: **Use of ETFs for COE asset class exposure**

Dear Treasurer Lillard:

As part of the investment strategy for the Tennessee Chairs of Excellence ("COE") program, TCRS utilizes exchange-traded funds ("ETFs"). We find ETFs generally to be an efficient and cost-effective means to gain passive asset class exposure and have gained wide popularity among institutional and retail investors. Index fund ETFs are designed to track a standard index benchmark such as the S&P 500 or MSCI EAFE while holding sufficient residual cash and liquidity to accommodate daily cash flows. They are priced daily, with price changes easily referenced online and through Bloomberg. The value of the ETF shares are derived directly from the portfolio of underlying shares being held, which replicates the index being tracked.

Specific to the two ETFs utilized (data as of November 27, 2013, and available via Reuters Online, Vanguard, and BlackRock):

- Vanguard S&P 500 Index Fund (ticker: VOO): Vanguard is one of the largest mutual fund managers in the world as well as one of the largest ETF managers. VOO is designed to track the S&P 500 Index and has a market capitalization of $13.64 bn. The average daily trading volume is over 1 million shares. The VOO inception date was September 7, 2010. Passive S&P 500 Index assets managed by Vanguard exceed $100 billion.
- iShares MSCI EAFE Index Fund (ticker: EFA): BlackRock is the largest asset manager in the world and, upon its purchase of the iShares family of ETFs from BGI in 2009, became the world's largest manager of ETFs. EFA is designed to track the MSCI EAFE Index and has a market capitalization of $50.8 bn. The average daily trading volume is over 15 million shares. The EFA inception date was August 14, 2001.

Both ETFs in the COE plan, VOO and EFA, are widely used by institutional and retail investors, closely track their relevant indexes with large asset bases, and are sponsored by firms with a longstanding presence in the ETF and institutional investment market.

SIS believes VOO and EFA, and in many cases ETFs generally, are a highly effective and efficient method to manage a portfolio the size of COE. We believe any additional risks relating to the use of these ETFs as opposed to a separate account or commingled fund are minimal.

Best regards,

Pete Keliuotis
Managing Director

Section III – Federal Award Findings and Questioned Costs

Finding Number	2013-001
CFDA Number	93.658 and 93.659
Program Name	Foster Care – Title IV-E and Adoption Assistance
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	1201TN1404, 1001TN1401, 1101TN1401, 1201TN1401, 1301TN1401, 1101TN1405, 1001TN1407, 1101TN1407, 1201TN1407, and 1301TN1407
Federal Award Year	2011, 2012, and 2013
Finding Type	Significant Deficiency
Compliance Requirement	Other
Questioned Costs	N/A

For the second consecutive year, there were internal control deficiencies in security over computer systems

Finding

For the second consecutive year, there were internal control deficiencies in security over computer systems. We observed significant internal control deficiencies in security over computer systems 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

Management of the Department of Children's Services should correct the internal control deficiencies.

Management's Comment

We concur. Pursuant to *Tennessee Code Annotated* Section 10-7-501(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.

Finding Number	2013-002
CFDA Number	84.010, 84.389, 84.027, 84.173, 84.367, 84.377, 84.388, 84.395, and 84.410
Program Name	Title I, Part A Cluster Special Education Cluster (IDEA) Improving Teacher Quality State Grants School Improvement Grants Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act Education Jobs Fund
Federal Agency	Department of Education
State Agency	Department of Education
Grant/Contract No.	S010A090042, S010A100042, S010A110042, S010A120042, S389A090042, H027A070052, H027A080052, H027A090052, H027A100052, H027A110052, H027A120052, H173A100095, H173A110095, H173A120095, S367A100040, S367A110040, S367A120040, S377A090043, S377A100043, S388A090043, S395A100032, S410A100043
Federal Award Year	2007 through 2015
Finding Type	Significant Deficiency
Compliance Requirement	Other
Questioned Costs	N/A

As noted in the prior two audits, the department continues to not always maintain proper information systems security controls, increasing the risk of fraudulent activity

Finding

Based on our testwork, the Department of Education's staff continue to 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 the 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 recognizes the importance of strong information system controls. Through its internal task force on information system controls and other measures, the department will continue to strive to maintain strong information system controls.

Finding Number	2013-003
CFDA Number	84.388
Program Name	School Improvement Grants Cluster
Federal Agency	Department of Education
State Agency	Department of Education
Grant/Contract No.	S388A090043A
Federal Award Year	2009
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles Period of Availability of Federal Funds
Questioned Costs	$193,241

The Achievement School District inappropriately charged the School Improvement Grants program for expenditures incurred before the award was effective and failed to adequately review invoices paid to Charter Management Organizations, resulting in federal questioned costs of $193,241

Finding

The Achievement School District (ASD), an organizational unit of the Tennessee Department of Education that temporarily operates low-achieving schools, charged the School Improvement Grants program for services it received before the effective date of the federal grant award. In addition, ASD's financial staff failed to adequately review invoices prior to paying charter management organizations for services they provided which were also charged to the School Improvement Grants program, resulting in federal questioned costs of $193,241.

Achievement School District

Created by Section 49-1-614, *Tennessee Code Annotated*, ASD is a state takeover school district. According to Section 49-1-614, ASD will operate as a local educational agency (LEA), where persistently low-achieving schools are removed from their current LEA and placed under ASD for a period of not less than five years. ASD began its first year of operation during the 2012 – 2013 school year. During the fiscal year 2013, the district had six schools under its jurisdiction: three schools were managed directly by ASD and three schools were managed by nonprofit charter management organizations (CMOs) on contract with ASD. The CMOs submitted Request for Reimbursement Invoices (invoices) to ASD based on incurred expenditures to receive payment for services performed to manage the low-performing schools.

School Improvement Grants

The School Improvement Grants (SIG) program is federally funded by the United States Department of Education to disburse funds to priority schools, which are the lowest-performing 5 percent of all schools in Tennessee in terms of academic achievement. On April 30, 2012, the Tennessee Department of Education awarded the Achievement School District an additional $3,885,886 in School Improvement Grants that were authorized by the American Recovery and Reinvestment Act.

From a population of 399 transactions, totaling $20,965,456.77, we tested a sample of 60 expenditure transactions, totaling $2,416,608.91. During our audit, we found the following issues relating to the Achievement School District and the School Improvement Grants.

ASD Inappropriately Charged School Improvement Grants

Of the 60 expenditure transactions tested, we found that ASD charged expenditures from one transaction to the School Improvement Grants before the period of availability became effective. The ASD paid for services during the period March 1, 2012, through June 30, 2012, and charged all expenditures for this period to the grant. However, ASD was not awarded School Improvement Grant funds until April 30, 2012; therefore, expenditures incurred between March 1, 2012, and April 30, 2012, totaling $126,905 were not eligible for federal reimbursement under the School Improvement Grants and are questioned costs. ASD originally charged these expenditures to the Race to the Top program, but then its financial staff reclassified the expenditures and charged the School Improvement Grants program improperly. After we brought this to its attention, ASD's Chief Financial Officer reversed this transaction on December 31, 2013, and charged the expenditures to the Race to the Top program, which was allowable.

ASD Failed to Adequately Review CMO Invoices

Of the 60 expenditures we tested above, we also discovered issues relating to 3 invoices paid to the CMOs. Due to the problems we identified for these three invoices, we expanded our testwork to review all 12 invoices submitted by CMOs and paid by ASD, totaling $693,831.34 during fiscal year 2013. We discussed ASD's process of reviewing CMO invoices prior to payment with ASD's Accounting Manager. According to the Accounting Manager, before approving CMO invoices, ASD's Public Grants Manager is responsible for reviewing the invoices by

- verifying that the activity listed on the invoice met program requirements,
- ensuring the CMO attached adequate supporting documentation for the charges listed to the invoice, and
- ensuring the invoice's mathematical accuracy.

Before entering the invoice into Edison, ASD's Accounts Payable Clerk is responsible for verifying that the Public Grants Manager has approved the invoice and that the invoice amount requested is within budget. However, during our review of the 12 invoices charged to the SIG program, we found that the ASD Accounting Manager and Accounts Payable Clerk processed 5 invoices, totaling $477,166.14, without the documented approval of the Public Grants Manager.

Even though Public Grants Manager did not document her review of the CMO invoices, they charged the School Improvement Grants for a total of $66,336.18 in unsupported expenditures, resulting in questioned costs. Details of the issues we found during our review are listed in the chart below.

CMO	Issue	Expenditure Type	Invoice Date	Questioned Costs
1	CMO did not provide all supporting documentation for 1 invoice	Personnel Costs	1/14/2013	$ 147.88
	1 invoice contained duplicate charges	Textbooks	9/7/2012	1,245.00
	1 invoice contained mathematical errors	Personnel Costs	9/7/2012	80.00
2	Charges on 3 invoices did not match supporting documentation	Salaries Miscalculation	12/28/2012	1.98
			3/28/2013	4.37
			6/7/2013	406.38
	2 invoices contained duplicate charges	Personnel Costs	11/8/2012	6,490.84
			12/28/2012	12,981.67
3	CMO did not provide all supporting documentation for 2 invoices	Travel Costs	8/24/2012	47.00
		Personnel Costs	12/31/2012	19,461.57
	Charges on 3 invoices did not match supporting documentation	Benefits Overpayment	8/24/2012	5,933.27
		Travel Costs Overpayment	8/24/2012	20.00
		Benefits Overpayment	12/31/2012	19,516.22
	Total			**$ 66,336.18**

In addition, we found that on two invoices, a CMO billed ASD for expenditures before the vendors were paid. The vendors were paid between 15 to 110 days after receiving funds from ASD. According to Title 34, *Code of Federal Regulations*, Section 80.20(b)(7),

> Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency… Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

To determine the department's procedures to minimize the time lapse in cases of advance payments to local school districts, we spoke to the department's Fiscal Director, who stated that local school districts could request reimbursement for obligations prior to their actual disbursement of cash. However, they are to settle their obligations to their vendors within 72 hours.

During the audit, we were told that ASD experienced high turnover in its Public Grants Manager position during the fiscal year. We also determined that when the position was vacant, no other employee assumed the role of reviewing and approving invoices in order to mitigate the risk of paying inaccurate, unsupported, or fraudulent invoices. By not ensuring that invoices are properly reviewed, approved, and adequately supported, ASD runs the risk of paying CMOs for activities that are not allowed under federal program requirements.

Given the problems identified during our testwork, we also reviewed the department's risk assessment. Management did not identify and assess any risks related to the Achievement School District in its risk assessment.

Recommendation

The Commissioner and the Superintendent of the Achievement School District should take immediate action to ensure that ASD's expenditures which are charged to federal programs are properly reviewed and supported. As part of this corrective action, the Commissioner and Superintendent should

- ensure funding sources are authorized before incurring expenditures that will charged to those sources;
- ensure ASD's financial staff thoroughly document its review all invoices from charter management organizations to ensure the charges are adequately supported prior to paying the invoices; and
- ensure charter management organizations promptly pay their vendors in accordance with the department's established procedures.

The Commissioner should also consider a monitoring review of ASD to ensure that the issues noted in this finding are adequately addressed. In addition, management should assess the risks relating to the ASD and ensure that the risks noted in this finding and mitigating controls are included in the department's annual risk assessment.

Management's Comment

We concur.

<u>ASD Inappropriately Charged School Improvement Grants</u>

For the expenditures charged to the SIG grant prior to the begin date of the award and that are questioned in the audit, as corrective action, the ASD moved the expenditures to its Race to the Top award, for which they were allowable costs. Thus, the $126,905 in questioned costs cited in this section of the finding has been fully resolved. The ASD's current financial team has the requisite knowledge and skills to ensure funding sources are authorized before incurring expenditures that will be charged to those sources.

<u>ASD Failed to Adequately Review CMO Invoices</u>

The ASD has implemented corrective action and now requires Charter Management Organizations (CMOs) to submit detailed supporting documentation with reimbursement requests. The ASD reviews the supporting documentation and reconciles it to the reimbursement requests prior to releasing funds to the CMOs. This process will ensure that CMOs bill based on actual costs incurred and that payments to CMOs are on a reimbursement basis and there is no

advance of funds. For the $66,336 in questioned costs cited in this section of the finding, the ASD will require the CMOs to pay back these funds.

Finding Number	2013-004
CFDA Number	10.560, 84.010, 84.027, 84.196, 84.367, 84.388, and 84.395
Program Name	State Administrative Expenses for Child Nutrition Title I, Part A Cluster Special Education Cluster (IDEA) Education for Homeless Children and Youth Improving Teacher Quality State Grants School Improvement Grants Cluster ARRA-State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act
Federal Agency	Department of Agriculture Department of Education
State Agency	Department of Education
Grant/Contract No.	2012IN253345, S010A100042, S010A110042, H027A100052, H027A110052, S196A12044, S367A110040, S367A120040, S388A090043, S395A100032
Federal Award Year	2009 through 2016
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Costs Principles
Questioned Costs	$3,113.61 (10.560) $13,250.91 (84.010) $3,113.55 (84.027) $1,439.91 (84.196) $5,534.80 (84.388)

The Tennessee Department of Education did not ensure that payroll expenditures charged to federal awards were supported by adequate documentation and did not ensure all payroll expenditures were charged to federal awards in accordance with federal requirements, resulting in federal questioned costs of $26,452.78

Finding

As noted in the prior audit, the Tennessee Department of Education (TDOE) did not adhere to federal requirements prescribed by the 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 and charging payroll expenditures to various federal awards. Management stated they concurred with the finding. They have initiated corrective action and have made improvements to the time and effort documentation process during fiscal year 2013, including revising the Personnel Activity Report (PAR) forms and the semi-annual certifications to meet federal requirements; discontinuing the approved substitute method previously used by the Centers for Regional Excellence (CORE) offices; and conducting training for department personnel. Despite these improvements, the department still did not ensure that payroll expenditures were adequately supported and charged based on the captured time and effort documentation.

OMB Circular A-87, Attachment B, paragraph 8.h., establishes standards for documenting employee time and effort when payroll 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 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 federal requirements and must prepare PARs at least monthly. TDOE has a process by which it consolidates administrative program funds originally authorized by the Elementary and Secondary Education Act of 1965 (ESEA). The department consolidates these funds to administer various ESEA programs (for example, English Language Acquisition State Grants and Improving Teacher Quality State Grants).

We reviewed a population of 61 TDOE employees whose payroll expenditures, totaling $1,188,599.82, were fully or partially funded by consolidated state administrative funds and then charged to federal programs. In order to determine whether the payroll expenditures charged to the appropriate federal program and were supported by adequate documentation, 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 the issues noted below.

Payroll Expenditures Not Adequately Documented

Based on our review of 61 employees' time and effort documentation, we found that payroll expenditures for employees of the Achievement School District, an organization unit of TDOE, were not properly documented for single cost objective employees and multiple cost objective employees. Without proper documentation, the department cannot ensure it charged the correct program during the specified time period.

- For 4 employees, the semi-annual certification for the period January 1, 2013, through June 30, 2013, incorrectly listed 2012 as the year.
- The former Public Grants Manager did not sign her PARs for the months of July 2012, through September 2012; and January 2013. Her supervisor improperly signed the PARs on the Public Grants Manager's behalf. OMB Circular A-87 states that PARs "must be signed by the employee."
- One employee completed the wrong type of time and effort documentation. During fiscal year 2013, she devoted a portion of her time to a federal program; her remaining time was devoted to state-funded activities. For January 1, 2013, through June 30, 2013, the teacher completed a semi-annual certification, despite the fact that she worked on multiple cost objectives.

According to the current Public Grants Manager, she did not have guidance on the correct documentation procedures to ensure ASD employees provided the appropriate documentation.

Payroll Expenditures Incorrectly Charged to Federal Programs

Of the 61 employees' payroll expenditures we reviewed, payroll expenditures for 3 employees were improperly charged to federal grants. Based on the time and effort

documentation we reviewed, the department's fiscal staff did not reclassify the payroll expenditures of employees who worked on non-federal program activities and improperly charged their time to federal grants, resulting in $14,923.72 in federal questioned costs. After we brought these issues to the attention of the Fiscal Director, she reversed the expenditures below and charged them to state revenue sources on November 30, 2013, and corrected the federal billing.

Employee #	Federal Program	CFDA	Federal Questioned Costs
1	Title I Grants to Local Educational Agencies	84.010	$6,221.01
	State Administrative Expenses for Child Nutrition	10.560	3,113.61
	Special Education Grants to States	84.027	3,113.55
2	Title I Grants to Local Educational Agencies	84.010	411.81
3	School Improvement Grants	84.388	2,063.74
Total			**$14,923.72**

In addition, payroll expenditures for 5 employees were charged to the incorrect federal program. For all five employees, payroll was charged to the wrong federal program because program staff did not provide fiscal staff with enough time and effort information for these employees to charge the correct program, resulting in $11,529.06 in federal questioned costs. After we brought these issues to the attention of the Fiscal Director, she reversed all the expenditures below and charged the correct federal program on December 5, 2013, and corrected the federal billing.

Employee #	Federal Questioned Costs	Federal Program Billed in Error	CFDA	Federal Program That Should Have Billed	CFDA
1	$1,439.91	Education of Homeless Children and Youth	84.196	Title I Grants to Local Educational Agencies (LEAs)	84.010
2	4,089.54	Title I Grants to LEAs ($2,044.77)	84.010	Race to the Top Incentive Grants ($4,089.54)	84.395
		School Improvement Grants, ARRA ($2,044.77)	84.388		
3	2,336.02	Title I Grants to LEAs	84.010	Improving Teacher Quality State Grants	84.367
4	2,237.30	Title I Grants to LEAs	84.010	Teachers Incentive Fund	84.374
5	1,426.29	School Improvement Grants, ARRA	84.388	Improving Teacher Quality State Grants	84.367
Total	**$11,529.06**				

According to the Fiscal Director, the issues we noted were an oversight. Although the department has a process to identify these issues and correct them if they occur, it could improve communication between fiscal staff and program staff, which would help obtain accurate payroll information.

When time and effort is not properly documented in accordance with federal requirements, it increases the risk that federal funds will be charged for services not performed. We reviewed management's annual risk assessment and determined that management did address the risk that semi-annual certifications or PARs will not be prepared to support salary/benefit costs; however, management did not address the risk that payroll will not be properly charged in accordance with federal requirements.

Recommendation

The Commissioner of the Tennessee Department of Education and the Superintendent of the Achievement School District should ensure that payroll expenditures charged by staff to federal awards are supported by timely, adequate documentation prepared in accordance with federal requirements. Additionally, the Commissioner and Superintendent should ensure that program leaders and the Public Grants Manager are performing a prompt and adequate review of the time and effort documentation and obtaining corrections when necessary.

Finally, the Commissioner should ensure that the department’s annual risk assessment is updated to reflect any new controls the department adds to the time and effort documentation process.

Management’s Comment

We concur. Compliance with federal time and effort reporting requirements is a high priority in the department. As noted in the finding, since the last audit, the Department of Education has made improvements to its controls and processes, including revising and standardizing personnel activity report forms and the semi-annual certifications, discontinuing the substitute method for allocating compensation for administrative staff in regional offices, and conducting extensive training for staff. The department has worked to improve the tracking of journal entries to ensure adjustments to payroll are prepared and submitted when needed.

Finding Number	2013-005
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.	05-1305TN5MAP, 05-1205TN5MAP
Federal Award Year	2012 and 2013
Finding Type	Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	N/A

As noted in a prior audit finding, the Division of Health Care Finance and Administration did not update its cost allocation plan and did not 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 identify, measure, and allocate all of its costs incurred in support of all of the division's programs. HCFA, which includes the Medical Assistance Program, did not have an updated CAP and improperly allocated indirect salary costs for the other 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 several health care programs into the Division of Health Care Finance and Administration. HCFA now includes the Bureau of 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). TennCare management assumed administrative and fiscal responsibilities for the HCFA programs in October 2011. Although HCFA administered multiple programs during fiscal year 2013, 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 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. 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 update the CAP, it did not allocate salaries to their 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.

Subsequent to the audit period ended June 30, 2013, HCFA submitted an amended CAP to the director of the federal Department of Health and Human Services, Division of Cost Allocation, on September 20, 2013. As of December 5, 2013, the director had not yet approved the CAP. We recommended in the prior audit that HCFA's risk assessment be updated to include the risk of not properly preparing and implementing a cost allocation plan. HCFA's 2013 annual risk assessment included this risk.

Recommendation

The Deputy Commissioner should ensure that the cost allocation plan is implemented once federal approval is received.

Management's Comment

We concur. The Division of Health Care Finance and Administration (HCFA), immediately upon receiving results of the FY 2012 audit in spring of 2013, began working to draft the plan amendment. HCFA's accounting staff consulted directly with local CMS staff to develop and write a plan that would allocate administrative costs across multiple grant programs. Multiple meetings were held during this time to discuss multiple draft versions. Due to HCFA providing funding for the Department of Intellectual Developmental Disabilities (DIDD), the DIDD plan had to be updated as well, causing further delays to the project.

The Division of HCFA submitted the Cost Allocation plan amendment for approval to Department of Health and Human Services, Division of Cost Allocation, on September 20, 2013.

CMS, as the cognizant agency, has indicated verbally that they have passed their approval of the plan amendment on to Department of Health and Human Services, Division of Cost Allocation, on February 11, 2014. The Department of Health and Human Services, Division of Cost Allocation must take action to formally approve the plan before this plan can be implemented. HCFA will execute the plan once approval is received.

Finding Number	2013-006
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.	05-1305TN5MAP, 05-1205TN5MAP
Federal Award Year	2012 and 2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	N/A

The Division of Health Care Finance and Administration did not have sufficient internal controls in place to ensure compliance with all subrecipient monitoring requirements, resulting in one instance of subrecipient monitoring noncompliance

Finding

The Division of Health Care Finance and Administration (HCFA) administers the Medical Assistance Program partly by providing federal funds to subrecipients to carry out the federal program. The Office of Management and Budget (OMB) Circular A-133 requires HCFA to monitor the activities of its subrecipients to ensure that subrecipients comply with applicable program requirements. Although HCFA had procedures in place to monitor the activities of subrecipients, controls were not in place to ensure that all subrecipients expending $500,000 or more in federal awards complied with the audit requirements of OMB Circular A-133.

We performed procedures to identify subrecipients that were subject to the audit requirements of OMB Circular A-133. HCFA had three subrecipients who were required to obtain an audit since they each expended more than $500,000 in federal awards during fiscal year 2012. According to OMB Circular A-133, Section 400(d),

> a pass-through entity [HCFA] shall perform the following for the Federal awards it makes: . . . (4) Ensure that subrecipients expending $300,000 ($500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year. (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Of the three subrecipients required to obtain an audit, one subrecipient's audit report contained audit findings. For this subrecipient, HCFA did not obtain the audit report, did not issue a management decision on the audit findings, and did not follow up with the subrecipient to ensure that the subrecipient took appropriate and timely corrective action on the audit findings.

In addition, during our review of HCFA's internal controls over subrecipient monitoring and based on our discussions with HCFA management, we determined that HCFA did not have a

system in place to track these types of subrecipients' compliance with the OMB Circular A-133 requirements noted above. Our review and inquiries disclosed the following:

1. HCFA did not have formal procedures to ensure their subrecipients' compliance with the audit requirements, as previously discussed;

2. informal procedures were insufficient to obtain subrecipients' corrective action plans and to issue management decisions on audit findings within six months after receipt of the subrecipients' audit reports; and

3. informal procedures were insufficient to ensure that subrecipients take timely and appropriate corrective actions on all audit findings.

HCFA management was not aware of the subrecipient's audit report with findings until we notified them. HCFA management stated that they have begun to develop policies to strengthen internal controls and prevent future noncompliance.

HCFA's 2012 annual risk assessment addressed the risk of monitoring procedures not being adequately designed/planned to detect noncompliance. Controls designed in response to these risks did not prevent the noncompliance with subrecipient monitoring requirements.

Recommendation

The Deputy Commissioner should ensure that internal controls are sufficient for HCFA to comply with subrecipient monitoring requirements. In addition, such controls should be monitored to ensure they continue to operate as intended. In regard to the noncompliance noted above, the Deputy Commissioner should determine if the subrecipient's audit was conducted in accordance with OMB A-133 and should issue management decisions for the audit findings included in the subrecipient's audit report.

Management's Comment

We concur. For the one subrecipient noted above, HCFA management followed up with the subrecipient to ensure that the subrecipient took appropriate corrective action on the audit finding and a management decision on the audit finding was issued.

The Subrecipient Compliance Unit performed monitoring reviews on over two-thirds of the grant award amounts in federal fiscal year 2012 and 2013. Of the subrecipients selected for review, audit reports issued were reviewed and if there was an audit finding, it was sent to the appropriate program director/manager to obtain a Corrective Action Plan and to issue a management's decision.

Finding Number	2013-007
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.	05-1305TN5021 and 05-1205TN5021
Federal Award Year	2012 and 2013
Finding Type	Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	$7

CoverKids paid one enrollee's dental benefits at the incorrect rate, resulting in total questioned costs of $9

Finding

In the prior audit, we reported that CoverKids paid one enrollee's dental benefits using an incorrect rate. During the current audit for the year ended June 30, 2013, the same type of problem reoccurred for one enrollee.

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 paid the incorrect dental premium rate for an enrollee.

CoverKids' dental benefits administrator (DBA) provides dental plan coverage to enrollees, excluding individuals enrolled in HealthyTNBabies. The DBA uses the Windward system to administer dental plans, maintain enrollee information, and process dental claims. The amount of a monthly dental services premium and whether a child or CoverKids pays 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.

We tested a sample of 60 enrollees who received CoverKids benefits between July 1, 2012, and June 30, 2013, to determine if the enrollees were eligible for benefits and to determine if their benefits were calculated correctly and were in compliance with the requirements of the program. The tested benefits included monthly administrative fee payments and monthly dental premiums for each enrollee sampled during the audit period. Of the 60 enrollees tested, CoverKids paid a higher monthly premium than the contract requires for one CoverKids enrollee (1.7%). The National Guardian Life contract defines enrollees in families with an income below 150% of the Federal Poverty Level (FPL) as Group Two children who are subject to reduced copayments. Based on the auditor's inspection of this enrollee's FPL listed in the CoverKids' eligibility system, Children's Health Administrative System, the enrollee's FPL was 140%, placing the enrollee in Group Two with a monthly premium rate of $24. However, from March

2013 through June 2013, the DBA billed CoverKids for a monthly premium rate of $27, which was the rate for a Group One enrollee. The National Guardian Life contract defines a Group One child as a child in a family with income between 150% and 250% of the FPL.

The enrollee was correctly included in Group Two until March 1, 2013, when the eligibility system improperly moved the enrollee out of Group Two and into Group One. Based on our discussions with the director of CoverKids regarding this overpayment, the DBA identified a processing error within the Windward system. According to the DBA, the appropriate updates have been made to the enrollment data in Windward to terminate the old eligibility data so that it will not take precedence over the correct coverage in the future. In addition, the DBA stated that they have implemented additional controls to prevent these types of errors.

The total questioned costs for this sample enrollee's dental benefits being paid at the incorrect rate during the audit period for fiscal year 2013 were $9. Federal questioned costs totaled $7, with the remaining $2 in state-matched funds. The total benefit amounts we tested in our sample were $29,055, from a population of $437,223,323.

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.

Recommendation

The director of CoverKids should ensure that dental premiums are paid based on the contracted amount. The director should ensure that the DBA implemented the changes to the Windward system to prevent this type of error in the future.

Management's Comment

We concur. The CoverKids dental benefits administrator (DBA) incorrectly billed CoverKids the wrong premium on a member because the member was placed in the incorrect plan id number. The DBA eligibility team identified a processing eligibility error within their Windward System. The Windward system was designed to prevent duplication of coverage. At the request of CoverKids, the DBA implemented controls within the system file processing to prevent these types of discrepancies from occurring. The appropriate updates have been made to the enrollment data in Windward to terminate the old eligibility data so that it will not take precedence over the correct coverage going forward. The CoverKids Director has confirmed that these updates have been made to the Windward system.

In addition, CoverKids conducts a monthly dental reconciliation process with the DBM to ensure the system is in sync with the CoverKids Eligibility Contractor's eligibility data.

CoverKids is currently performing a DBM follow-up 2013 Post Eligibility Audit to review member eligibility such as plan id #s, effective and term dates, and to ensure the monthly premium amounts are accurate. Also, in March 2014 CoverKids will implement the 2014 Post Eligibility Audit to verify that the DBM billed the program the correct monthly premium amount, by enrollee for calendar year 2013.

CoverKids has partnered with HCFA's Audit and Investigations Division to conduct a full eligibility and premium detail audit that will be completed prior to June 30, 2014.

Finding Number	2013-008
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.	05-1305TN5MAP, 05-1205TN5MAP
Federal Award Year	2012 and 2013
Finding Type	Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	N/A

The Division of Health Care Finance and Administration did not obtain Data Universal Numbering System numbers from subrecipients prior to issuing subawards

Finding

The Division of Health Care Finance and Administration (HCFA) did not obtain Data Universal Numbering System (DUNS) numbers from subrecipients prior to issuing subawards.

A DUNS number is a nine-digit number assigned by Dun and Bradstreet Inc. to uniquely identify a business. The federal government uses DUNS numbers to track how federal money is distributed. The DUNS number is required to be reported with subawards on the Federal Funding Accountability and Transparency Act Subaward Reporting System. According to the *Code of Federal Regulations*, Title 2, Part 25, Appendix A(I)(B), "If you are authorized to make subawards under this award, you: 1. Must notify potential subrecipients that no entity may receive a subaward from you unless the entity has provided its DUNS number to you. 2. May not make a subaward to an entity unless the entity has provided its DUNS number to you." New applicants were required to provide a DUNS number for subawards made on or after October 1, 2010. However, a DUNS number was not obtained for all 11 subrecipient contracts reviewed that were entered after October 1, 2010. Based on discussions with management, HCFA did not obtain DUNS numbers for any subrecipients prior to issuing their subawards because staff did not understand this requirement applied to HCFA.

Subsequent to the end of the audit period, HCFA composed a reporting form that requests subaward information, including the DUNS number, for HCFA contractors to complete and return to HCFA. Not obtaining and reporting DUNS numbers with subawards may impede the federal government's ability to track subawards.

Recommendation

The HCFA Deputy Commissioner should ensure that the DUNS numbers are obtained from subrecipients prior to issuing subawards.

Management's Comment

We concur. As mentioned above, The Division of Health Care Finance and Administration (HCFA) developed a form requiring subrecipients to report their DUNS information to HCFA to maintain on file. Many of these entities did not have existing DUNS numbers, so we have provided them with instruction on how to obtain a DUNS number. We have received 77% of forms back from our subrecipients as of February 24, 2014 and are currently following up to obtain the additional forms. The forms are on file with our Contract Office as well as in our Accounting Office for federal tracking purposes. It is being clearly communicated to subrecipients for both new awards and renewals that funds will not be released until the DUNS number is received by HCFA.

Finding Number	2013-009
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.	05-1305TN5MAP, 05-1205TN5MAP
Federal Award Year	2012 and 2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$1,334

As reported in the prior audit, the Division of Health Care Finance and Administration did not properly terminate ineligible enrollees, which resulted in total questioned costs of $2,023

Finding

In the prior audit, we reported that the Division of Health Care Finance and Administration (HCFA) did not terminate some ineligible enrollees' benefits. The same problem reported in the prior audit also existed for one enrollee during the year ended June 30, 2013. In addition, another enrollee improperly received benefits when a valid social security number had not been provided.

Enrollee's Benefits Not Terminated Properly – System Error

The Department of Human Services (DHS) is responsible for eligibility determinations for TennCare Medicaid and TennCare Standard. HCFA'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, annually, since individual circumstances change over time.

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 either eligible to receive the same 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 on the updated information or if the enrollee fails to respond to the RFI, HCFA mails the enrollee a 20-day advance termination notice. If the enrollee submits the requested information to DHS prior to the termination date specified (20 days 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 determines that the enrollee is eligible for a different category, the enrollee should be terminated from the previous Medicaid category and opened in the appropriate category. However, according to

Chapter 1200-13-13-.03(3)(a), if DHS determines that the enrollee is no longer eligible for TennCare benefits, then the enrollee should be terminated from the TennCare program.

If the enrollee files an appeal to dispute the termination of his or her benefits or files a new application 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 on the updated information or if the enrollee fails to respond to the termination notice, HCFA is to close the enrollee's benefits.

For each enrollee, HCFA pays a monthly fee (called a capitation payment) to a managed care organization that provides medical services. We tested a sample of 60 TennCare enrollees who had a capitation payment during the year ended June 30, 2013, 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, HCFA did not properly terminate eligibility benefits for one enrollee (1.7%).

HCFA mailed an RFI to the enrollee on November 21, 2012, requesting the enrollee to respond to DHS by January 2, 2013. DHS received the RFI within the allotted timeframe; however, DHS found that the enrollee was ineligible based on the information provided in the RFI. Therefore, HCFA mailed the individual a 20-day termination notice on January 25, 2013, stating that the enrollee's Medicaid benefits would end on February 14, 2013. The enrollee submitted a new application on January 31, 2013, which continued her Medicaid benefits until the new application was processed. DHS completed an interview with the enrollee on February 12, 2013, and requested the enrollee submit income verifications. The enrollee submitted the requested verifications on February 19, 2013, and the DHS eligibility counselor determined on that date that the enrollee was not eligible for Medicaid due to exceeding the income limits; however, the enrollee's benefits remained open in interChange. We notified the Director of Eligibility Services that this enrollee was still receiving TennCare benefits on September 23, 2013. HCFA mailed the enrollee a termination notice on September 27, 2013, which resulted in a termination date of October 17, 2013.

The Director of Eligibility Services stated that DHS sent a denial notification on February 19, 2013, based on the determination made by the eligibility counselor on that date. However, old data on the Ridmatch file in ACCENT indicated that the enrollee was being reviewed for TennCare Standard eligibility. InterChange interpreted the data to mean that the enrollee's eligibility should remain open until it received either an approval or denial regarding the TennCare Standard eligibility. The Director of Eligibility Services stated that the old data in ACCENT was from a previous action, and the eligibility counselor should have removed the data when the denial occurred on February 19, 2013.

The total questioned costs in the sample for the enrollee's benefits not properly terminating during the audit period for fiscal year ended 2013 were $469. Federal questioned costs totaled $310, and the remaining $159 were state-matching funds. The total capitation amounts we tested in our sample were $137,176 from a population of $4,993,382,187. 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 this condition.

The total questioned costs for this enrollee's benefits not properly terminating after the audit period ended were $1,193. Federal questioned costs totaled $787, and the remaining $406 were state-matching funds.

Enrollee's Benefits Not Terminated Properly – Invalid Social Security Number

Under special circumstances, HCFA assigns a pseudo social security number (SSN) to a person who does not have a valid SSN as issued by the Social Security Administration (SSA) upon application for Medicaid or TennCare Standard. SSNs are only assigned to newborns whom the SSA has not issued a valid SSN; adoption assistance children; undocumented aliens receiving emergency services only and who cannot obtain a valid SSN; individuals applying for SSNs; or individuals who have not obtained a SSN based on religious objections.

According to the *TennCare Medicaid and TennCare Standard Policy Manual (December 2009)*, "A newborn can be added to its mother's case without having to wait for the enumeration process to conclude. In most situations, the enumeration process (completion of SS-5) now occurs for newborns at the hospital. The newborn must be enumerated by age one or before he/she can be approved in any other TennCare Medicaid category (whichever occurs first)." We tested 11 enrollees with a pseudo SSN who received TennCare benefits for a time period greater than one year. Of the 11 enrollees tested, 10 received benefits for more than one year for valid reasons. However, HCFA did not properly close one child's (9%) eligibility benefits after the child reached the age of one and had not provided DHS with a valid SSN.

This enrollee was assigned a pseudo SSN when he was born on May 15, 2012. HCFA mailed a letter on March 28, 2013, requesting the enrollee provide his SSN to DHS. After the enrollee had not provided a SSN, HCFA subsequently mailed a 20-day termination notice on June 6, 2013. DHS closed the household's Medicaid and Food Stamp benefits on June 5, 2013, due to the child's mother not providing proof of income, and the child's Medicaid was already set to terminate on June 26, 2013, for not providing a valid SSN. The child's mother appealed all case closures on June 26, 2013, which continued all benefits for all case members until the appeals were resolved. DHS resolved the appeals regarding the income verification on August 28, 2013, and continued the household's Medicaid and Food Stamp benefits with no lapse in coverage; however, DHS improperly continued the child's Medicaid with the other appeal resolutions, as no valid SSN was ever provided.

We notified the Director of Eligibility Services that this enrollee was still receiving TennCare benefits on October 28, 2013. The DHS eligibility counselor removed the child's Medicaid benefits effective December 1, 2013. On December 4, 2013, the child's mother provided the valid SSN, and the child became eligible for benefits with the rest of the family.

The total questioned costs for this enrollee's benefits not properly terminating after the audit period were $361. Federal questioned costs totaled $237, and the remaining $124 were state-matching funds.

The 2012 annual risk assessment listed the potential risk that ineligible enrollees will receive services even though they do not have an official social security number. HCFA had controls in place to mitigate this risk, but the controls did not prevent this oversight by the DHS employee.

Recommendation

The Director of Member Services and the Director of Eligibility Services should reevaluate the control that was implemented due to the prior audit finding to review cases that are in pending status for an extended period of time. Also, the Director of Member Services and the Director of Eligibility Services should ensure that an enrollee's benefits are terminated when the enrollee does not provide a valid social security number within the allotted timeframe.

Management's Comment

We concur in part. We concur that these two cases were errors; however, the controls we have in place would have and did catch the issues for proper handling.

In the first case, the enrollee was held open in error because a certain data field in the DHS ACCENT system was not manually deleted. Because the TennCare system is programmed to treat that data element as if the child is still being reviewed for TennCare eligibility, she remained eligible for services pending completion of that review. In April of 2012 TennCare created a new report to identify enrollees who are held open in a pending status for more than 90 days. The enrollee in question was on that report (ELG-0481-M) and was in queue to be manually researched by TennCare staff when it was identified by audit staff.

Although it was correct for the child in the second case to have coverage without an SSN up to his first birthday, it was an error for the DHS Appeals staff to continue this child's eligibility after he turned one and once the family's appeal was resolved. However, the quarterly systematic processes would have identified him for termination in the subsequent quarter had the child's SSN not been provided in December 2013. In fact, the 90-day pseudo SSN letter was mailed to the child on October 1, 2013 and a termination notice was mailed in December. That termination was not effectuated, however, because the verified SSN was provided by the family prior to the termination date. Therefore, although the controls in place to end coverage for enrollees without an SSN were temporarily interrupted by manual intervention, they were systematically reinstated the next time the quarterly noticing process ran.

As we work towards implementation of the new Tennessee Eligibility Determination system in 2014, we believe that issues such as those identified in these two findings will be reduced. The new system will rely on more real time data comparisons and fewer manual

processes. The first finding will become obsolete because the eligibility review process for Medicaid and Standard will be streamlined. The second finding will no longer occur because monthly rules will run to identify all individuals who are inappropriately open with a pseudo SSN. Systematic processes will work to appropriately close those individuals in a timely manner.

Finding Number	2013-010
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.	05-1305TN5MAP, 05-1205TN5MAP
Federal Award Year	2012 and 2013
Finding Type	Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	$60

The Division of Health Care Finance and Administration paid a dental claim for services that were not supported, resulting in total questioned costs of $91

Finding

Out of a sample of 61 fee-for-service claims that the Division of Health Care Finance and Administration (HCFA) paid during the audit period for the Medical Assistance Program, one claim (1.6%) could not be supported by documentation. As part of our examination, we reviewed items such as medical records; service logs; office visit and procedure notes; and physician orders to determine if the services billed on providers' claims had actually been provided. For this one claim, the provider refused to cooperate with multiple requests to provide documentation supporting the dental claim. HCFA management also tried to get the provider to provide the documentation. Therefore, we could not determine if the costs were allowable or the services were provided.

The *Code of Federal Regulations*, Title 2, Part 225, Appendix A, requires costs to be adequately documented. Without proper documentation supporting the dental claim, we could not determine whether the dental claim was appropriate or if the services were provided.

The total amount of questioned costs for the dental claim was $91 out of a total of $112,934 tested. Federal questioned costs totaled $60; the remaining $31 was state-matching funds. The total amount of the population sampled was $2,351,325,152. 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 this condition.

Recommendation

The Deputy Commissioner of HCFA should investigate all claims from the uncooperative provider to determine if the provider can provide supporting documentation for the claims submitted. The Deputy Commissioner should then seek reimbursement for any unsupported claims and take disciplinary action against the provider as appropriate.

Management's Comment

We concur with the fact that we were unable to produce the documents to support the medical necessity of the claim, but do not concur that it is appropriate to extrapolate this circumstance to the entire population given the extremely unique circumstances surrounding the case. We believe that this circumstance was an isolated incident and that it was not reasonable to project the questioned costs to the entire population. The Division of Health Care Finance and Administration has done everything within our authority to compel the provider to submit the requested records. This is a very unique case, unlike any case we have experienced to date at HCFA. The provider failed to cooperate with our medical records request to determine if a paid claim was allowable or adequately documented. HCFA took every possible action and went to extraordinary lengths to obtain adequate medical records as shown in the following events timeline, including notifying the provider that failure to provide the requested information would result in termination of his Medicaid Provider Number in Tennessee for cause and that this would be shared with other State Medicaid Programs including Georgia where the provider resides and currently practices.

A timeline of the events for this issue is shown below.

2013-09-20: The auditor began trying to contact the dental provider in Knoxville, Tennessee to obtain records for services that were performed as part of our sampled claim.

2013-09-23: The auditor contacted a dentist's office that operates in the same shopping center as the sampled dentist to inquire if this office had taken over the business of the dentist. This dentist office informed the auditor that the dentist had closed his business abruptly, and they did not know where he went.

2013-10-04: After requesting assistance from HCFA's Director of Audit and Investigation, it was discovered that the dental provider had operated a business in Alabama. Through extensive internet research, the auditor found the dentist's location in Mobile, Alabama; however, the telephone number was disconnected. The auditor contacted a nearby business to the dentist's Mobile location and learned that the dentist's office had a For Sale sign in front of the business.

2013-10-08: HCFA's Director of Audit and Investigation provided current contact information for the dentist, who was practicing in Douglasville, Georgia. HCFA's Director of Audit and Investigation spoke with the dentist and stated that his records were maintained electronically and that it could take him some time to fulfill the request.

2013-10-09: The auditor spoke to the dentist on the phone, and he confirmed the fax number and mailing address of his current practice facility. The auditor faxed and mailed a records request to the Georgia office location. The deadline for response to the request was October 31, 2013.

2013-10-31: The deadline passed without a response to the request.

2013-11-06: The auditor left a voice mail message for the dentist to inquire about the status of our request.

2013-11-07: The auditor contacted the dentist by phone. The auditor told the dentist that the records had not been received and asked if he had sent them. The dentist stated that he had not sent them. He then said that the records were located in a storage unit that was padlocked because he had not paid the bill. He stated that he would get paid on Friday, November 15th, and would then pay his bill for the storage unit. Once he got inside the storage unit, he would have to boot up his server and insisted that it would be even more time to do that. The auditor told him that he did not know if this delay would be acceptable. He then told the auditor that the service was only for an examination and that it was foolish to audit it. The auditor had not mentioned the services performed for the sampled claim; therefore, confirming the dentist's receipt of the letter. The auditor communicated this message to HCFA management.

2013-11-12: With coordination from HCFA's Dental Director, General Counsel, Senior Associate General Counsel, and Chief Medical Officer, HCFA mailed a letter to the dentist that gave him a deadline of November 25, 2013 for the auditor to receive the records. The letter explained that section 8(b) of his Provider Agreement with Delta Dental required that he maintain medical records supporting his claims for services provided to patients for no fewer than five years from termination of his Provider Agreement. Section 8(d) of the Provider Agreement required that he, as a condition of participation in TennCare, provide such records to, among other authorities, the Comptroller of the State of Tennessee upon request for, among other reasons, fiscal audits. Section 8(c) of the Provider Agreement authorizes him to release such medical records for such purposes. The letter advised that, in the event the Comptroller has not received the records by the above-specified date, the State of Tennessee will consider terminating his TennCare/Medicaid Provider ID number for cause, which would be effective against him even though he is not currently practicing dentistry within the State of Tennessee. Such a termination would, by law, require HCFA to report this termination as a Program Integrity violation to the Office of the Inspector General as well as requiring us to notify the Georgia Medicaid and CHIP programs. These notifications may result in adverse action against him by these programs.

2013-11-25: The auditor did not receive the records by the second deadline.

2013-12-9: As of this date, the auditor has not received any records. As a result, one dental claim not supported will be a finding against HCFA.

2013-12: HCFA's Dental Director contacted the provider by phone to encourage him to submit the requested dental records ASAP to avoid any adverse actions against him by the State.

2013-12-17: The auditor again reached out to the provider by phone and told him he had already missed two deadlines and that we needed the records ASAP.

2014-1-8: The auditor spoke with the provider by phone. The provider indicated he is still attempting to provide the records.

2014-2-11: As of this date, the auditor has not received any records.

2014-2-11: HCFA's Dental Director presented this case to HCFA's PRC Committee **for termination of provider's TennCare/Medicaid Provider ID number for cause** because of failure of provider to submit medical records as requested by auditors with the Comptroller of the Treasury supporting claim for service. The Committee voted in favor of termination of the provider's TennCare Provider Number which is in process.

2014-2-27: HCFA's Program Integrity Division has opened an investigation and will be sending a demand letter requesting documentation to support all claims paid to this provider to determine if the provider can provide supporting documentation for the claims submitted. HCFA management will seek reimbursement for any unsupported claims.

Finding Number	2013-011
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	05-1305TN5MAP, 05-1205TN5MAP
Federal Award Year	2012 and 2013
Finding Type	Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The Department of Health did not perform timely surveys of nursing facilities receiving TennCare payments

Finding

To ensure intermediate care facilities and nursing facilities meet prescribed health and safety standards for Medicaid providers, the Tennessee Department of Health conducts surveys of these facilities that provide services to Medicaid recipients. The Department of Health did not perform the surveys of the nursing facilities within the required timeframes.

We tested a sample of 20 intermediate care facilities and 20 nursing facilities that received TennCare payments for services provided to Medicaid recipients. No exceptions were noted for the 20 intermediate care facilities. However, for 14 of the 20 nursing facilities (70%), the Department of Health did not complete the surveys within the required timeframes. Section 1919 (g)(2)(A)(iii)(I) of the Social Security Act states, "Each nursing facility shall be subject to a standard survey not later than 15 months after the date of the previous standard survey. . . . The statewide average interval between standard surveys of a nursing facility shall not exceed 12 months." The 14 surveys ranged from one month to over five months past due.

Based on our discussions with the Director of the Office of Health Care Facilities, the Department of Health has experienced a shortage of surveyors since 2009, resulting in the overdue surveys. In December 2013, the Department of Health submitted a corrective action plan to the Centers for Medicare and Medicaid outlining their efforts to hire and train additional staff to correct this issue.

If surveys are not conducted timely, health and safety violations may go undetected.

Recommendation

The Commissioner of Health should ensure that health and safety surveys are performed within the required timeframe in order to meet contractual obligations and federal regulations.

Management's Comment

We concur with the finding that surveys were not performed timely.

The primary constraint for TDH to successfully perform health and safety surveys within the required timeframe in order to meet contractual obligations and federal regulations regarding timeliness has been surveyor capacity. As noted in the audit finding, on December 27, 2013, TDH responded to the Centers for Medicare and Medicaid and outlined efforts to hire and train additional staff to correct this issue. In that response, TDH stated that the State Survey Agency with its current staff has the capacity to survey 6% of its nursing home facilities each month (18% each calendar quarter). As such, barring any impediments preventing us from adhering to our 2014 survey schedule, by the end of December 2014 all Tennessee nursing home facilities will be at or below 15 months since their last survey date.

Since our December response to CMS, we have continued our efforts to reopen the Middle Tennessee Regional Office (MTRO) which will further assist in our ability to perform more timely surveys. To date, we have hired a Regional Administrator (RA) and a supervisor for the MTRO office and are actively interviewing candidates to staff the 9 MTRO surveyor positions. In addition, we are equally active in interviewing candidates to fill our 5 surveyor vacancies in our West Tennessee Regional Office. It is our expectation that the interviewing and hiring process for these positions will be completed by the end of the first quarter of 2014.

A high vacancy rate in surveyors has been a primary contributor to inspection timeliness issues. For instance, in 2013, our monthly vacancy rate for May and June was 37% and averaged 28% for the year. Currently, the vacancy rate has fallen to 18% but it is expected that if we fill the 14 vacant surveyor positions during the course of 2014, and avoid turnover in existing staff, we will be staffed at or near 100%. With such a staffing level, we should be able to shorten the stated one year timeframe for each nursing home to be at or below 15 months since their last survey date.

Having implemented a new salary structure that is more competitive with the private sector, we are optimistic that we will be able to hire qualified surveyors and be able to retain them beyond our investment in their training and federal certification. Once the surveyors are federally qualified, which requires the successful completion of a rigorous year-long training process, their work product contributes directly to our ability to meet the required timeframes.

Finding Number	2013-012
CFDA Number	10.551, 10.561, 10.558, 10.559, 84.126, 93.558, 93.563, 93.568, 93.575, 93.596, and 96.001
Program Name	Supplemental Nutrition Assistance Program (SNAP) Cluster Child and Adult Care Food Program Child Nutrition Cluster Rehabilitation Services - Vocational Rehabilitation Grants to States Temporary Assistance for Needy Families (TANF) Cluster Child Support Enforcement Low-Income Home Energy Assistance Child Care and Development Fund (CCDF) Cluster Disability Insurance/SSI Cluster
Federal Agency	Department of Health and Human Services Social Security Administration Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	2008IN109945, 2009IN109945, 2010IN109945, 2011IN109945, 2012IN109945, 2013IN109945, 5TN400408, H126A110063, H126A120063,G1002TNTANF, G1102TNTANF, G1202TNTANF, G1302TNTANF, G0804TN4004, G0904TN4004, G1004TN4004, G1104TN4004, G1205TN4004, G1305TN4004, G10B1TNLIEA, G11B1TNLIEA, G12B1TNLIEA, G13B1TNLIEA, G1001TNCCDF, G1101TNCCDF, G1201TNCCDF, G1301TNCCDF, 04-12-04TNDI00, 04-13-04TNDI00
Federal Award Year	2007 through 2015
Finding Type	Significant Deficiency
Compliance Requirement	Other
Questioned Costs	N/A

As noted in the prior two audits, 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's 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 needs to reassess its controls to include the risks noted in this finding in management's documented risk assessment. The Commissioner should adequately document and approve the risk assessment and the mitigating controls, 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 in part. We have delivered a confidential response to the detailed finding.

Finding Number	2013-013
CFDA Number	10.558 and 10.559
Program Name	Child and Adult Care Food Program Child Nutrition Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	2008IN109945, 2009IN109945, 2010IN109945, 2011IN109945, 2012IN109945, 2013IN109945
Federal Award Year	2008 through 2013
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility and Subrecipient Monitoring
Questioned Costs	$86,008 (10.558) $16,620 (10.559)

Department Management did not establish adequate controls over the Child and Adult Care Food Program and Summer Food Service Program, increasing the risk of overpayment of federal funds to subrecipients

Finding

The Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (Summer Food) are funded by the U.S. Department of Agriculture and are administered on the state level by the Tennessee Department of Human Services (DHS). As a pass-through entity for CACFP and Summer Food funds, DHS is responsible for monitoring subrecipients, known as institutions for CACFP and sponsors for Summer Food, in order to provide reasonable assurance that these subrecipients comply with federal and state requirements. CACFP is a year-round program while the Summer Food program operates during school vacations, primarily in the summer months—from May through September. The department provides federal reimbursements to subrecipients for eligible meals served to individuals who meet age and income requirements. We found that the Department of Human Services lacked an adequate internal control process to ensure subrecipients complied with federal and state requirements. Specifically, we noted that DHS

- did not have a process to track Summer Food feeding sites;
- did not have procedures to ensure eligibility documentation was maintained when a CACFP institution closed for business;
- program staff did not complete risk assessments for CACFP institutions to determine the monitoring plan;
- program staff did not obtain corrective action plans when deficiencies were identified during the Summer Food subrecipient monitoring process; and
- program staff did not recoup overpayments identified by the Summer Food monitors.

Lack of Summer Food Site Listing

DHS lacks an internal process to track the feeding sites of the sponsors participating in the Summer Food program. As part of the sponsor approval process, the sponsor must submit to DHS a list of feeding sites it plans to operate to serve meals to eligible individuals. Feeding sites are the actual locations where meals are served and children eat in a supervised setting. The department's program staff must approve the site listing before the sites open for operation. A sponsor can operate multiple feeding sites under its sponsorship. Based on discussion with DHS program staff, a sponsor can add or drop a feeding site at any time. DHS keeps paper files containing the sponsors' approved applications and any subsequent correspondence from the sponsors requesting the addition and deletion of feeding sites.

The sponsors contract with DHS to obtain reimbursement for the meals served at the feeding sites. According to DHS' *2012 Administrative Guidance for Sponsors, The Summer Food Service Program (SFSP Administrative Guide)*, revised in January 2012,

> Sponsors must maintain complete records to document all costs and meals they claim for reimbursement.

Therefore, we requested a listing of sponsors and feeding sites that participated in the 2012 Summer Food program so we could visit the sponsors and feeding sites to determine whether the sponsors maintained adequate documentation to support meal reimbursement claims. The DHS program staff provided a list of sponsors but could not provide a complete listing of the approved feeding sites. We attempted to use DHS' paper file on the sponsors to determine the population of feeding sites operated in the 2012 Summer Food program; however, due to the volume of additions and deletions of feeding sites, the task became too cumbersome to formulate an accurate population of sites during this period.

DHS uses the Tennessee Food Program (TFP) information system to process Summer Food meal reimbursement claims. TFP has the ability to track sponsors participating in the Summer Food program but was not designed to maintain the listing of the sponsors' feeding sites. When a sponsor submits a meal reimbursement claim, the sponsor is required to enter the number of feeding sites it used to serve the meals but is not required to list the feeding sites by name on the claim.

Since DHS does not maintain an updated comprehensive listing of sponsors with current feeding sites in which children are served, the risk that federal funds could be reimbursed for ineligible feeding sites is increased. The department's annual 2012 Risk Assessment did not address the risk of reimbursing sponsors for meals served at ineligible feeding sites.

DHS lacked procedures to ensure eligibility documentation was maintained when a CACFP institution closes

We selected a nonstatistical random sample of 60 institutions from a population of 610 institutions that participated in CACFP for the period July 1, 2012, through June 30, 2013, to determine if participants in the program were eligible. Based on our testwork, 6 of 60

institutions (10%) were no longer in business as of the date of our review. We found that DHS did not have procedures in place to ensure that CACFP institutions who closed their businesses retained eligibility documentation of participants for three years as required by their contracts and by federal regulations.

According to Title 7, *Code of Federal Regulations* (CFR), Part 226, Section 10(d),

> All records to support the claim shall be retained for a period of three years after the date of submission of the final claim for the fiscal year to which they pertain.

In addition, the *CACFP Manual of Policy and Procedures*, "Recordkeeping," states,

> Records must be maintained for a minimum of 3 years after the end of the fiscal year to which they pertain.

Because the eligibility documentation was maintained at each CACFP institution, we contacted the CACFP institutions to review the documentation. Even though we attempted, we were unable to obtain any documentation for the six closed institutions. We contacted DHS program management to request the eligibility documentation for participants associated with these institutions; however, DHS could not provide current valid contact information for the six institutions, nor were DHS program staff able to provide the participants' proof of eligibility. As a result, we questioned all $86,008 paid to the six institutions during fiscal year ended June 30, 2013. The 60 institutions in our sample were reimbursed a total of $6,298,450, and DHS reimbursed all 610 CACFP institutions $65,106,263.

Closed Institutions	**Amount DHS Paid Institution During Fiscal Year 2013 (Questioned Costs)**
Kids School, Inc.	$24,921
Babyzone Child Care, Inc.	24,718
Kids World Academy	22,432
Greater Hope Baptist Church	12,036
Miss Lisa's Preschool, Inc.	1,307
Precious Children Learning Center	594
	$86,008

When we inquired about the procedures DHS had in place to ensure the CACFP institutions maintain documentation as required by 7 CFR 226.10(d), the Director of Community Services stated that DHS did not have a policy or written procedure in place to require CACFP institutions who are forced to close their businesses to notify DHS of impending closure or to arrange for subsequent transition of program documentation. Without written policies and procedures in place to ensure eligibility documentation is maintained when an institution closes, the department's risk of losing access to required documentation is increased. The department's risk assessment did not address the risk of not having access to eligibility documentation after an institution closed.

Risk Assessments Not Performed

We selected a nonstatistical random sample of 26 for-profit institutions from a population of 298 that participated in CACFP during the fiscal year ended June 30, 2013, to determine whether DHS monitoring staff completed the CACFP required risk assessments. We found that for 26 of 26 institutions tested (100%), DHS monitoring staff did not complete the CACFP Risk Assessment Tool. Based on our extended review, we also noted that DHS monitoring staff did not complete the CACFP Risk Assessment Tool for any of the remaining 272 for-profit institutions.

In June 2004, the State of Tennessee, Department of Finance and Administration (F&A), established subrecipient contract monitoring requirements requiring state agencies to assess risk for each subrecipient to assess how frequently the agency should monitor a subrecipient.

In addition, according to 7 CFR 226.6(m)(2),

> In choosing institutions for review . . . the State agency must target for more frequent review institutions whose prior review included a finding of serious deficiency.

DHS developed its own *Policy 22- Subrecipient Annual Monitoring Plan* to comply with F&A requirements. The department also developed the CACFP Risk Assessment Tool to document each subrecipient's risk as high, medium, or low.

According to the department's *Subrecipient Annual Monitoring Plan* effective during fiscal year 2013,

> A risk assessment for each contracting agency has been completed and with the exception of CACFP and SFSP (Summer Food Service Program), is on file with Internal Audit/Program Review. Due to the large number of contracts in those programs, the risk assessment instruments are maintained by the section administrating the program.

The Director of Community Services provided to us a Microsoft excel spreadsheet prepared by the former Director of Food Programs that listed each institution and the assessed level of risk. However, the spreadsheet did not contain an explanation of the institutions' risk as assessed at the level noted, the date the risk was assessed, or who assessed the risk. The Director of Community Services explained that the former Director of Food Programs did not complete the CACFP Risk Assessment Tool to document the risk for each subrecipient. When the Director of Community Services does not properly assess risk of CACFP institutions and retain the risk assessment documentation, the department cannot ensure that its monitoring effort is sufficient to mitigate risks of noncompliance, fraud, waste, and abuse at the CACFP institutions. Furthermore, we noted that the department's annual risk assessment did not address the monitoring plan risks noted in this finding.

Corrective Action Plans

We reviewed all 38 monitoring reports DHS released as part of its monitoring process for the 2012 Summer Food program. For 25 of 38 monitoring reports (66%), the Summer Food sponsor was required to submit a corrective action plan.

According to 7 CFR 225.11(f)(1),

> Whenever the State agency observes violations during the course of a site review, it shall require the sponsor to take corrective action. If the State agency finds a high level of meal service violations, the State agency shall require a specific immediate corrective action plan to be followed by the sponsor and shall either conduct a follow-up visit or in some other manner verify that the specified corrective action has been taken.

We were told that the DHS program staff were responsible for obtaining and approving the sponsors' corrective action plan. Based on our review, we noted that the DHS program staff did not obtain corrective action plans for 5 of 25 sponsors (20%) required to submit a corrective action plan. The Director of Community Services believes the corrective action plans were obtained but were missing. When DHS monitoring staff do not obtain or maintain corrective action plans, they cannot ensure the subrecipients have taken action to correct the problems noted during the monitoring visits. In the department's risk assessment, management identified the risk of the department failing to ensure that corrective action is taken on deficiencies noted during monitoring. To mitigate this risk, management stated in its risk assessment that guidelines were established to monitor and ensure corrective action plans are submitted timely; however, management did not always follow these guidelines. DHS cannot effectively mitigate risk of fraud, waste, abuse, and noncompliance without proper follow-up of corrective action plans.

DHS did not recoup $16,620 of overpayments to subrecipients

We reviewed all 38 monitoring reports of sponsors that DHS released related to the 2012 Summer Food program. DHS' reports noted that 14 of the 38 sponsors (37%) were overpaid, and DHS asked the sponsors to repay the overpayment. To determine whether DHS properly recorded the overpayments, we requested documentation of the recoupment; however, DHS could not provide documentation that 3 of 14 overpayments (21%) were ever recouped or that DHS reduced future payments to recover the funds.

According to 7 CFR 225.8(a):

> Each State agency shall maintain complete and accurate current accounting records of its Program operation which will adequately identify funds authorizations, obligations, unobligated balances, assets, liabilities, income, claims against sponsors and efforts to recover overpayments, and expenditures for administrative and operating costs.

In addition, 7 CFR 225.12(b) provides state agencies with minimum collection procedures for collecting overpayments, which include contacting the agency in writing if payment is not received 30 days and 60 days after the original request. Specifically, 7 CFR 225.12(b) states:

> If after 90 calendar days following the original written demand, the sponsor fails to remit full payment or agree to a satisfactory repayment schedule, the State agency shall refer the claim against the sponsor to the appropriate State or Federal authorities for pursuit of legal remedies.

DHS program staff provided documentation to show that they contacted the three sponsors to try and recoup the overpayments; however, there was no documentation to show the overpayment was recovered or that DHS program staff referred the claims to the appropriate state or federal authorities. Therefore, we questioned the overpayments totaling $16,620.

Recommendation

The Commissioner should ensure that the Director of Community Services develops and implements adequate controls over CACFP and Summer Food. These controls should include

- developing an internal process to track Summer Food sponsors, including the feeding sites;
- developing procedures to ensure CACFP participant eligibility documentation is maintained when a CACFP institution closes;
- ensuring required CACFP risk assessments are performed and documented;
- ensuring corrective actions plans are submitted as required by Summer Food sponsors; and
- ensuring the department recoup overpayments identified during Summer Food program monitoring or pursuing other collection efforts as necessary.

The controls should be designed to ensure subrecipients are in compliance with federal and state requirements and to prevent and/or detect errors and fraud. In addition, management should reassess the mitigating controls related to program monitoring of institutions/sponsors to ensure controls effectively mitigate identified risks.

Management's Comment

We concur in part. We do not agree that the Department does not have adequate controls over Child and Adult Care Food Program (CACFP) and Summer Food Service Program (SFSP).

The Department is not required by federal regulations to keep a listing of Summer Food sites, but instead has to demonstrate tracking of approved sites. As noted in the state audit comment, the Department does maintain documentation of approved Summer Food feeding sites,

as well as, any additions and deletions of those sites. The Department has a filing system that incorporates the required information. Therefore, the Department does not agree with the statement by State Audit that the Department does not have a process to track Summer Food Feeding sites. There are over 90 SFSP sponsors and over 2,000 feeding sites. The Department agrees that it is a high volume and requires time for sufficient due diligence during an audit.

As noted by State Audit the Department does have a policy and procedure manual which includes the requirement for records to be maintained for a minimum of 3 years after the end of the fiscal year to which they pertain. There is not a specific federal requirement that stipulates how states should address institutions that close without notifying the Department. It should be noted that none of the entities received payments, after they closed.

The Department reimbursed the entities in accordance to the federal regulations. The reimbursement process relies on a certification by the entity that the information being submitted is true and correct in all aspects and that they have records available to support the claim. The reimbursement process as established in the federal regulations allows an entity to be paid without having to produce the supporting documentation attested to in the claim at the time of submission. The federal regulations do not require the records to be reviewed prior to payment. The Department conducts the federally required subsequent monitoring reviews to identify possible issues which may include over and under payments.

The current process involves program and external program review working together to develop the annual monitoring review plan. The Department is required to follow the federal regulation 7CFR 226.6(m)(2), Review priorities. In choosing institutions for review, in accordance with paragraph (m)(6) of this section, the State agency must target for more frequent review institutions whose prior review included a finding of serious deficiency. This regulation does not require the Department to utilize the risk assessment tool identified in the finding. Given the risk assessment tool identified by State Audit is not required by federal regulations, the Department will discontinue utilizing it. The tool was only one of the methods utilized by the Department. Moving forward the Department will rely primarily on what is required by federal regulations when developing the monitoring review plan.

We agree that there were corrective action plans (CAP) not available to State Audit during the audit; however 2 of the 5 were located and submitted. One of the agencies closed in lieu of a CAP due to the Department's monitoring process. It should be noted that the CACFP/SFSP unit was in the process of relocating during the audit process. This likely contributed to difficulty in locating information and information being readily available.

With regard to the overpayments, the Department continues to make efforts to recoup the funds.

Auditor's Rebuttal

Management's manual tracking process as described in their comments is not sufficient to provide DHS management and staff (program monitors) or the external auditors with the complete population of sponsors' feeding sites so that required monitoring and audit objectives can be achieved. Furthermore, without adequate controls governing records retention, management did not know that sponsors' documentation had been lost and was no longer available to support management's reimbursement to those sponsors.

Finding Number	2013-014
CFDA Number	10.551, 10.561, 10.558, 10.559, 84.126, 93.558, 93.563, 93.568, 93.575, and 96.001
Program Name	Supplemental Nutrition Assistance Program (SNAP) Cluster Child and Adult Care Food Program Child Nutrition Cluster Rehabilitation Services - Vocational Rehabilitation Grants to States Temporary Assistance for Needy Families (TANF) Cluster Child Support Enforcement Low-Income Home Energy Assistance Child Care and Development Fund Cluster Disability Insurance/SSI Cluster
Federal Agency	Department of Health and Human Services Social Security Administration
State Agency	Department of Human Services
Grant/Contract No.	2008IN109945, 2009IN109945, 2010IN109945, 2011IN109945, 2012IN109945, 2013IN109945, 5TN400408, H126A110063, H126A120063,G1002TNTANF, G1102TNTANF, G1202TNTANF, G1302TNTANF, G0804TN4004, G0904TN4004, G1004TN4004, G1104TN4004, G1205TN4004, G1305TN4004, G10B1TNLIEA, G11B1TNLIEA, G12B1TNLIEA, G13B1TNLIEA, G1001TNCCDF, G1101TNCCDF, G1201TNCCDF, G1301TNCCDF, 04-12-04TNDI00, 04-13-04TNDI00
Federal Award Year	2007 through 2015
Finding Type	Significant Deficiency
Compliance Requirement	Other
Questioned Costs	N/A

The Department of Human Services did not ensure that conflict-of-interest forms were completed and/or maintained for all employees, increasing the risk that employees with conflicts of interest might not perform their responsibilities in the best interest of the state

Finding

The Director of Human Resources for the Department of Human Services (DHS) did not ensure that newly hired employees and employees who transferred from other agencies completed the department's conflict-of-interest form, *DHS Code of Ethics and Standards of Conduct*, and that the form was maintained in employee files. According to the DHS employee handbook, "All employees have a duty to avoid financial, business, personal, or other relationships which might compromise the public's interest or cause a conflict with the performance of duties."

We tested a random sample of 61 files of newly hired employees during the period July 1, 2012, through June 30, 2013, to verify that the employees completed the *DHS Code of Ethics and Standards of Conduct* form and that a copy was in the employees' files. Based on our testwork, we noted the Director of Human Resources did not ensure that 7 of 61 employee files tested (11%) contained a completed form. After we notified her of the problem, the Director of Human Resources made four requests for the employees to submit the form until all the employees either completed and submitted the form or provided a copy of the original form. See the table below for details.

	Human Resources Requests for forms Newly Hired Employees			
	08/12/2013	**09/09/2013**	**09/10/2013**	**12/10/2013**
Employee completed a new form	4	1	0	0
Employee provided a copy of the original form	0	0	0	2

In addition, we tested the entire population of 47 employees who transferred to DHS from another state agency during the period July 1, 2012, through June 30, 2013, to verify that the employees completed the *DHS Code of Ethics and Standards of Conduct* form and that a copy was in the employees' files. Based on our testwork, we noted that the Director of Human Resources did not ensure that 20 of the 47 employee files tested (43%) contained a completed form. After we notified her of the problem, the Director of Human Resources made four requests for the employees to submit the form until 16 of the employees either completed and submitted a new form or provided a copy of the original form. Four employees included in the population could not provide a form because they had transferred out of the department. See table below for details.

	Human Resources Requests for forms Employees Transferring From Other State Agencies			
	08/12/2013	**09/9/2013**	**09/10/2013**	**12/10/2013**
Employee completed a new form	9	1	3	2
Employee provided a copy of the original form	0	0	0	1

The Director of Human Resources agrees that the procedures need to be adjusted. She has begun the process of changing employee orientation to ensure all employees sign all required documents and has taken steps to ensure that the conflict-of-interest forms are secured in the employee files by either taping or stapling the forms to a letter-sized piece of paper. In addition, the Director developed a New Employee File Checklist form to ensure the required documents are in the employee file.

Without a signed conflict-of-interest statement, management cannot ensure all employees are aware of policies and actions that would cause a conflict of interest to arise, increasing the risk that employees may not act in the best interest of the state and the department.

Management did not identify and assess the risks for the errors noted above in its formal risk assessment.

Recommendation

The Director of Human Resources should ensure that all employees, both newly hired and transferred, sign a conflict-of-interest form and that the form is maintained in the employees' files. Management should assess the risk of the errors noted above in its formal risk assessment.

Management's Comment

We do not concur. While there are specific requirements in statute for some boards and commissions and one agency to have a conflict of interest policy, there is no general statutory or regulatory requirement that all state agencies adopt such a policy. The findings indicate that without a signed conflict-of-interest statement, there is an increased risk that employees may not act in the best interest of the state and the department; however, there is no policy or process that requires this specific approach.

DHS does take steps to inform employees of conflict-of-interest concerns. As noted, there is a conflict of interest statement contained within the DHS Code of Ethics and Standards of Conduct that is provided to employees. Additionally, employees are advised by supervisors and management of potential conflict of interest concerns. The department has a confidential case load protocol that is utilized by divisions within the department. Employees who are privy to confidential matters are aware that violations of confidentiality or conflicts of interest guidelines are subject to disciplinary action. The Code of Ethics is available through the department's intranet and is provided in new employee orientation as well as new supervisor's training. The actions that the department takes with regard to conflict of interest are solid management practices, however, there is no requirement that efforts be documented, maintained or recorded at a specific time, in a specific manner, or in a specific format. There is no policy, internal or otherwise, that would require DHS to maintain the acknowledgement statement found in the DHS Code of Ethics, in employees' files. Likewise, there is no policy, internal or otherwise cited by the audit findings that would require DHS to have or maintain and record a conflict of interest statement in employees' files.

Auditor's Rebuttal

The Commissioner has the responsibility to ensure that operations of the department are free from organizational and employee conflicts of interest, even when not specifically directed by state statute or policy. Furthermore, the department's own policy, *DHS Code of Ethics and Standards of Conduct*, states that all employees have the duty to avoid relationships that could compromise the public's interest or the employees' performance of duties.

Management stated that there is no requirement that their conflict-of-interest efforts be documented; however, page 16 of the department's policy states, "Card shall be completed,

signed, and returned to employee's immediate supervisor. Supervisors are responsible for forwarding all cards to the DHS personnel office."

To properly identify and neutralize all relationships which may compromise the department's mission, the Commissioner should follow the department's established policy.

Finding Number	2013-015
CFDA Number	10.559
Program Name	Child Nutrition Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	2008IN109945, 2010IN109945, 2011IN109945, 2012IN109945, 2013IN109945
Federal Award Year	2008 through 2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles Reporting
Questioned Costs	N/A

The Department of Human Services did not ensure reimbursement claims included sufficient detail to justify the reimbursement of meals served to subrecipients

Finding

Based on our testwork, the Department of Human Services did not ensure reimbursement claims included sufficient detail to justify the reimbursement of meals served to subrecipients, resulting in increased risk of fraudulent activity and inaccurate reporting 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 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 its controls to include the risks noted in this finding in management's documented risk assessment. In addition, the Commissioner should adequately document and approve the risk assessment and mitigating controls, 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 do not concur. We have delivered a confidential response to the detailed finding.

Auditor's Rebuttal

We have provided management with a confidential rebuttal.

Finding Number	2013-016
CFDA Number	96.001
Program Name	Disability Insurance/SSI Cluster
Federal Agency	Social Security Administration
State Agency	Department of Human Services
Grant/Contract No.	04-12-04TND100; 04-13-04TND100
Federal Award Year	2011 through 2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The Department of Human Services' Disability Determination Services section did not have a process to ensure compliance with Consultative Examination providers' qualification reviews, increasing the risk that an unqualified provider would perform consultative examinations

Finding

The Disability Determination Services (DDS) section of the Department of Human Services (DHS) provides disability determinations for Tennesseans applying for Social Security Disability Insurance benefits. The Social Security Administration pays disability benefits to the individuals and/or certain members of their family if the individuals have worked long enough and have a medical condition that has prevented them from working, is expected to prevent them from working for at least 12 months, or ends in death. DDS obtains individuals' medical records to determine benefit eligibility. If the records obtained from the individuals' medical provider do not contain sufficient information to make an eligibility determination, the DDS section will refer the patient to a Consultative Examination (CE) provider to gather additional evidence of eligibility. DDS also consults CE providers during the benefit redetermination process. Based on the results of the CE providers' findings, the DDS section determines if the individuals qualify as disabled. Once qualified, individuals receive monthly disability insurance benefits.

The Professional Relations Officers (PRO) unit of DDS is responsible for recruiting qualified medical and psychological doctors to serve as CE providers who perform the consultative examinations. The CE providers work with DHS under a Memorandum of Understanding to perform requested services at a predetermined reimbursement rate set by Medicaid. According to Social Security Administration rules and regulations, to qualify as a CE provider, a medical and/or psychological doctor must be currently licensed in the state where performing services, must have adequate training and experience to perform the consultative examination or test requested by DDS, and must not be barred from participation in Medicare or Medicaid programs. Based on our review, however, the PRO unit does not have a process to ensure it has identified all providers so that they can perform biennial or annual license verifications to ensure the providers have a current license, are qualified, and are not debarred.

The Social Security Administration *Program Operations Manual System (POMS)*, DI 39545.075, "Management of the Consultative Examination (CE) Process," Section B.,

Procedure; and DI 39569.300, "Disability Determination Services Requirements for Ensuring Proper Licensure of Consultative Examination Providers," Section B.2, Periodic professional license checks, state

> DDSs at a minimum must provide procedures for: . . . Performing medical license verifications to ensure only qualified providers perform CEs for disability determination services . . . and Conduct periodic license checks of CE providers used by the Disability Determination Services (DDS), . . . [which includes to] verify license renewals.

A CE provider can be an individual or a group that contains several doctors or psychologists. For groups, each medical doctor or psychologist within the group that performs services must meet all CE provider qualifications. We obtained a list of CE providers during the period July 1, 2012, through June 30, 2013, from the vendor function of the Iron Data system, a Social Security Administration owned system used for DDS. The list contained 219 CE providers. A CE provider file name could be listed twice or more to indicate the individual or group preformed services in more than one location. For each group listed, the group could contain one or several individual medical doctors or psychologists. We selected a random sample of 60 CE providers from the 219 providers, which consisted of 112 individual medical doctors or psychologists.

We determined that the Director of DDS did not ensure that 4 of 60 randomly selected CE providers (7%) were included on the PRO unit's *License Checklist*, which is used by the PRO unit to update and maintain the dates that each individual CE provider license is due to expire. As a result of the discrepancies we found, we verified each CE provider's license on the state's licensure website and determined that the four providers had met the Social Security Administration license requirements and were qualified providers. However, the PRO unit did not have an adequate process to ensure CE providers' licenses were properly identified and reviewed to ensure active status.

In addition, the Social Security Administration POMS DI 39569.300, "Disability Determination Service Requirements for Ensuring Proper Licensure of Consultative Examination Providers," Section B.2, Periodic professional license checks, states to

> Conduct periodic license checks of CE providers used by the Disability Determination Services (DDS), . . . [which includes to] review the HHS-OIG LEIE [Health and Human Services Office of Inspector General List of Excluded Individuals and Entities] for each CE Provider at least annually.

We determined that the Director of DDS did not ensure that 6 of 60 randomly selected CE providers (10%) tested were included in the PRO unit's annual license review on the Health and Human Services Office of Inspector General (HHS-OIG) List of Excluded Individuals and Entities website. The PRO unit did not have this responsibility assigned to any particular employee or have an adequate process to ensure that all CE providers were included on the list to be reviewed.

The Director of DDS stated these issues occurred because management did not have controls in place to ensure that all CE providers were included on the *License Checklist* and that all CE providers were reviewed against the HHS-OIG List of Excluded Individuals and Entities website. She stated both the *License Checklist* review and the List of Excluded Individuals and Entities website review need to be improved and that she has initiated the process of improving the department's policies and procedures. Without controls in place to ensure all CE providers' licensure status is determined as required, including any tools used to identify providers' renewal dates, such as the *License Checklist* and the exclusion status on the HHS-OIG List of Excluded Individuals and Entities website, the risk that the PRO unit refers individuals to unqualified providers for consultative examinations is increased. Using unqualified providers to perform consultative exams could result in qualifying individuals being denied needed benefits or unqualified individuals receiving benefits to which they are not entitled. In addition, we noted that DHS' management did not address the issues identified in its formal risk assessment.

Recommendation

The Director of Disability Determination Services should establish procedures to ensure that all current CE providers are on the *License Checklist* and that the checklist is updated regularly. In addition, the Director should establish procedures and assign the responsibility of ensuring that all current CE providers are verified on the Health and Human Services Office of Inspector General's List of Excluded Individuals and Entities website on an annual basis. Department of Human Services management should ensure that the risks noted in this finding are addressed in the department's formal risk assessment.

Management's Comment

We concur in part. Disability Determination Services (DDS) does conduct qualification reviews, including licensure checks and status under the Health and Human Services' OIG List of Excluded Individuals and Entities website, on its consultative examination providers on a periodic basis. DDS maintains a provider file on each provider that is initiated upon the execution of a Memorandum of Understanding (MOU) for service provision and payment and performs the subsequent credential verification activities on a random basis. Some MOU's are generated and executed on groups of professionals, rather than individuals; resulting in some individual providers not subject to the credential checks.

As a corrective action, DDS has created a tracking tool that encompasses the credentialing verification activities and includes a cross check feature to ensure that all providers are subject to the checks. Specific staff have already been assigned responsibility for these activities and back up staff is also in place. The tracking tool is expected to be fully implemented on all providers by June 30, 2014.

Finding Number	2013-017
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families (TANF) Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G1202TNTANF, G1302TNTANF
Federal Award Year	2012 and 2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$226

For the third year, the department failed to document certifications attesting to Temporary Assistance for Needy Families recipients' disclosure of state or federal criminal convictions when case workers renewed recipients' eligibility, increasing the risk that funds will be disbursed to ineligible recipients; in addition, the department failed to prevent overpayment of Families First benefits to a recipient, resulting in total questioned costs of $226

Finding

As noted in the prior two audits, the Department of Human Services 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 audits, we noted that management failed to ensure that caseworkers document these certifications in the department's Automated Client Certification and Eligibility Network for Tennessee (ACCENT) system. Management concurred with the prior findings and was still in the process of taking corrective action. We also noted in the current audit that the department failed to take appropriate action to prevent paying a recipient beyond the allowable 60-month program term limit.

DHS administers TANF, a federal program under the oversight of the Administration for Children and Families under the U.S. 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 the 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 the incidence of out-of-wedlock pregnancies
> - 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. In addition, eligible recipients are allowed to receive only 60 months of TANF benefits, unless an exception applies. DHS caseworkers document eligibility of new applicants and continuing clients in the department's ACCENT system.

We tested a nonstatistical random sample of 60 TANF case files that were active during the fiscal year ended June 30, 2013, and found that the DHS caseworkers still were not appropriately documenting the conviction certifications. To determine DHS' compliance with the federal eligibility requirements, we reviewed case information in ACCENT. Based on our review, we found that for 32 of 60 case files (53%), 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. All 32 case files with errors were specifically related to eligibility renewals. 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 11 of 60 case files tested (18%), 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 stated in management's comment to the prior audit finding, according to the Director of Families First, additional certification questions would be added to the supervisor's case reading document to ensure the supervisors document whether or not the questions were addressed. The Director also stated that the department would determine what would be necessary to add yes/no questions to ACCENT. A request to add the questions to ACCENT was submitted March 28, 2013, but the changes were not completed during fiscal year ended June 30, 2013.

We also found that the Director of Families First failed to ensure appropriate action was taken to prevent a recipient from receiving Families First benefits beyond the 60-month program term limit when an exemption did not apply. According to 42 USC 608(a) (7) (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 a family that includes an adult who has received assistance under any State program funded under this part attributable to funds provided by the Federal Government, for 60 months (whether or not consecutive) after the date the State program funded under this part commences, subject to this paragraph.

To prevent recipients from receiving benefits beyond the 60-month limit, DHS included a life counter within ACCENT for each recipient which keeps track of the how many months the recipient has received benefits. Once a recipient reaches the 60-month limit, the caseworker reviews the case to determine if the recipient is eligible for an exception that would allow for benefits beyond the 60 months. If the recipient if not eligible for an exception, the caseworker must close the case. Based on our testwork, we noted for 1 of 60 cases files tested (2%), the caseworker did not close the case, and the recipient received one month of TANF benefits beyond the 60-month limit when the recipient did not qualify for an exemption. Discussions with DHS staff revealed that the case was not closed because eligibility documentation was not received prior to the cut-off date to stop the payment. We believe this error was an anomaly. We brought the overpayment to DHS's attention, and DHS plans to recover the overpayment.

Based on the results of our sample testwork, we questioned costs totaling $226 related to the one-month overpayment of TANF benefits. Our testwork included a review of 60 case files active during the fiscal year ended June 30, 2013, which represented $9,893 of TANF benefits from a total population of $105,773,040. The Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* 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 exceed $10,000.

When the required client certifications are not documented and appropriate system actions are not taken to prevent overpayments, 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 management's 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. The Director should ensure all cases are reviewed and appropriate system action is taken to prevent ineligible recipients from receiving benefits more than 60 months unless the recipient meets one of the exemption requirements. 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 in part. We do not agree that failure to document certifications at renewal increases the risk that funds will be disbursed to ineligible recipients. The process of addressing this issue at renewal is at best, an awareness measure and should not be misconstrued as a reliable methodology for reducing risk. It should be noted, given the implication of the finding, that neither the Department nor State Audit has any evidence that DHS has a systemic problem of approving individuals who would be ineligible due to having been convicted of certain state or federal crimes, are in violation of parole or probation, are a fleeing felon, or are receiving simultaneous benefits in another state. DHS has an ongoing process in place to detect fraud, waste and abuse post eligibility, notwithstanding the fact that ACF (Administration of Children and Families) does not provide any guidance and/or requirements as to how state agencies are to enforce the federal law which prohibits cash assistance being provided to individuals who meet the criteria above.

Further, ACF is aware that there is not a sufficient or reliable infrastructure at the federal or state level to readily access verification of this information at application and measures to

enforce the federal law are currently at the discretion of the states. ACF has accepted the current practice utilized by DHS and to date, ACF has not questioned DHS's current practice or indicated that the current methods are insufficient.

As noted in the finding, State Audit is aware of the DHS CAP for FY12. A portion of the CAP went into effect in January 2014, and the renewal application has been revised and is in circulation. State Audit re-identified an issue that is clearly being addressed and resolved by the Department; accordingly, the Department disagrees with the repeat finding. It should be noted that as of March 7, 2014, the Department completed the CAP. Moving forward the Department will meet this requirement through one of these methods.

DHS agrees with State Audit that there was one recipient whose benefits went over by one month, however, it should be noted that 98% State Audits sample pool met the requirements.

Auditor's Rebuttal

Office of Management and Budget Circular A-133 requires us to report internal control and compliance deficiencies and 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.

Finding Number	2013-018
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.	2012IN109945, 2013IN109045
Federal Award Year	2012 and 2013
Finding Type	Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$23,621

As noted in the prior audit, a subrecipient of the Department of Human Services did not maintain applications for individuals participating in the Child and Adult Care Food Program, resulting in federal questioned costs of $23,621

Finding

The Child and Adult Care Food Program (CACFP) is funded by the U.S. Department of Agriculture 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)*, revised in May 2012, "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 assigned when he or she receives benefits under the Supplemental Nutrition Assistance Program (formerly the Food Stamp Program) or the Temporary Assistance for Needy Families 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 a random, nonstatistical sample of 5 individuals from each of 54 random institutions (for a total sample of 270 individuals), selected from a population of 610 institutions, who participated in CACFP from July 1, 2012, through June 30, 2013. We could not determine the total number of individuals who participated at all 610 institutions.

Based on our testwork, we found that one institution, The Village Learning Academy, did not maintain applications for 5 of 5 individuals (100%) tested. We were able to obtain the remaining 265 applications. The Director at The Village Learning Academy stated that she

could not locate the eligibility applications for the five individuals we selected for testwork as well as the applications for any of the 122 other individuals who participated in CACFP at The Village Learning Academy. According to the Director, the 127 applications were misplaced and could not be located; therefore, we could not determine if the individuals' eligibility classifications were correct or whether the applications were approved (signed and dated). Since the Director did not maintain the eligibility applications for any of the individuals who participated in the program at The Village Learning Academy from July 1, 2012, through June 30, 2013, we have questioned the reimbursement claims totaling $23,621 submitted to the Department of Human Services and inappropriately charged to the federal grant. We believe that The Village Learning Academy 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*, 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.

In the department's 2012 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.

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. Based on discussion with DHS management, DHS plans to recoup the $23,621 paid to The Village Learning Academy and correct the amount incorrectly charged to the grantor.

Recommendation

The Commissioner of DHS should ensure that the Director of CACFP provides sufficient training and technical assistance to institutions. 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. In addition, the Director of CACFP and the Director of Program Monitoring should ensure that institution staff properly determine and approve an individual's eligibility by signing and dating the eligibility applications of individuals participating in CACFP. 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. Finally, the program and fiscal staff should ensure overcharges to the federal grant are resolved.

Management's Comment

We concur in part. We agree with State Audit that this was an isolated instance, in that Village Learning Academy was unable to produce the eligibility applications for the time period reviewed by the state auditors. The agency reported that they had moved offices and had misplaced the applications. We concur in part because when the Department conducted our monitoring visit as required by Federal regulation, the applications were present. The Department has initiated the process to recoup the questioned costs.

Finding Number	2013-019
CFDA Number	10.558 and 10.559
Program Name	Child and Adult Care Food Program Child Nutrition Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	2008IN109945, 2009IN109945, 2010IN109945, 2011IN109945, 2012IN109945, 2013IN109945
Federal Award Year	2008 through 2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles Subrecipient Monitoring
Questioned Costs	$3,552,644 (10.558) $655,492 (10.559)

The Department of Human Services did not ensure that one sponsoring organization participating in the Child and Adult Care Food Program and the Summer Food Service Program met federal and state requirements, resulting in questioned costs of $4,208,136

Finding

The Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (Summer Food), funded by the U.S. Department of Agriculture through the National School Lunch Act, are administered on the state level by the Tennessee Department of Human Services (DHS). CACFP and Summer Food subrecipients contract with DHS to obtain reimbursement for meals served to eligible participants. A CACFP subrecipient may be classified as an institution (responsible for one feeding site) or a sponsoring organization (responsible for two or more feeding sites). Summer Food subrecipients are known as sponsors. Feeding sites are actual locations where meals are served and children eat in a supervised setting.

Child and Adult Care Food Program

We found that DHS did not have internal controls in place to prevent a high-risk subrecipient who failed to follow federal regulations and state contract requirements from serving meals and claiming reimbursement. In fact, DHS program staff did not properly assess this new sponsoring organization as a high-risk entity. Furthermore, even though the DHS program monitors visited this organization within the first 90 days of operation, the monitors did not identify critical violations of program and contract requirements. DHS reimbursed this sponsoring organization $3,552,644 without sufficient documentation to support meals served during the audit period. Specifically, we noted that DHS management and program staff

- did not identify the new sponsoring organization as high-risk;
- did not perform adequate monitoring of the high-risk organization; and

- did not ensure the sponsoring organization followed numerous other federal and state regulations as described in more detail below.

DHS inaccurately classified the risk of the sponsoring organization

DHS management is required to perform a risk assessment of CACFP subrecipients to determine the frequency of monitoring visits. DHS developed the *CACFP Risk Assessment Tool* to document each subrecipient's assessed risk of compliance with federal program requirements. Subrecipients can be assessed as low, medium, or high. We noted that DHS program staff inaccurately assessed a sponsoring organization's risk as low during its initial risk assessment. According to the *CACFP Risk Assessment Tool*, new subrecipients with five or more feeding sites should automatically be assessed as a high-risk subrecipient. This sponsoring organization was new to the CACFP program and operated 75 feeding sites, qualifying it as high-risk. Since DHS program staff inaccurately assessed the sponsoring organization's risk, the subrecipient was not targeted for more frequent reviews.

DHS is required by federal regulations to approve all CACFP institutions and sponsoring organizations before meals are served. According to Title 7, *Code of Federal Regulations* (CFR), Part 226, Section 6(f)(1)(ix)(D),

> The State agency must determine whether the afterschool care programs of at-risk afterschool care centers meet the requirements of § 226.17a (b) before the centers begin participating in the Program.
>
> 7 CFR 226.17a(b) states,
>
> To be eligible for reimbursement, an afterschool care program must:
>
> (i) Be organized primarily to provide care for children after school or on weekends, holidays, or school vacations during the regular school year;
>
> (ii) Have organized, regularly scheduled activities (i.e., in a structured and supervised environment); and
>
> (iii) Include education or enrichment activities . . .

As part of the CACFP sponsoring organization approval process, the sponsor submits an application that includes a listing of feeding sites the organization plans to operate and whether the sponsor plans to serve meals as part of an afterschool program, including the hours it plans to serve the meals. Upon receipt of the application, DHS approved the sponsoring organization's application and the afterschool feeding sites it planned to operate. Since the sponsoring organization was new to the CACFP program, 7 CFR 226.6(m)(6)(iii) and the *CACFP Policy and Procedures Manual* required DHS program staff to perform a monitoring review of the sponsoring organization within 90 days of the organization's start date to determine if it met the federal CACFP requirements.

DHS program monitors performed an on-site monitoring review of the sponsoring organization in November 2012, 83 days after the organization began operations.

Monitoring Visit Failed to Detect Deficiencies and Noncompliance

During the monitoring review, DHS program monitors failed to detect that the sponsoring organization did not adhere to the federal requirements for serving meals for afterschool programs. Specifically, the sponsoring organization did not serve meals during the approved hours as submitted in its application. We found that the DHS program monitors visited six of the sponsoring organization's feeding sites but failed to detect that meals provided to students at one elementary school (Site 1) were served during school hours instead of after school hours, as required. We visited two elementary school feeding sites (Site 1 and Site 2) and found that they served meals during school hours instead of after school hours.

According to 7 CFR 226.6(c)(3)(ii)(I), "Claiming reimbursement for a significant number of meals that do not meet Program requirements" constitutes a serious deficiency. When a subrecipient has serious deficiencies, DHS is required to monitor it more frequently to ensure it takes corrective action and meets federal requirements.

When DHS monitors fail to detect sponsoring organizations' noncompliance with federal requirements, the risk of DHS reimbursing subrecipients for unallowable expenditures and the risk of fraud, waste, and abuse are increased.

DHS monitors also failed to detect that the sponsoring organization did not comply with other federal and state requirements

During our audit of DHS, we visited the sponsoring organization to determine if it adhered to the CACFP program requirements and obtained and maintained required documentation to support its claims for reimbursement. We requested a complete listing of all feeding sites and were provided with a listing of 75 feeding sites sponsored by the subrecipient; however, based on discussion with the Director of the sponsoring organization, we could not determine if the listing was complete as of the date of our review. We visited 6 of the 75 feeding sites (8%). Our detailed results are as follows.

Eligibility of feeding sites not properly determined

DHS approved the sponsoring organization to serve meals to eligible participants through an afterschool care program, which is a feeding site. According to 7 CFR 226.1717a(b)(1),

> To be eligible for reimbursement, an afterschool care program must: (i) Be organized primarily to provide care for children after school or on weekends, holidays, or school vacations during the regular school year…(ii) Have organized, regularly scheduled activities (i.e., in a structured and supervised environment); (iii) Include education or enrichment activities . . .

All six feeding sites we visited were classified as afterschool care programs. Based on our on-site review, we noted that management of the sponsoring organization improperly classified five of six feeding sites (83%) as afterschool programs when the sites did not meet the federal requirements. Specifically, we identified three feeding sites that did not offer educational or enrichment activities after school hours and ultimately served the meals during the school day. According to 7 CFR 226.17a(m),

> (1) When school is in session, the snack must be served after the child's school day. . . . (2) When school is in session, the meal must be served after the child's school day.

In addition, the *CACFP Policy and Procedures Manual*, "Times of Operation," states,

> Reimbursement for snacks and meals is only available for programs that serve children after their school day has ended. Under no circumstances may snacks and meals be reimbursed under this provision for children participating in programs operated before or during the child's school day.

Discussions with school administrators revealed that two elementary school feeding sites (Site 1 and Site 2) served meals during school hours, and another school (Site 3) served meals as students exited the building.

For the other two feeding sites (Site 4 and Site 5), we noted meals were served to children participating in ineligible athletic programs. According to 7 CFR 226.17a(b)(2),

> Organized athletic programs engaged in interscholastic or community level competitive sports are not eligible afterschool care programs.

During our site visit to Site 4, we observed school administrators serving snacks to children participating in competitive athletic organizations. Discussions with Site 5 administrators revealed that snacks were served to children participating in competitive athletic organizations.

We also discussed our results and observations with the Director of the sponsoring organizations, who stated that she was not aware that meals were served during school hours or that snacks could not be served to competitive athletic organizations.

Adequate documentation was not maintained

DHS allows subrecipients to electronically file monthly claims for reimbursements through its Tennessee Food Program (TFP) information system. During our site visit to the sponsoring organization, we noted that the Director of the sponsoring organization did not maintain documentation to support reimbursement claims filed through TFP. *CACFP Policy and Procedures*, "Record-Keeping," states,

At a minimum, institutions must maintain the following records:

> 1. Documentation that the site is located in an area served by a school in which at least 50 percent of the enrolled students are certified eligible for free or reduced-price meals;
> 2. Daily meal counts; and
> 3. Documentation of individual children's attendance on a daily basis; . . .

We found that the sponsoring organization maintained some limited documentation pertaining to daily meal count sheets and child attendance logs but failed to maintain documentation that reconciled the total number of meals served and subsequently claimed for each site for each month. During our review, we noted that neither the daily meal count sheets nor the child attendance logs were completed each day, for each site; therefore, we were unable to determine how many snacks and meals were served per site, per month. In response to our questions, the Director stated that an assistant entered all data in TFP, but the assistant no longer worked for the organization. The Director explained that she did not have any supporting documentation because the assistant used a calculator to add all the data related to meals served before she entered it into TFP.

Reimbursements were claimed for meals prepared rather than meals served

We noted that the sponsoring organization claimed reimbursement for the number of meals prepared instead of the number of meals served. According to 7 CFR 226.17a(o),

> In addition to the other records required by this part, at-risk afterschool care centers must maintain: (3) the number of at-risk afterschool snacks served to participating children for each snack service and/or, in eligible States, the number of at-risk afterschool meals served to participating children for each meal service.

In addition, *CACFP Policy and Procedures*, "Reimbursement," states,

> After school care programs may claim reimbursement for one snack and one meal, per child, per day.

Based on discussion with management of the sponsoring organization, the feeding site supervisors were instructed to complete the daily meal count sheets for meals served to the children after each feeding period. Based on discussion with feeding site supervisors, the daily meal count sheet was completed at the time the delivery drivers unloaded the food at the feeding sites, which represents meals prepared. The Director of the sponsoring organization stated that she was not aware that the feeding sites documented the number of meals prepared and received and not the number of meals served. The Director told us that she used the daily meal count sheets' data to request reimbursement through TFP; therefore, since the sponsoring organization did not obtain proper documentation of meals served, we questioned all reimbursements claimed during our audit period.

The sponsoring organization failed to comply with meal planning requirements

We visited Site 1 and noted that the sponsoring organization did not plan and provide meals in accordance with the CACFP meal planning requirements. According to Title 7, *Code of Federal Regulations* (CFR), Part 226, Section 20 (j),

> Institutions shall plan for and order meals on the basis of current participation trends, with the objective of providing only one meal per participant at each meal service. Records of participation and of ordering or preparing meals shall be maintained to demonstrate positive action toward this objective. In recognition of the fluctuation in participation levels which makes it difficult to estimate precisely the number of meals needed and to reduce the resultant waste, any excess meals that are ordered may be served to participants and may be claimed for reimbursement, unless the State agency determines that the institution has failed to plan and prepare or order meals with the objective of providing only one meal per participant at each meal service.

Discussion with Site 1 Director of School Operations revealed that the sponsoring organization continued to bring an excess number of snacks to the elementary school feeding site despite communication from the Director of School Operations to decrease the number of snacks prepared and delivered to the school. Based on review of Site 1 daily meal count sheet, the sponsoring organization delivered 400 snacks each day. In February 2013, the school served an average of 326 snacks per day. During our on-site visit, we observed a pantry where all the excess snacks were stored. The pantry was filled to capacity with excess snacks delivered by the sponsoring organization. The Director of School Operations stated that she threw away the surplus snacks when the school pantry was too full because the sponsoring organization did not collect surplus snacks.

In DHS' external monitoring review report of the sponsoring organization for the test month of October 2012, DHS noted that the sponsoring organization documented that the number of meals served exceeded the verified attendance for Site 1. DHS requested that the sponsoring organization submit a corrective action plan and requested it to repay $6,746 of overpayments related to all problems identified during the monitoring review. Our visit to Site 1's feeding site on November 7, 2013, indicates that the sponsoring organization failed to follow direct communication from the Director of School Operations to reduce meals in order to avoid waste and failed to take corrective action based on the DHS monitor's report.

Sponsoring Organization Failed to Comply With Monitoring Requirements

Management of the sponsoring organization did not ensure that its feeding sites were monitored at least three times per year, as required by federal and state regulations. According to 7 CFR 226.16(d)(4)(iii),

> Sponsoring organizations must review each facility three times each year. . . . In addition: (A) At least two of the three reviews must be unannounced; (B) At least one unannounced review must include observation of a meal service; (C) At least

> one review must be made during each new facility's first four weeks of Program operations; and (D) Not more than six months may elapse between reviews.

In addition, *CACFP Policy and Procedures*, "Monitoring of Feeding Sites," states,

> If two or more feeding sites are sponsored, the following monitoring requirements must be met: . . . (5) The standard monitoring guide issued by the DHS must be utilized to complete all feeding site reviews, and must be maintained for inspection by state and federal personnel.

According to the Director of the sponsoring organization, each site is monitored once during the year unless problems were reported by the monitoring staff. The Director stated that if problems are noted during a monitoring visit, her monitoring staff will follow up on the issues noted. Given the noncompliance and control deficiencies noted, we believe that the sponsoring organization's monitoring efforts were ineffective.

Feeding site supervisors were not properly trained

Management of the sponsoring organization did not ensure that feeding site supervisors were adequately trained to carry out their assigned CACFP role daily. According to 7 CFR 226.16(d)(2),

> Each sponsoring organization must provide adequate supervisory and operational personnel for the effective management and monitoring of the program at all facilities it sponsors. . . . At a minimum, such training must include instruction, appropriate to the level of staff experience and duties, on the Program's meal patterns, meal counts, claims submission and review procedures, recordkeeping requirements, and reimbursement system.

In addition, *CACFP Policies and Procedures*, "Annual Training," states,

> All institutions and sponsoring organizations must provide training at least once a year for all personnel of the institution and sponsoring organization and for all personnel of sponsored centers and homes to review program requirements. In addition, all new personnel must be thoroughly trained before beginning their work in the program.

During our site visits, we observed inconsistent recordkeeping or a lack of recordkeeping at each feeding site related to meal counts. As stated above, we also identified that feeding sites did not serve meals within approved afterschool hours and served meals to ineligible organizations. DHS' Food Program Technical Assistant provided technical assistance and training to the sponsoring organization, and the Director of the sponsoring organization provided training to the site personnel; however, based on the deficiencies we noted at the sponsoring organization and its approved feeding sites, the training was ineffective.

Summer Food Service Program

Since the sponsoring organization operated the Summer Food program during July and August of 2012 and May and June of 2013, we were unable to visit the feeding sites of the Summer Food program; therefore, we documented the sponsoring organization's internal controls during this period. Based on discussion with its management, the sponsoring organization had the same controls in place for the Summer Food program during our entire audit period. It received reimbursement in the amount of $655,492 during this period. Since the sponsoring organization had the same inadequate internal controls for both CACFP and Summer Food, we have also questioned the $655,492 in reimbursement claims for the Summer Food program during our audit period.

As a pass-through entity for CACFP and Summer Food, DHS is responsible for ensuring that sponsoring organizations comply with federal and state requirements. When DHS fails to detect sponsoring organizations' noncompliance with federal and state requirements, the risk of DHS reimbursing organizations for unallowable expenditures and the risk of fraud, waste, and abuse are increased.

The sponsoring organization participated in CACFP and the Summer Food program during fiscal year ended June 30, 2013, and requested reimbursement for claims totaling $3,552,644 for CACFP and $655,492 for Summer Food. Because the sponsoring organization could not provide complete documentation to support the reimbursement for claims nor did it have adequate internal controls in place, we questioned $4,208,136 that DHS reimbursed to the sponsoring organization.

Recommendation

The Commissioner of DHS should ensure that the Director of Community Services takes immediate action to correct the many deficiencies noted in this finding. Specifically, the Commissioner should

- ensure that DHS program monitoring staff adequately monitor all CACFP and Summer Food sponsoring organizations to ensure the organizations operate the CACFP and Summer Food program according to federal and state requirements;
- ensure that DHS program staff accurately assess sponsoring organizations' risk of noncompliance;
- ensure that the sponsoring organization, takes immediate corrective action for all deficiencies noted by DHS staff and as identified in this finding; and
- determine what action DHS should take to reimburse the federal grantor for unallowable costs charged to the CACFP and Summer Food program.

Management's Comment

We concur in part. We do not agree that the Department did not ensure that the Sponsor met federal and state requirements as a Sponsor in the CACFP and SFSP program. We do agree that the Sponsor in question may not have operated in total compliance with requirements. However, we don't agree with the resulting questioned costs by State Audit. We don't think sufficient due diligence was done by State Audit to justify the questioned costs in a manner that will allow the department to pursue the total questioned costs determined by State Audit. We recognize that State Audit cannot look at everything; however, we believe this item warranted more time.

The Sponsor had 75 feeding sites in FY2013 that participated in the food program of which six feeding sites (8%) were selected for review by the auditors which is a small sample size when compared to the population of the entire program. Of the six feeding sites selected for review, issues were noted in five of the six feeding sites. However, the five feeding sites did not participate in the program for the entire year. The selected sites participated in the program between four and nine months as noted below:

- Feeding site #1 -participated for nine months and meals served at the feeding site which resulted in the payment of $41,141;
- Feeding site #2 -participated for four months and meals served at feeding site which resulted in the payment of $84,698;
- Feeding site #3 -participated for zero months and meals served at feeding site which resulted in payment of $0;
- Feeding site #4 -participated for seven months and meals served by the feeding sites resulted in payment of $93,559; and
- Feeding site #5 -participated for eight months and meals served by feeding sites which resulted in payment of $30,373.

The total payments to the five feeding sites totaled $249,771 which accounts for 6% of the total payments made to the Sponsor. We believe this is the actual questioned costs at this point based on the level of due diligence that State Audit completed.

Given that four feeding sites, noted above, of the 75 feeding sites participated in the program during a portion of the year, the statistical sample is insufficient to draw a conclusion about the total amount paid to the Sponsor in the amount of $4,208,136. Additional review is necessary to question the entire amount paid to the Sponsor.

The reimbursement for the SFSP program in the amount of $655,492 was included in the questioned cost amount without State Audit conducting a site visit of the Sponsor's SFSP program to review that the program met reimbursement requirements.

It is the Department's understanding that State Audit secured signed documentation that the Sponsor did not have adequate internal controls for CACFP and SFSP. This documentation was signed by the Sponsor's Director. However, given that there were no issues found with at

least one site reviewed by State Audit, the acknowledgment of a lack of internal controls by the Sponsor is not sufficient documentation for the department to pursue recoupment on the total amount since a portion of the amount paid in the sample was valid. The Department is bound by very specific parameters regarding how we can pursue monies owed in entitlement programs. We believe that one of the three routes should have been taken prior to State Audit establishing this questioned costs: 1) question the amount paid for the period that was verified that the entity did not meet the federal guidelines in administering the program; 2) Expand the scope of the State Single Audit to review the entire program (CACFP and SFSP) to determine the extent of the discrepancies is pervasive in the program for the entire period; 3) allow Department to conduct a more expansive review and/or enlist a third party to assist. It should be noted that the Department has initiated the process of doing an expansive review of the Sponsor.

We agree with State Audit that the Department did conduct the required 90 day monitoring visit. During the monitoring visit the Department noted inaccuracies in attendance, menu requirement issues and lack of maintaining meal records at one feeding site, similar to some of the findings that State Audit also identified. From this monitoring visit, the Sponsor was issued questioned costs, which have been recouped by the Department. State Audit indicated that the Department inaccurately assessed the Sponsor as low risk, therefore was not targeted for more frequent visits. However, the Department included the Sponsor in its monitoring plan for the following year; resulting with the Sponsor being monitored for two consecutive years. DHS takes program integrity very seriously and we intend to take an aggressive approach to determining if this sponsor will be allowed to continue participating in these programs.

Auditor's Rebuttal

Neither the department nor the sponsoring organization could provide the details of the feeding sites' payment information to us during our audit or subsequent to our fieldwork; therefore, we questioned $4,208,136 that the department reimbursed the sponsoring organization. The department had the opportunity to conduct an expansive review during the sponsoring organization's 2012 monitoring review but failed to identify the issues noted in the finding.

Finding Number	2013-020
CFDA Number	84.126
Program Name	Rehabilitation Services - Vocational Rehabilitation Grants to States
Federal Agency	Department of Education
State Agency	Department of Human Services
Grant/Contract No.	H126A110063, H126A120063
Federal Award Year	2010 through 2013
Finding Type	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Compliance Requirement	Significant Deficiency and Noncompliance
Questioned Costs	$11,454

Vocational Rehabilitation counselors did not follow policy when purchasing computer equipment for program clients, resulting in federal questioned costs of $11,454

Finding

Vocational Rehabilitation is a program supported by federal grant funds and administered by the Department of Human Services' Division of Rehabilitation Services (DRS) to help individuals with disabilities enter, maintain, or resume gainful employment. According to Title 34, *Code of Federal Regulations* (CFR), Part 361.3, and 34 CFR 50,

> The Secretary [of the U.S. Department of Education] makes payments to a State to assist in . . . the costs of providing vocational rehabilitation services under the State plan. . . . [and] the State plan must assure that the State unit develops and maintains written policies covering the nature and scope of each of the vocational rehabilitation services specified . . . and the criteria under which each service is provided.

To comply with 34 CFR 361.50, DRS has implemented a series of internal policies called *Standard Procedures Directives* specifying the nature, scope, and criteria for each type of vocational rehabilitation service it provides to eligible clients. Additionally, the department's *Tennessee Fee Manual* stipulates the maximum dollar amount authorized for each type of approved service.

DRS counselors work with program clients to develop Individualized Plans for Employment, which specify the clients' vocational goal and the mix of services and supports the department will provide clients to help achieve the stated goals. In some cases, an Individualized Plan for Employment may stipulate that the client requires computer equipment to attain his or her vocational goal. DRS' "Standard Procedures Directive 46 – Purchasing and Authorization and Invoice," an internal purchasing policy required by federal grant rules, contains extensive guidelines to ensure that DRS staff purchase computer equipment for Vocational Rehabilitation clients appropriately based on need.

We tested computer equipment purchases totaling $62,195 for 36 Vocational Rehabilitation clients during the period July 1, 2012, through June 30, 2013, and we found that counselors did not always follow established departmental policy, as noted below:

- supervisors did not approve computer equipment purchases;
- counselors did not maintain computer purchase receipts;
- counselors did not obtain price quotes for computer purchases costing $1,000 or more; and
- counselors did not maintain client computer usage agreements.

Supervisors Did Not Approve Computer Equipment Purchases

Vocational Rehabilitation counselors purchased computer equipment for clients without obtaining the necessary supervisory approval. For the 36 computer purchases, we tested the 30 purchases that required district and/or regional supervisor approval and found three transactions (10%), totaling $6,139, lacked the requisite approval, resulting in all $6,139 as federal questioned costs.

According to section 46.6.3.3 and section 46.2 of DRS' "Standard Procedures Directive 46 – Purchasing and Authorization and Invoice,"

> DRS may purchase computer systems, CCTVs, and other assistive technology devices required to accommodate a disability and provide upgrades and repairs on these items if . . . the district supervisor has approved the purchase, upgrade, or repair based on appropriate documentation. District supervisory approval is required regardless of the rationale or whether the request is for purchase, upgrade or repair. . . . [and] Tangible (touchable) items costing $1,000 and above requires district supervisor approval; Tangible (touchable) items costing $2,500 and above requires district and regional supervisor approval.

Counselors Did Not Maintain Computer Purchase Receipts

DRS counselors did not obtain receipts before reimbursing Vocational Rehabilitation clients for computer purchases. Of 36 computer purchase transactions, DRS directly paid three clients (8%) for the cost of their computer. However, none of the clients furnished sufficient documentation to confirm that they had actually purchased the computer to achieve vocational rehabilitation program goals. Instead, all three gave DRS a printout showing their desired computer system in an online retailer's electronic shopping cart. We were easily able to reproduce this documentation by visiting the retailer's website. Consequently, we have federal question costs of $5,315 for these transactions.

Best practices dictate that all client services purchases should be supported by a legitimate purchase receipt. By not purchasing computer equipment directly from a reputable vendor or collecting purchase receipts from clients, DRS cannot be certain that those clients actually purchased the equipment.

Counselors Did Not Obtain Price Quotes for Computer Purchases Costing $1,000 or More

DRS counselors did not obtain price quotes from at least three vendors before purchasing computer equipment costing $1,000 or more from non-contract sources. According to section 46.3 of "Standard Procedures Directive 46 – Purchasing and Authorization and Invoice,"

> Price quotes are required on all tangible items that cost $1,000 and over that are not purchased through state contract. . . . Price quotes from 3 or more separate vendors are required.

For the 36 computer purchase transactions, we reviewed the 12 transactions involving computers that cost $1,000 or more and were not purchased through state contract. For 2 of the 12 computer purchase transactions (17%), the Division of Rehabilitation Services counselor did not obtain price quotes from any vendors. Without the necessary vendor quotes, we could not verify whether the department paid the most competitive available price for the goods. We have already questioned the $4,853 in costs associated with these two transactions due to lack of supervisor approval and lack of purchase receipts.

Counselors Did Not Maintain Client Computer Usage Agreements

DRS counselors did not obtain signed client computer usage agreements from clients who received computer equipment through the Vocational Rehabilitation program. Of the 36 computer purchase transactions, 35 clients were required to sign a computer usage agreement. We determined that 15 of the 35 equipment recipients (43%) did not have signed computer usage agreements in their case files. Per Section 46.6.3.5 of DRS' "Standard Procedures Directive 46 – Purchasing and Authorization and Invoice,"

> The client is required to sign the Client Computer Usage Agreement prior to DRS purchase of any computer being provided for participation in vocational rehabilitation services. This agreement establishes guidelines for clients when downloading or installing any type of computer application or file from the Internet or other sources.

Without a signed agreement on file, counselors cannot be certain that clients are aware of their responsibility to protect DRS-purchased equipment from potentially harmful files. We did not question the costs associated with this issue because the lack of computer usage agreements did not negate the clients' eligibility for computer equipment, and the transactions were fully supported by purchase receipts in the client case files. At the conclusion of fieldwork, the Assistant Director of Vocational Rehabilitation has already initiated corrective action by requesting the missing computer usage agreements from the affected clients.

Further examination of the client files, which were lacking the Client Computer Usage Agreements, indicated that five of the clients had been prescribed a computer to accommodate a specific disability, and the prescribing technology center, not DRS, had handled the setup and ultimate delivery of the computer to the client. Since the prescribing technology center oversaw

the purchase of the equipment, DRS counselors forgot to obtain the Client Computer Usage Agreement.

Conclusion

We discussed computer equipment purchases issues with the Assistant Director of Vocational Rehabilitation Field Operations and the Director of Services for the Blind and Visually Impaired, who stated that computer purchasing requirements are complex and parts of which are included in two sets of guidance: "Standard Procedures Directive 46 – Purchasing and Authorization and Invoice" and the *Tennessee Fee Manual*. According to management, counselors make errors when they neglect to consult both sources of guidance during the computer equipment purchasing process and that ignorance of specific rules or counselor carelessness can also contribute to policy noncompliance. The Assistant Director of Vocational Rehabilitation Field Operations and the Director of Services for the Blind and Visually Impaired suggested that counselors would benefit from a single source of guidance and a more streamlined computer purchasing process due to the extensive requirements of the current method.

The Department of Human Services' management did not identify and assess the risks for the errors noted above in its formal risk assessment.

Recommendation

The Assistant Director of Vocational Rehabilitation Field Operations and the Director of Services for the Blind and Visually Impaired should ensure that all counselors are aware of computer equipment purchasing policies and obtain and/or maintain supervisory approval, price quotes, receipts, and Client Computer Usage Agreements. The Division of Rehabilitation Services management should consider consolidating current computer purchasing policies to a single source of guidance to simplify the process. In addition, management should assess the risk of the errors noted in its formal risk assessment.

Management's Comment

We concur in part. The Department in most instances, followed policy guidelines which included supervisor approval, maintaining computer purchase receipts and receiving quotes; therefore this is not a systemic issue. The Department plans to revisit the policy regarding computer usage. The Department will also consider the consolidation of policies into a single source if appropriate. Counselors and Supervisors will receive refresher training regarding expectations, by April 30, 2014.

Finding Number	2013-021
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.	G12BITNLIEA, G13BITNLIEA
Federal Award Year	2012 through 2014
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed - Significant Deficiency Eligibility - Significant Deficiency and Noncompliance Procurement and Suspension and Debarment - Significant Deficiency Subrecipient Monitoring - Significant Deficiency
Questioned Costs	N/A

As noted in the prior audit, the Department of Human Services did not ensure the subrecipients followed federal regulations for the Low-Income Home Energy Assistance Program, resulting in increased risk of fraud, waste, abuse, and noncompliance

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. In the prior audit for fiscal year ended June 30, 2012, we had noted that subrecipients

- did not calculate client energy burden consistently;
- did not document supervisory review of potential client applications;
- did not have internal controls to ensure energy providers were not suspended or debarred in accordance with the State Plan and federal regulations; and
- did not calculate client priority points correctly.

DHS management concurred with the prior year finding. During the current audit of fiscal year ended June 30, 2013, we found that subrecipients

- still did not calculate client energy burden consistently or accurately;
- still did not document supervisory review of potential client applications in a consistent manner across subrecipient agencies;
- still did not have internal controls to ensure energy providers were not suspended or debarred in accordance with the State Plan and federal regulations;
- corrected the prior audit finding related to inaccurate calculation priority points; and

- did not have sufficient internal controls in place over fiscal processes (new this audit period).

Background

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. As the pass-through entity for LIHEAP, DHS is federally required to advise the 19 subrecipients it contracts with to administer the program, and monitor their activities to ensure the use of federal awards are for authorized purposes only and in accordance with the State Plan.

Current Process

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 applicants receive. The subrecipient assigns points based on the following areas: income based on family size, energy burden, and vulnerability of household members. Once applicants are determined eligible for the program, they are referred to as a client. Depending on the total number of priority points, clients can qualify for one of three benefit levels, as prescribed by the State Plan:

- $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).

Clients cannot receive more than $600 in assistance in one year. In addition, they can apply for Crisis Assistance but must present a notice of loss of utilities and documentation of an uncontrollable circumstance to qualify. The DHS State Plan, p. 24, defines an energy crisis 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 subrecipients pay the client's energy provider directly.

Results of Testwork

To determine compliance of DHS and subrecipients with the LIHEAP requirements, we randomly selected a nonstatistical sample of 10 subrecipient agencies for testwork; then we tested a random nonstatistical sample of 72 client files from the total population of 83,126 client files for the 10 agencies during fiscal year ended June 30, 2013. The total LIHEAP expenditures paid to provide energy assistance to clients related to the 83,126 files totaled $32,474,640.59. We discussed the eligibility and payment processes with the LIHEAP Coordinator, a supervisory position at each subrecipient agency. The LIHEAP Coordinator is responsible for review of agency files to ensure calculations are performed properly. Our results are as follows.

Client Energy Burden Not Calculated Consistently Or Accurately

Based on discussions with the DHS Social Services Administrator and review of client files, we noted subrecipient agencies were not consistent when calculating the energy burden to determine the clients' benefit level. Based on discussion with subrecipient staff, we determined there were three different methods used by the subrecipients for calculating the clients' energy burden, which determines how many priority points the client should receive. See Table 1 for a summary of methodologies used.

Table 1: Calculation Method of Client Energy Burden

Methodology Used	Subrecipient Agency
Method **A:** Client's current usage amount; for crisis the past due amount was **not** included.	Knoxville-Knox County Community Action Committee (Knoxville) South Central Human Resource Agency (South Central)
Method **B:** Client's Highest Monthly Bill; for crisis the past due amount was included.	Douglas-Cherokee Economic Authority (Douglas) Chattanooga Human Services Department (Chattanooga) Shelby County Community Services Agency (Shelby)
Method **C:** Client's Highest Monthly Bill; for crisis the past due amount was **not** included.	Bradley-Cleveland Community Services Agency (Bradley) East Tennessee Human Resource Agency (East Tennessee) Mid-East Community Action Agency (Mid-East) Northwest Tennessee Economic Development Council (Northwest) Upper East Tennessee Human Development Agency (Upper East)

Each of the methods above required the LIHEAP Coordinator to multiply the amounts by 12 to annualize the energy burden.

Also, we found instances in which the subrecipient calculated the client's energy burden incorrectly. Based on our review of 4 of 72 client files (6%), we found that South Central did not know how the energy burden was originally calculated for one client file and for two client files at Bradley-Cleveland, one calculation included a propane bill from a prior year and another client's energy burden was miscalculated. The errors at South Central and Bradley-Cleveland did not affect the energy benefits received by the client. One file at Chattanooga included a propane bill in the energy burden calculation that was not in the client file, resulting in the client's energy provider being underpaid $150 in energy benefits on behalf of the client.

The lack of a uniform process to calculate energy burden consistently and accurately could cause DHS and subrecipients to award benefits inconsistently and perhaps unfairly. Based on discussion with the DHS Social Services Administrator, the department issued LIHEAP Memorandum 13-04 on March 18, 2013, instructing the subrecipients to calculate energy burden using the current energy usage amount or the annual average. This memorandum did not go into effect until July 1, 2013; therefore, subrecipients had not been instructed by DHS to use a uniform method of calculating energy burden for the scope of the audit. We will evaluate the effectiveness of this newly released memorandum during our next audit.

Subrecipient Supervisory Review Inconsistent

Based on discussion with the DHS Social Services Administrator, the department requires supervisors at the subrecipient agencies to select a random sample of LIHEAP files to review, as required by LIHEAP Memorandum 12-02, issued by the department on June 1, 2012. This review is to ensure that calculations and assumptions made in determining client eligibility and the appropriate amount of assistance to be provided are accurate and properly documented. The memorandum did not provide detailed instructions on how the subrecipients were to select their samples for review. In addition, DHS issued LIHEAP Memorandum 13-05 on July 17, 2013, instructing the subrecipients to document a supervisory review by initialing and dating the file.

Based on discussion with subrecipient staff, we determined there were four different methods used by the subrecipient agencies to select a sample of files for review. We found the subrecipients reviewed either 10% of all files, 100% of all files, 10-15 files per week, or 9-10 files per box of files received. There were also different methods used to document the review of the file. Subrecipients either initialed all files reviewed, initialed a portion of reviewed files, or did not document their review was performed. These methods are listed in Table 2:

Method of Sampling Files and Documenting Review	Subrecipient Agencies
Method **A:** Reviewed 10% of all LIHEAP files and indicated review by initialing **all** files	Bradley-Cleveland Community Services Agency (Bradley) East Tennessee Human Resource Agency (East Tennessee) Knoxville-Knox County Community Action Committee (Knoxville)
Method **B:** Reviewed 100% of all LIHEAP files and indicated review by initialing **all** files	Douglas-Cherokee Economic Authority (Douglas) Mid-East Community Action Agency (Mid-East) Northwest Tennessee Economic Development Council (Northwest) South Central Human Resource Agency (South Central)
Method **C:** Reviewed 100% of all LIHEAP files and indicated review by initialing only a **portion** of files.	Shelby County Community Services Agency (Shelby)
Method **D:** Reviewed 10 to15 files each week and indicated review by initialing all files.	Chattanooga Human Services Department (Chattanooga)
Method **E:** Reviewed 9 to 10 files from each box of LIHEAP files and review was **not** documented.	Upper East Tennessee Human Development Agency (Upper East)

In addition to the inconsistencies identified in sampling and review sign off, we also noted instances in which supervisors performed review but failed to identify errors. Based on our review of 72 client files, we noted 28 files had been selected for supervisory review as indicated by the supervisors' initials. Two of the twenty-eight files reviewed by supervisors (7%) contained errors apparently not found during the supervisors' reviews. Specifically, the LIHEAP coordinator at South Central did not ensure agency employees properly calculated a client's energy burden; and the LIHEAP coordinator at Mid-East did not ensure agency employees properly identified an uncontrollable circumstance for a crisis client. While the errors did not affect the benefits received by the clients, DHS did not ensure supervisors were properly reviewing files.

Based upon our file and procedure review and discussions with DHS staff, DHS issued Memorandum 12-02 instructing subrecipients to review a sample of all LIHEAP applications, and Memorandum 13-05 instructing subrecipients on how to document supervisory review by initialing the file. However, because these memorandums did not provide effective detailed

sampling guidance to the subrecipients, DHS and subrecipients could award benefits inconsistently and perhaps unfairly.

One Subrecipient Had Inadequate Separation of Duties in the Fiscal Office

Based on our review, we noted officials at South Central did not establish adequate separation of duties in the fiscal office. The Director of Fiscal Operations had been given the authority to write, print, and sign checks over five years ago. Based on discussion with the South Central Community Services Director, there were no compensating controls to prevent abuse of check-writing privileges. In addition, DHS audited South Central from May 15, 2013, through May 20, 2013, and did not assess the controls at the agency or identify the control issue so that corrective action could occur.

According to the Grant Contract between South Central and DHS, effective from July 1, 2012 through June 30, 2013, section D.12 states, "the records of not-for-profit entities shall be maintained in accordance with the *Auditing and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee*, published by the Tennessee Comptroller of the Treasury," which require, "to the extent possible, the following duties are not performed by the same person: … preparing checks, signing checks …" Not having appropriate separation of duties or compensating controls to prevent abuse of check-writing capabilities increases the risk that LIHEAP fraud could occur.

DHS Did Not Verify One Subrecipient Had Suspension and Debarment Controls

Of the 72 client files reviewed, we found 6 files (8%), where the LIHEAP Coordinator at Shelby failed to ensure the energy providers had not been suspended or debarred. We reviewed all contracts between the energy providers noted in the tested files and the subrecipient agencies. We found that the energy providers noted in the files reviewed were not suspended or debarred; however, the subrecipient did not verify this before paying them on the clients' behalf.

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." During our review, we noted the Shelby LIHEAP Coordinator did not know how to operate the EPLS website to check if the provider is suspended or debarred. In addition, according to a memorandum, "Revised LIHEAP Vendor Agreement," dated June 6, 2012, DHS provided the subrecipients with revised vendor agreements containing required suspension and debarment language. The Shelby LIHEAP Coordinator also did not include the required suspension and debarment clause in the provider contract for the period beginning July 1, 2012, and ending on June 30, 2013.

DHS monitored Shelby from June 11, 2013, through June 14, 2013, and did not verify Shelby had ensured the energy providers were not suspended or debarred. Not having suspension and debarment controls in place increases the risk of subrecipients improperly paying suspended or debarred energy providers on behalf of LIHEAP clients.

Recommendation

During our audit period, the Department of Human Services was responsible for administrating the LIHEAP Program. Responsibility for the LIHEAP program transferred to the Tennessee Housing Development Agency after fiscal year 2013. The Commissioner and department management responsible for the program should 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 department management should specifically ensure that

- subrecipients are provided consistent guidance to achieve a uniform process to calculate clients' energy burden accurately;
- the department provides uniform sampling guidance to subrecipient agencies to facilitate compliance reviews;
- program monitors inquire into subrecipient agencies' internal controls when performing monitoring reviews and ensure adequate separation of duties for fiscal operations;
- subrecipients have adequate training for verifying energy provider suspension or debarment status; and
- subrecipient energy provider contracts contain the required suspension or debarment clause.

Management's Comment

We concur in part. We agree that the Department issued instructions to subrecipients on how to calculate energy burden and that supervisory review of client applications should be documented, of which the Department has provided guidance. We do not agree that the lack of uniform process to calculate energy burden increased the risk of clients receiving inaccurate benefits. There are no Federal requirements regarding how a state calculates energy burden, they leave this up to the state agency. We also do not agree that there was an increased risk due to supervisors not reviewing select samples of client applications. In all areas identified by State Audit, from their samples selected, more than 90% were in compliance with requirements. This does not demonstrate a systemic issue; the Department will however provide additional training for individual staff who may require it.

We agree with State Audit that one energy burden was miscalculated resulting in underpayment to the client, however, neither issue lead to other benefits being miscalculated in State Audit's sample pool. We also agree that one subrecipient had inadequate separation of duties in their Fiscal Office. It should be noted that the agency immediately took steps to correct

the issue. It was stated in a management meeting by the State Auditor that he confirmed that there was no evidence in the financials that indicated fraud, waste, or abuse. It should also be noted that the subrecipients Program Director, informed the Department that she was told by the State Auditor that this was not a finding but a mere observation.

We do not agree that DHS did not verify that one subrecipient had suspension and debarment controls. The Department provided guidance via the LIHEAP Memorandum 12-04 which was released on June 6, 2012 to the subgrantees that the Suspension and Debarment language must be included in their contracts with energy vendors based upon the Federal Acquisition Circular 2005-53. The Federal Acquisition Circular 2005-53, August 4, 2011, states:

> Protecting the Government's Interests When Subcontracting with Contractors Debarred, Suspended or Proposed for Debarment, contractors shall not enter into any subcontract in excess of $30,000, other than a subcontract for a commercially available off-the-shelf- item, with a contractor that has been debarred, suspended, or proposed for debarment unless there is a compelling reason to do so.

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 on behalf of LIHEAP customers. Shelby County Memphis Light, Gas, and Water (MLGW) is a vendor for the subrecipient and accepts payments on behalf of the customer. MLGW does not accept a fee for service, therefore should not be considered a subcontractor.

This program transferred to THDA in October 2013. The Department will share the recommendations with THDA.

Auditor's Rebuttal

Without consistency in the energy burden calculation by all subrecipients, LIHEAP beneficiaries are not subjected to the same level of eligibility assessment and, as evidenced by the finding results, may not receive benefits they are due. Also, management concurred with the prior finding and initiated corrective action subsequent to June 30, 2013, the end of our audit period. Regarding suspension and debarment, our finding relates to the Shelby County subrecipient, not the vendor Memphis Light, Gas, and Water.

Finding Number	2013-022
CFDA Number	84.126
Program Name	Rehabilitation Services - Vocational Rehabilitation Grants to States
Federal Agency	Department of Education
State Agency	Department of Human Services
Grant/Contract No.	H126A110063, H126A120063
Federal Award Year	2010 through 2013
Finding Type	Significant Deficiency
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles Reporting
Questioned Costs	N/A

The Department of Human Services' Tennessee Rehabilitation Information Management System contained security vulnerabilities, resulting in an increased risk of fraudulent activity

Finding

Based on our testwork, the Department of Human Services' Tennessee Rehabilitation Information Management System (TRIMS) 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 system. 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's management with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

The Executive Director of Information Technology and the Assistant Director of Vocational Rehabilitation Field Operations should ensure that these conditions are remedied through procedures that encompass all aspects of effective information systems 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 do not concur. We have delivered a confidential response to the detailed finding.

Auditor's Rebuttal

We have provided management with a confidential rebuttal.

Finding Number	2013-023
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families (TANF) Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G1002TNTANF, G1102TNTANF, G1202TNTANF, G1302TNTANF
Federal Award Year	2012 through 2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	$6,368

The department failed to ensure work activity contractors maintained proper documentation of client participation in work activity, resulting in questioned costs of $6,368

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. The TANF program, referred to by DHS as "Families First," is designed to help needy families achieve self-sufficiency, by providing cash benefits to eligible families. As part of the requirements to receive cash benefits, the recipients must participate in work activity (unless specifically exempted from the work requirement). Examples of allowable work activity include:

- unsubsidized employment;
- subsidized public and private sector employment;
- community service;
- placement to obtain work experience;
- vocational educational training;
- adult education;
- job skills training;
- on-the-job training; and
- job search and job readiness assistance.

Background

In 2008, the department submitted its required *Work Verification Plan* to the United States Department of Health and Human Services, which approved the plan effective October 1,

2008. To administrate Families First for fiscal year ended June 30, 2013, DHS used five contractors to manage the work activity function: East Tennessee State University (ETSU); Maximus; Policy Studies, Inc. (PSI); Structured Employment Economic Development Corporation (Seedco); and Workforce Essentials (WFE). The contractors were responsible for monitoring clients' engagement in work activities and maintaining documentation to support the clients' activities. The Director of Families First was responsible for ensuring the work activity contractors understood and executed the contract requirements and the *Work Verification Plan*.

Results

To determine whether the work activity contractors ensured clients engaged in required work activities and whether the work activity contractors maintained proper documentation of activities, we tested a nonstatistical random sample of 60 client files from a population of 42,636 clients managed by the work activity contractors during the fiscal year ended June 30, 2013. Based on testwork performed, we determined that the work activity contractors did not ensure clients engaged in the required work activity hours, and work activity contractors either did not maintain any of the client's work activity documentation or did not ensure work documentation was adequate for 20 of 60 client files tested (33%), as specified below.

Failure to Ensure Required Participation Hours Were Met

Of the 60 client files tested, we found the work activity contractors' case managers did not ensure that 2 of 60 clients (3%) engaged in the required number of work activity hours. Section A.8 of the contracts between DHS and the work activity contractors state,

> The Contractor shall ensure clients are engaged in a minimum of thirty (30) hours per week in core or non-core activities which meet all State and Federal limitations and restrictions.

The work activity contractors (ETSU-1 and Seedco-1) did not assign a client additional work activity when the work hours were less than 30 weekly hours of work activity.

Failure to Maintain Documentation of Work Activity Participation

For 4 of 60 files tested (6%), we found that the work activity contractors (WFE-2, Seedco-1) did not maintain any work activity documentation in the clients' paper files and/or did not document a client's work activity by entering the data into the Automated Client Certification and Eligibility Network for Tennessee system (PSI-1). Section A.10 of the contracts states,

> The Contractor shall enter and update, [and] as needed, maintain work activities for each client in the State's eligibility and case management system.

In addition, Section A.29 of the contract states,

> The Contractor shall keep the following documentation in each client's file in a format approved by the state…Documentation of actual hours of participation in a work activity. The Contractor shall keep the following documentation in each client's file in a format approved by the state . . . Documentation of actual hours of participation in a work activity.

The *Work Verification Plan* states,

> The provider shall track and record daily attendance and participation hours of clients in work activities, other than employment, to the state no less frequently than weekly.

When the work activity contractor does not ensure clients engage in the required work activity hours, DHS does not have assurance that work requirements were met by the clients.

Failure to Obtain Adequate Supporting Documentation

For 15 of 60 client files tested (25%), although the work activity contractors' case managers obtained some documentation to support clients' reported hours of participation in work activity, we determined the documentation was not adequate. The Work Verification Plan states,

> Families First work activity contractors are required under the terms of state contracts, to keep the following documentation for all activities except employment and teen parents in high school...Documentation of actual hours of participation and non-participation in a work activity.

We noted the clients' files did not contain

- evidence of job skills training or job search activities performed for seven files (Seedco-6 and PSI-1);
- paystubs for employment hours to consistently show the client worked the required 30 hours for one file (Seedco-1);
- the client's class schedule or progress in a vocational education program for two files (ETSU-1 and PSI-1);
- accurate timesheets to support actual activities performed for three files (Seedco-1, WFE-1, and PSI-1);
- client employment documentation that met the *Work Verification Plan* requirement for one file (WFE-1); and
- original client timesheets to support work activities for one file (WFE-1).

Inadequate documentation exposes the work activity contractors to an increased risk of clients submitting fraudulent documentation, which increases the risk of DHS paying benefits to ineligible clients. As a result of case managers not ensuring that clients engaged in the required

work activity hours and not obtaining adequate documentation to support hours of work activity, DHS paid $6,368 in Families First benefits to clients who did not adequately demonstrate compliance with their assigned work activity. We have questioned the $6,368 charged to TANF for these clients. Because it would require extraordinary measures to obtain the benefit amount for our entire population, we are not able to project questioned costs to the population.

Recommendation

The Commissioner should ensure the Families First Director enforces documentation requirements set forth by the *Work Verification Plan* and the contracts between DHS and the work activity contractors. Specifically, the Commissioner should ensure work activity contractors engage clients in the required work activity hours, document the work activities in the clients' paper files, and obtain adequate supporting documentation to support the applicable work activity. The Commissioner should also ensure the Families First Director clearly communicates to the work activity contractors what constitutes adequate supporting documentation.

Management's Comment

We concur in part. It appears that State Audit's focus tends to be on the missing documentation when determining if a case is found to be ineligible, however, before a case is classified as "ineligible" several factors must be considered. For example, some of the cases in question involved the concept of "projecting income" which is based on having supporting documentation available at a certain time and then, basically, projecting a continued income for a specified timeframe.

A comprehensive understanding of the program is key to a determination of whether appropriate actions are taken. Accordingly, unless the auditor is fully familiar with the various programmatic provisions in the contract, the lack of documentation at a particular point in time, i.e., when the audit is done, does not mean that the person is ineligible. Verification may be established over a period of time, and it cannot be assumed that the absence of a single piece of documentation means the person has received benefits incorrectly, but rather, it may mean that the documentation does not exist at that point in time.

In 2007 the Department made several changes in the TANF program as a result of the end of the federal waiver. The program staff have provided reviews and technical assistance for the work activity contracts since that time. However, it should be noted that since the 2007 inception of the work activity contracts, the department had not been including these contracts within the scope of the department's regular audit processes. The contracts also had not been subject to any extensive external audit or reviews at the federal or state level.

This issue was identified as a part of the Top to Bottom Review Process, which concluded in 2012. DHS took immediate steps to address this opportunity for improvement. The Department included the work activity contracts in the scope of the Department's audit process for FY 12-13 and initiated other review processes as needed. Also identified in the Top

to Bottom review was the need to revisit the overall operation of the TANF program. The department initiated a comprehensive process of reengineering the TANF program in 2012, with the initial analysis starting in 2011. We are currently in phase two of the re-engineering process. The initial phase included proactive measures, an increased emphasis on accountability and more specificity regarding documentation requirements.

It should be noted that through our own monitoring and review processes, the Department identified issues with work activity contract partners similar to those identified by State Audit. These issues were shared with State Audit prior to and during their audit process with the Department. It should be noted that these problems exist to lesser degrees with some partners.

Additionally, it is important to note that the Department will be conducting additional due diligence to determine if any of the questioned costs need to be recouped, at which point we will initiate the due process.

Auditor's Rebuttal

The Office of Management and Budget Circular A-133 defines questioned costs as "a cost that is questioned by the auditor… (2) Where the costs, at the time of the audit, are not supported by adequate documentation."

Finding Number	2013-024
CFDA Number	10.558, 10.559, and 93.558
Program Name	Child and Adult Care Food Program Child Nutrition Cluster Temporary Assistance for Needy Families (TANF) Cluster
Federal Agency	Department of Health and Human Services Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	2008IN109945, 2009IN109945, 2010IN109945, 2011IN109945, 2012IN109945, 2013IN109945, 5TN400408, G1002TNTANF, G1102TNTANF, G1202TNTANF, G1302TNTANF, G0804TN4004, G0904TN4004, G1004TN4004, G1104TN4004, G1205TN4004, G1305TN4004,
Federal Award Year	2008 through 2015
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	N/A

The department did not maintain records that supported financial reports, increasing the risk that the federal grantors will not have complete and accurate information to make financial decisions relating to federal programs

Finding

The Department of Human Services (DHS) expended almost $3 billion in funding from various federal agencies during fiscal year ended June 30, 2013, to administer federal and state services, including, but not limited to, the Child and Adult Food Care Program (CACFP), the Summer Food Service Program for Children (Summer Food), and the Temporary Assistance for Needy Families (TANF) program. As a recipient of federal funds, the Department of Human Services is required to submit financial reports to the federal grantors regarding the status of its federal 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 non-profit schools, residential childcare institutions, and summer recreation programs during the summer months. TANF provides assistance to help needy families achieve self-sufficiency.

Based on our testwork, we found that DHS management and staff failed to ensure federal financial reports agreed to supporting documentation for CACFP, Summer Food, and TANF.

Federal Reports Required

The following federal reports were required by the federal grantors:

- The CACFP and Summer Food FNS-777, *Financial Status Report*, is a quarterly financial report that shows the use of funds for the programs. Although CACFP and Summer Food programs are two separate federal programs, DHS has chosen to report information for both programs on one report.
- The ACF-196, *TANF Financial Report*, for the TANF Cluster is a quarterly financial report that shows the use of federal funds awarded for a given fiscal year.

The CACFP and Summer Food FNS 777, *Financial Status Report*, Did Not Agree to Supporting Documentation

We examined the FNS-777 reports for all quarters for fiscal year ended June 30, 2013. According to Title 7, *Code of Federal Regulations* (CFR), Part 3015, Section 61(a):

> Complete, accurate, and current disclosure of the financial results of each USDA [United States Department of Agriculture] sponsored project or program shall be made in accordance with the financial reporting requirements set forth in the grant or subgrant.

We requested the documentation to support the amounts that DHS staff reported on the FNS-777 to determine if the amounts reported were accurate and supported. Based on our examination of the FNS-777 Report for the quarters ended September 30, 2012; December 31, 2012; and March 31, 2013, we found that the department did not maintain support from Edison, the state's accounting system, or any reconciling information that was used to prepare the FNS-777. When the Fiscal Director tried to extract information from Edison to support the reports, the information did not agree to the submitted reports. (See the chart below.) The Chief Financial Officer and Fiscal Director stated that the department experienced a high volume of turnover within the fiscal staff that was responsible for the CACFP and Summer Food Financial reports and that it was possible that the original supporting documentation was on the department's shared drive; however, the Fiscal Director was unable to find the original supporting documentation for the amounts reported for the first three quarters of the state fiscal year ended June 30, 2013. We also examined the FNS-777 report for the quarter ended June 30, 2013, and the supporting documentation and we were able to trace all items shown on the report to the supporting documentation. The report was prepared by the current Fiscal Director.

FNS-777 Report			
Line Description	**Amount Reported**	**Amount on DHS' Supporting Documentation**	**Difference Over/(Under) Reported**
Quarter Ended September 30, 2012			
CACFP			
Meal Services*	$12,189,281	$10,494,737	$1,694,544
Cash for Commodities*	527,359	565,024	(37,665)
Summer Food SFSPC			
Meal Services*	4,116,728	4,441,336	(324,608)
Sponsor Admin.*	454,088	578,730	(124,642)
State Admin. Funds	76,912	Not found on support	76,912
SAE (State Administrative Expense)			
Sponsor Admin. (CACFP)*	410,485	435,895	(25,410)
SAE	237,342	Not found on support	237,342
Quarter Ended December 31, 2012			
SAE	215,654	Not found on support	215,654
Quarter Ended March 31, 2013			
SAE	327,642	Not found on support	327,642

* By the end of fieldwork on December 13, 2013, the Chief Financial Officer and the Fiscal Director had not provided supporting documentation for these numbers. On March 3, 2014, the Chief Financial Officer and the Fiscal Director provided supporting documentation.

TANF ACF-196 Financial Report Did Not Reconcile to the Supporting Accounting Documentation

We examined the ACF-196 report for the quarters ending December, 31, 2012, and June 30, 2013. According to Title 2, *Code of Federal Regulations* (CFR), 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." In addition, 45 CFR 265 (7) (f) states, "States must maintain records to adequately support any report." Based on our examination of the ACF-196 reports, we found that the amounts reported on the ACF-196 did not agree with the support in Edison and the cost allocation results and did not include amounts defined as 'adjusting entries" in Edison. (See the chart below.) The Fiscal Director currently responsible for the ACF-196 stated that the report for the quarter ended December 31, 2012, was completed by persons who were no longer employees of DHS, so she could not explain the differences. For the quarter ended June 30, 2013, the Fiscal Director stated that this was the first quarter that she was responsible for preparing this report, and she did not include several amounts because she was not sure whether they should be included. Management intends to submit a revised report with the correct costs.

Administration Line	Amount Reported	Amount per Edison	Difference Over/(Under) Reported
TANF ACF-196 Report for the Quarter Ended December 31, 2012			
Federal TANF Expenditures (Column A)	$2,047,150	$2,052,865	($5,715)
State MOE (Maintenance of Effort) Expenditures (Column B)	4,532,667	4,537,712	(5,035)
TANF ACF-196 Report for the Quarter Ended June 30, 2013*			
Federal TANF Expenditures (Column A)	90,394,761	99,328,652	(8,933,891)
State MOE (Maintenance of Effort) Expenditures (Column B)	135,331,010	128,419,495	6,911,515

* Because the ACF-196 report is a cumulative report, the errors noted in the quarter ended June 30, 2013, includes the errors noted in quarter ended December 31, 2012.

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, including reconciling financial reports to accounting records, were not performed and were therefore ineffective.

Recommendation

Given the significance of the federal funds involved, almost $3 billion, it is paramount that DHS report federal financial and programmatic information accurately to the respective federal grantors. The Commissioner should ensure federal financial reports agree to supporting source documentation. The Fiscal Director should seek clarification when she is uncertain about the reporting requirements. Also, management should reassess all risks associated with federal reporting and develop and implement appropriate mitigating controls to address the risk.

Management's Comment

We do not concur. We do not agree that the Department does not maintain records that supported financial reports or that there is an increased risk that federal grants will not have complete and accurate information relating to federal programs. It should be noted that no federal entity has identified difficulty making financial decisions relating to federal programs administered by the Department. We agree that the Department did not readily have available supporting documentation. The Department has supporting documentation that supports the

federal financial reports for CACFP and Summer Food, FNS 777, for the quarters ending September 30, 2012, December 31, 2012, and March 31, 2013, and it was provided to State Audit.

Further, the Department has supporting documentation for federal financial reports that supports the TANF ACF 196 reports for the quarters ending December 31, 2012, and June 30, 2013. When State Audit retrieved data to review, it did not match the data used by the Department due to the timing of the data collection. The June 30, 2013 TANF ACF 196 report was submitted on July 30, 2013, as required by Federal guidelines. The TANF ACF 196 report was prepared based on supporting documentation that existed at the time that the report was due. State Audit is aware that the State's annual closing process occurs in phases and generally runs through September of each year. The nature of this process potentially involves ongoing postings of transactions that are applied to the June 30th general ledger across all programs. Accordingly, if data is pulled subsequent to date that the data was pulled for the purposes of the TANF ACF 196 reports, the underlying data will not be consistent with the report submitted. Essentially, documentation pulled subsequent to July 30, 2013, would reflect changes that the Department would not have had at the time that the report was prepared and submitted. The Department had the supporting documentation that existed at the time that the report was submitted.

Auditor's Rebuttal

DHS management is required to prepare all federal reports based on the state's accounting system. The Office of Management and Budget Circular A-133 requires auditors to audit financial reports for accuracy and completeness.

Finding Number	2013-025
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-16775-08-55-A-47, UI-18048-09-55-A-47, UI-19610-10-55-A-47, UI-22341-12-55-A-47, and UI-23919-13-55-A-47,
Federal Award Year	2008 through 2015
Finding Type	Material Weakness
Compliance Requirement	Eligibility
Questioned Costs	N/A

As noted in the *2012 Single Audit Report*, prior management of the Department of Labor and Workforce Development threatened the integrity of the Unemployment Insurance program by failing to provide sufficient internal controls and oversight, which has resulted in the payment of tens of millions of dollars to ineligible claimants over the past six years and an uncollected balance of over $181 million as of June 30, 2013

Finding

As noted in the *2012 Single Audit Report*, prior management of the Department of Labor and Workforce Development (LWD) threatened the integrity of the Unemployment Insurance (UI) program by not adequately addressing critical functions of the program during the period July 1, 2012, through June 30, 2013. We found that LWD personnel were unable to properly manage all of the claims submitted through the program. Specifically, LWD continued to have backlogs in receiving and responding to incoming telephone calls for new and existing unemployment claims; processing initial unemployment claims; and resolving pending claims. Those backlogs increased as the state's unemployment level remained high. In addition, prior LWD management had not ensured that UI payments were only made to eligible individuals.

Because prior management, which was in place during the majority of the fiscal year 2013 audit, had not corrected the 2012 Single Audit findings, our testwork for the period July 1, 2012, through June 30, 2013, showed the same control and compliance deficiencies as the prior period. We also identified new deficiencies that include: a claims backlog that was not investigated for potential overpayments and UI payments that were made to ineligible incarcerated individuals. Additionally, we determined that the overall internal controls over the UI program operations still needed significant improvements because the controls were not operating effectively. As a result, LWD has continued to pay tens of millions of dollars to ineligible claimants each of the past six years and has an uncollected UI balance of over $181 million as of June 30, 2013.

The *2013 Single Audit Report* reflects federal and state expenditures of over $788 million for the UI program. We are required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," 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. We noted material weaknesses and significant deficiencies in internal control over compliance for the UI program during the period July 1, 2012, through June 30, 2013. We have also qualified our opinion at the compliance requirement level for eligibility.

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.

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's prior management 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. We detailed several noncompliance and control weaknesses in separate findings in this audit report that indicate that LWD's prior management did not properly administer the program during the period July 1, 2012, through June 30, 2013. (See findings 2013-026 through 2013-032 in this report.)

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.

Two of the UI findings in this report contain questioned costs for noncompliance with federal grant-related requirements. The questioned costs in these findings total $293,309. (See more information regarding questioned costs in findings 2013-027 and 2013-029.) 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 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.

While we recognize that many of the corrective actions may take months, and some may take longer for management to implement, prior management was unable to properly administer this state and federal program as a result of the ineffectiveness of program controls. 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 in the future, 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 current Commissioner of the Department of Labor and Workforce Development should continue to ensure that the recommendations in this report are implemented and should develop a timeline for all corrective action to address the findings in this report. The Commissioner and top management should determine if the current leadership and staff are 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 and determine whether adequate progress is being made.

Management's Comment

We concur in part.

Since the current management team was put in place (during the last quarter of this audit period), emphasis has been placed on finding causes of issues within the UI program rather than

addressing symptoms. This “root cause” analysis has already resulted in a number of changes occurring and many more already in progress.

Many of the issues noted within this audit are actually due to technological limitations. The UI program is operating with a 42+ aged mainframe system (COBOL) with dozens of separate systems linked to it that addressed program changes needed over the years. The current management team has already embarked on replacing the entire system with the goal to have a fully implemented benefits system within the next two years.

Overpayments continue to be noted in the findings, and we do concur in part with issues noted regarding the detection and review of overpayments. The Department has participated in the Treasure Offset Program since July 2012, and has collected over $22.5 million since that time. Another $1.4 million has been collected in installment collections during this period. Collections of overpayments have increased significantly.

The Department’s comments to the specific findings are detailed for each finding.

Finding Number	2013-026
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-16775-08-55-A-47, UI-18048-09-55-A-47, UI-19610-10-55-A-47, UI-22341-12-55-A-47, UI-23919-13-55-A-47
Federal Award Year	2008 through 2015
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility and Reporting
Questioned Costs	N/A

The prior management of the Department of Labor and Workforce Development failed to ensure the operating effectiveness of its internal controls over the claimant eligibility determination process which continued to threaten the integrity of the Unemployment Insurance program and, as of June 30, 2013, had resulted in a more than $181 million cumulative balance of UI overpayments due to fraud or error for the past six years

Finding

As noted in the *2012 Single Audit Report*, the prior management of the Department of Labor and Workforce Development (LWD) failed to ensure the operating effectiveness of its internal controls over the claimant eligibility determination process which continued to threaten the integrity of the Unemployment Insurance (UI) program and, as of June 30, 2013, had resulted in a cumulative balance of more than $181 million of UI overpayments due to fraud or error for the past six years. Prior management's inability to ensure that benefits were only paid to eligible claimants was considered a material weakness in internal control and noncompliance with Office of Management and Budget Circular A-133, "Compliance Requirements for Eligibility."

For the audit period July 1, 2012, through June 30, 2013, we also noted a new deficiency in that LWD's Benefit Payment Control (BPC) unit had not investigated and, where appropriate, established overpayments for a backlog of eligibility cases originally documented at over 60,000 but later revised down to approximately 37,000 by BPC management. LWD management in conjunction with Department of Finance and Administration fiscal staff estimated the potential overpayments related to the backlogged cases at $94.5 million for financial statement presentation purposes. LWD could not report these potential overpayments to the U.S. Department of Labor (DOL) as the overpayments had yet to be investigated and established. The majority of these cases occurred under prior management, with the oldest cases dating back to 2010.

Establishment and Collection of Overpayments

Overpayments of benefits can occur for many reasons, whether due to error or fraud. For example, an overpayment of benefits occurs when LWD staff identify that they have paid a

claimant's benefits based on misrepresented income for a particular week or weeks. Staff determine 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 in its accounting records when it determines that an overpayment of UI benefits has occurred.

State agencies are 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 by sending a monthly "Overpayment Statement" to those claimants. If the beneficiaries are more than 90 days delinquent on repayment, LWD utilizes wage garnishments, unless the beneficiaries' wages for the last quarter are less than $3,000. Another method LWD staff use to recoup overpayments is by reducing the claimants' current benefits. In addition, during the fiscal year 2013, LWD began participating in the Treasury Offset Program (TOP), a federal program that intercepts individual tax refunds to offset delinquent debts owed to federal and state programs.

Based on LWD's historical overpayment collections data and review of financial information and estimates, the collection rate of UI overpayments is estimated at 25%. The remaining 75% of overpayments are considered "Allowance for Doubtful Accounts," collection of which is unlikely to occur.

LWD's accounting records reflect that it paid more than $25.1 million of UI benefits to ineligible claimants during the period July 1, 2012, through June 30, 2013. LWD's participation in the TOP during the same period increased collections of UI overpayments by more than $15 million. Despite this effort, LWD's overpayments continued to exceed collections, and, as a result, the accounts receivable balance at June 30, 2013, was greater than the prior year's balance.

Backlog of Potential Overpayments

The BPC unit is specifically responsible for investigating cases of potential overpayments of unemployment claims with fraud indicators. 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. If the BPC unit determines that claimants received benefits for a week or weeks for which they were not eligible, overpayments are established for the amounts paid for those weeks. As noted earlier, however, as of June 30, 2013, the BPC unit had not investigated and, where appropriate, established overpayments for a backlog of eligibility cases originally documented within the BPC tracking system at over 60,000 but later revised down to approximately 37,000 by BPC management through inquiry of BPC auditors in the field. It should be noted that the majority of the backlog cases occurred under prior management and originated as early as 2010.

We obtained the accounting records for overpayments made to ineligible benefit recipients. The total accounts receivable balance reported at June 30, 2013, was $181,185,002. The amount of the known receivable of cumulative overpayments resulting from fraud and error

was $86,672,829, which was an increase of $13.3 million from the June 30, 2012, balance of $73.4 million. The remaining $94,512,173 was an estimate made by management of potential overpayments related to the BPC unit's backlogged cases.

Reporting Overpayments

LWD's UI Integrity and Compliance unit submits the Employment Training and Administration (ETA) 227 Overpayment Detection and Recovery Activities report to the federal government quarterly. This report provides information to the DOL on the state's UI overpayments. DOL reporting instructions indicate that the ETA and state agencies need the information provided in the report to monitor the integrity of the benefit payment processes.

When the BPC unit determines that an overpayment has occurred, the overpayment is recorded in LWD's Employment Security Combined Online Technology (ESCOT) computer system. The amounts of overpayments reported on the ETA 227 are generated from ESCOT. DOL reporting instructions require only those overpayments established by LWD to be reported on the ETA 227 report. We found that LWD accurately reported the overpayments established and recorded in its ESCOT computer system on the ETA 227 report.

Since the potential overpayments of $94,512,173 related to the backlogged cases were not in ESCOT, they were not included in the ETA 227 report. Therefore, the information that LWD reported to the DOL did not provide a complete picture of the amount overpaid, number of claimants overpaid, and whether the overpaid amount was due to error or fraud. As a result, the DOL may not have been able to fully assess the integrity of LWD's benefit payment process.

Conclusion

Unless LWD ensures the operating effectiveness of its internal controls over the claimant eligibility process, the risk of the department paying UI benefits to ineligible individuals increases. Given the significant amount of overpayments already paid out to ineligible claimants, as described above, current management cannot afford to delay corrective action without further eroding the public's trust in the UI program. Furthermore, the state, the employers, and the federal grantor are all impacted when LWD continues to overpay UI benefits while collecting only 25% of the overpayments, on average. The remaining 75% of overpaid benefits are uncollectible, and this loss further threatens the viability of the UI program.

Recommendation

The current Commissioner of the Department of Labor and Workforce Development 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 to mitigate the risk that UI benefits will be paid to ineligible claimants. The Commissioner should ensure that BPC unit staff investigate potential overpayments to ineligible UI claimants in a timely manner.

Management's Comment

We concur in part, with regards to our operating effectiveness on internal controls over claimant eligibility. Due to financial statement reporting purposes and in conjunction with the Department of Finance and Administration, the department estimated potential overpayments of $94.5 million. According to the federal Unemployment Insurance program policy, overpayments do not exist until they have been investigated and established. After excluding the estimated potential amount, the actual overpayment balance is $81.5 million, which would compare to the $73.4 million reported in the prior year audit for the period ending June 30, 2012.

Prior to the finalization and release of this audit, the Department's current management has begun initiatives to enhance our operating effectiveness in the Benefit Payment Control program which include:

- The BPC lean event held February 24-28, 2014.
- Focus on eliminating backlogs by reducing duplication.
- Functional alignment of all overpayments, both fraud and non-fraud within the BPC unit.
- Procurement in progress for SAS (a predictive statistical package) to assist with identifying fraud.

The new UI Integrity Director is reviewing all staffing assignments in an effort to investigate cases in a timely manner. At least two new auditors will be hired within the next month and auditors will be replaced when positions become open.

Finding Number	2013-027
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-16775-08-55-A-47, UI-18048-09-55-A-47, UI-19610-10-55-A-47, UI-22341-12-55-A-47, and UI-23919-13-55-A-47,
Federal Award Year	2008 through 2015
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$72,860

As noted in the prior *Single Audit Report*, the staff of the Department of Labor and Workforce Development, while operating under prior management, failed to comply with the department's Unemployment Insurance program procedures in determining claimants' eligibility and prior management failed to ensure the operating effectiveness of controls over claimants' eligibility determinations, which resulted in payments to ineligible individuals

Finding

As noted in the prior *Single Audit Report*, the staff of the Department of Labor and Workforce Development (LWD), while operating under prior management (which was in place during the majority of the fiscal year 2013 audit period), failed to comply with LWD's Unemployment Insurance (UI) program procedures in determining claimants' eligibility and prior management failed to ensure the operating effectiveness of controls over claimants' eligibility determinations, which resulted in payments to ineligible individuals. LWD could continue to improperly pay tens of millions of dollars each year to ineligible claimants if changes are not made to follow established procedures and to ensure the operating effectiveness of controls in administering the UI program. As a result, this is considered a material weakness in internal control and noncompliance with Office of Management and Budget Circular A-133, "Compliance Requirements for Eligibility."

Our audit work on a sample of 200 paid UI claims for the period July 1, 2012, through June 30, 2013, disclosed that for 36 claims (18%), LWD staff did not maintain required documentation in the case files to support the claimants' eligibility for UI benefits (regular unemployment benefits and dependent allowance benefits). Initial eligibility determinations for these claimants could have occurred as early as the 2011 fiscal year. (See the "Results of Testwork" section below for further information).

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.

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 amount up to the $275 maximum weekly benefit amount. 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 department 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.

Dependent 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 additional benefits for dependents. When eligible, UI claimants will receive an additional $15 for each minor child, not to exceed a total of $50 a week.

RESULTS OF 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 3,388,249 paid claims (weekly payments) of the UI program for the fiscal year ended June 30, 2013. The sample represented $48,349 out of $752,617,557 in total claims paid. Our testwork disclosed that for 40 of the 200 paid claims tested (20%), LWD staff did not maintain required documentation in the case files to support the claimants' eligibility for UI benefits (regular unemployment benefits and dependent allowance benefits). These 40 claims represented 42 errors; two claims contained errors in both the regular unemployment benefits and dependent allowance benefits. Subsequent to audit fieldwork, current management provided the documentation for 4 of the 40 original claims with errors. This reduced the number of claims with errors to 36 and the number of errors to 38. The following results summarize the 38 errors. See the tables below for details on questioned costs.

Test Results for Eligibility

We reviewed the 200 paid claims and related case files to determine if the claimants were eligible to receive UI benefits. We found that 21 of the 200 case files tested (10.5%) did not contain required documentation to support the claimant's eligibility for the UI program. Below is a summary of the discrepancies we noted:

- For 12 claims, the claimants obtained benefits by misrepresenting income for multiple weeks. After benefit payments had been made, employers reported to the department

that these claimants had earned wages, which conflicted with the claimant's previous assertions. For 2 of these 12 claims, the claimants were also ineligible to receive the dependent allowance.

- For 7 claims, there was insufficient (3 of 7) or missing (4 of 7) documentary evidence to justify awarding UI benefits to these claimants.
- For 2 claims, LWD staff improperly approved the claims. For one of these claims, the adjudicator issued the agency decision without considering conflicting information from the employer. The other claim was approved without issuing an agency decision related to a training (non-separation) issue, as required by the department's procedures.

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 72 claims that included a dependent allowance of at least $15. Our testwork disclosed, however, that for 17 of the 72 (23.6%), LWD staff had not maintained the required documents to support eligibility for dependent benefit payments. Two of the 17 claims for dependent allowance payments were included in the 21 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

The table below summarizes our sample errors and the total benefits paid without proper supporting documentation for the period July 1, 2012, through June 30, 2013:

Category	**Eligibility**	**Dependent Allowance**
Sample Size	200	72
Number of Errors	21*	17*
Error Rate	10.5%	23.6%

* Two of the items had errors in both eligibility and dependent allowance testing.

The table below summarizes questioned costs for the 38 errors based on one week of UI and dependent allowance benefit payments made to these 36 ineligible claimants.

Questioned Costs for Benefits Paid for One Week to the 36 Ineligible Claimants

	Federal Funds	State UI Trust Funds	Total
Eligibility Questioned Costs	$1,501	$2,349	$3,850
Dependent Allowance Questioned Costs	$255	$105	$360
Total Questioned Costs	$1,756	$2,454	$4,210

Sample Dollars Tested by Funding Source for One Benefit Week	$16,736	$31,613	$48,349

Total UI Claims Paid for the Fiscal Year Ended June 30, 2013 (Population)	$752,617,557

Based on the results of our sample, we expanded our testwork on these 36 claimants to determine the total amount of UI and dependent allowance benefits paid to these claimants from their first payment through present, February 18, 2014. These questioned costs represent benefit payments occurring as early as fiscal year 2011. These results are shown in the table below.

Questioned Costs for Benefits Paid to the Ineligible Claimants through February 18, 2014

	Federal Funds	State UI Trust Funds	Total
Eligibility Questioned Costs	$64,586	$63,114	$127,700
Dependent Allowance Questioned Costs	$8,274	$6,540	$14,814
Total Questioned Costs	$72,860	$69,654	$142,514

The total amount of all federal questioned costs noted in this finding is $72,860.

Unless LWD ensures the operating effectiveness of controls over the claimant eligibility process for the UI program, the risk of LWD paying UI benefits to ineligible individuals increases.

Recommendation

The current Commissioner of the Department of Labor and Workforce Development 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 should ensure that UI benefits are only paid to eligible claimants. The Commissioner should ensure that payments for the UI program are made based on adequate supporting documentation.

Management's Comment

We concur in part.

As noted in the prior *Single Audit Report*, the Department struggled with an inadequate case management system. When the system completely failed, a manual operations process was the only available alternative. In December 2013, an imaging center was setup in-house:

- Utilized an existing document storage system to house scanned claims material.
- Documents from a variety of sources (mainframe, fax, mail, email, SIDES, etc.) are being directed to this system.
- Searchable by Social Security number, the documents will be readily available for review and claims decisions to be made.

The Department also has concerns over the sample cases used to determine eligibility. By pulling the sample cases from payments, the actual eligibility determinations could have occurred (and did occur) in prior audit periods. Eligibility determinations should have been tested by pulling samples of initial claims filed and decisions made during this audit period.

We do not concur with the lack of documentation for dependent allowances. Prior to August 2013, department policy did not require claims agents to request proof of dependents. A summary policy dated June 2010, stated that the "Agency will conduct random accuracy audits of claims for dependent benefits and claimants may be required to submit documentation satisfactory to establish the existence of the claimed dependent." The audits are conducted as part of the Benefit Accuracy Measurement (BAM) program. The Department was not required to collect this documentation unless selected for the random audit.

Finding Number	2013-028
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-22341-12-55-A-47, UI-23919-13-55-A-47, UI-19610-10-55-A-47, UI-18048-09-55-A-47
Federal Award Year	2008 through 2015
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	N/A

The Department of Labor and Workforce Development's Employment Security Division experienced delays investigating potential overpayments and, for the second consecutive year, experienced delays in answering incoming calls, processing claims, and processing employer benefit charges

Finding

For the second consecutive year, the Department of Labor and Workforce Development's (LWD) Employment Security Division (division) was unable to handle the intake of telephone calls, process those Unemployment Insurance (UI) claims that required staff interactions, and process benefit charge protests from employers, which resulted in backlogs and delays in services. For the audit period July 1, 2012, through June 30, 2013, we identified a new backlog related to the division's inability to investigate potential overpayments promptly. Specifically, we determined the following:

- The division was unable to adequately answer the volume of incoming telephone calls, which hindered its mission to provide unemployment benefits to those individuals who were specifically directed not to or chose not to complete an unemployment claim online (approximately a third of all claims).
- The division was unable to process the volume of new and ongoing claims at the rate they were submitted, which resulted in a continued backlog of claims and delays in providing UI benefits for a significant number of Tennessee's unemployed workers.
- The division was unable to process all incoming employers' protests of unemployment benefit charges, resulting in delays in resolving both employees' separation issues and potential charges to their employer UI trust fund accounts.
- Finally, as of June 30, 2013, LWD's Benefit Payment Control (BPC) unit had not investigated and, where appropriate, established overpayments for a backlog of eligibility cases originally documented at over 60,000 but later revised down to approximately 37,000 by BPC management. Management estimated the potential overpayments at $94.5 million.

In response to the prior audit finding, current management commented that a plan with timelines would be prepared within 90 days to remedy the failed processes and systems. During the audit period July 1, 2012, through June 30, 2013, prior management hired temporary part-time workers to answer phones, approved overtime for experienced staff to reduce the backlogs in the UI program, and added another employee in the Benefit Charge Unit. Current management also hired additional employees after the fiscal year ended June 30, 2013. Despite their efforts, prior and current management were unable to correct the issues above due to the complicated eligibility determination requirements, the lack of experienced staff, a reduction of staff in some areas, and lack of an efficient case management system. Furthermore, prior and current management's efforts were unable to significantly diminish backlogs and delays in services although the majority of unemployment claims were automated and the overall volume of unemployment claims declined by approximately 25% during the audit period July 1, 2012, through June 30, 2013.

Background

The purpose of the UI program is to provide economic security to workers during times of unemployment, according to the Tennessee Employment Security Law, *Tennessee Code Annotated*, Title 50, Chapter 7. The division reported that claimants filed approximately 311,000 regular and partial claims during the 2013 fiscal year as compared with 400,000 reported last fiscal year (a reduction of almost 25%).

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.

While claims are pending approval, claimants are asked to certify weekly and, once approved, will receive benefits for those weeks they are eligible. Once their benefits are approved, claimants are required to certify weekly online or over the telephone that they remain unemployed, are not earning wages, and are actively looking for work in order to continue to meet benefit eligibility conditions as required by state law.

Management uses the Employment Security Combined Online Technology (ESCOT) system to process claims. ESCOT automatically issues weekly unemployment benefits to approved claimants (except for partial claims) who submit a weekly eligibility certification, provided that no other new information has been processed that would result in a denied claim.

Partial benefit claims are submitted by employers on behalf of employees who are laid off or whose hours are significantly reduced temporarily. Employers can file partial claims

weekly or every two weeks for a total of 10 weeks until the claim converts to a regular benefit claim, requiring the claimant to certify each week.

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 eligible for benefits during the audit period may have also received extended benefits beyond 26 weeks through federally funded programs such as the Emergency Unemployment Compensation program. According to Claims Center management, many of these programs are no longer available.

Background: Claimant Options for Applying for UI Benefits

In general, claimants can file initial unemployment claims online or over the telephone. Most 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.

Background: Claims Center Responsibilities and Process

Employment Security Division interviewers are responsible for answering phone calls in the Claims Center and obtaining information regarding initial claims. Employee 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 55 full-time and 51 part-time interviewers at the fiscal year ended June 30, 2013, who were responsible for answering telephones for the intake of new claims and for obtaining information regarding employment separation and personal eligibility issues. In comparison, the division reported a total of 143 full-time and part-time interviewers in October 2012. 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.

Results: 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 that require division staff interaction determined that staff were unable to answer the majority of incoming telephone calls.

We attempted 15 different times during our audit fieldwork to reach the division's staff at the Claims Center. Our calls were made randomly over a three-month period, and we spaced the calls out between each of the weekdays and between mornings and afternoons. We received an automated message on 12 attempts (80%) that informed us that our call could not be taken due to the extremely high volume of calls, and then we were disconnected.

The Claims Center management provided statistics for calls the division received during the fiscal year ended June 30, 2013. According to the statistics for the month of June 2013, the number of calls received had declined and waiting times had decreased since the beginning of the audit period but still needed improvement. Claims Center management reported that approximately 187,000 calls were received by the automated phone system from approximately 79,000 different callers. In approximately 77,000 of 187,000 calls (41%), the caller selected the self-help interface with interactive voice response. Of the remaining 110,000 calls (187,000 less 77,000 directed to self-help) seeking assistance, only 16,000 calls (15%) were answered by Claims Center staff. The Claims Center management reported an average wait time of 55 minutes for the 16,000 calls answered in June 2013.

Claims Center employees' responding efficiently and effectively to claimant phone calls is critical to the claims process.

Background: Adjudicators' Responsibilities

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

Initial claims that lack pertinent claimant/employer information are placed in a collection of pending claims and are not paid until the information can be obtained and evaluated by an adjudicator.

In addition to initial pending claims, when the division receives new information from other state departments, claimants, or employers related to current beneficiaries, the division's staff may place the current beneficiaries' unemployment claims 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 division continues to pay on pending claims (other than initial pending claims) until claimants are determined to be ineligible.

Results: 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. Pending claims awaiting an adjudicator's decision were generally delayed between five to seven weeks before an adjudicator was able to work the claims and generally an additional week to either approve or deny the claims assigned. The resulting backlog remained essentially the same as the prior audit and adjudicators continued to generally take approximately eight weeks to process the pending claims assigned to them.

Based on our review of the pending claim backlog, we determined that division management changed the methodology of how they tracked pending claims based on our 2012 audit recommendation. Specifically, we found that in 2012, division management tracked only selected claim types classified as pending. In 2013, division management reprogrammed the pending claims report to include all claim types that were classified as pending. As a result of the reprogramming, the total number of pending claims increased from 10,968 in August 2012, to 15,489 pending claims (a 41% increase) at June 30, 2013.

We also found that although the volume of initial and subsequent claims declined by approximately 25% during the fiscal year, Claims Center staff were unable to reduce the backlog of pending claims largely due to a reduction in staff. Claims Center management reported that the number of adjudicators and supervisors decreased from 41 in October 2012, to a total of 34 (29 full-time adjudicators and 5 supervisors) at June 30, 2013.

During the fiscal year ended June 30, 2013, current management had at least managed to avoid additional delays in processing the pending claims. As noted in the prior finding and again in fiscal year 2013, the backlog resulted in delays of up to 8 weeks in providing claimants their first unemployment benefit checks.

The division has reported to the U.S. Department of Labor (DOL) that its processing of initial UI benefits payments continues to be below government standards. According to the DOL's *Employment and Training Handbook 336*, to achieve an acceptable level of promptness, LWD must pay 87% of all first-benefit payments to eligible claimants within 21 days from the filing of the claim. The division's reported monthly percentage of benefit payments processed within 21 days was 74.9% for June 2012 and remained below DOL's acceptable level during the fiscal year 2013, reporting its monthly percentage as 82.0% in June 2013.

Background and Results: Management of Claims - Manual Versus Automated

After the department abandoned its efforts to fully implement a case management system during the fiscal year, current Claims Center management developed a manual system to track the processing of new and ongoing claims pending an adjudicator decision. From observation of the new manual tracking process, we noted that this temporary manual process required additional input of information by Claims Center staff and was more susceptible to human errors. In order to ensure all pending claims were accounted for, staff were required to manually reconcile actual pending claims processed by staff to the current and old pending claims reported from ESCOT, the department's claims processing system.

The department's current senior management stated they have identified available system software for unemployment claims case management purposes and as of June 30, 2013, were working with department IT staff and the Tennessee Department of General Services' Central Procurement Office to competitively bid and procure a new automated claims management system.

Background: Benefit Charge Unit Responsibility for Employer Charge Letters

ESCOT generates and sends benefit charge letters to employers each time the division approves a claimant for benefits. The letters notify employers that a former employee has been approved for UI benefits. The division calculates employer premiums yearly based on a formula that considers the number of employees who separated from that employer, through no fault of their own. The division does not include these 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 employee's separation should not be charged to them. Employers are required to complete and return the benefit charge letter for this purpose. The letters are then processed by the staff in the Benefit Charge Unit.

Results: The Benefit Charge Unit Was Unable to Significantly Reduce the Backlog of Returned Employer Benefit Charge Letters

As noted in the prior audit, the Benefit Charge Unit did not process employer response letters until approximately 2 months after the letters were received by the unit. At the present level of staffing, the unit has been able to slightly reduce the backlog of returned employer benefit charge letters; however, the backlog remains significant at 20,233 letters waiting to be processed as of July 5, 2013. The backlog of unprocessed employer benefit charge letters totaled 22,877 in mid-August 2012 and was as high as 31,433 unprocessed letters in February 2013.

The Benefit Charge Unit's inability to process all incoming employer protests of unemployment benefit charges may cause employers to experience delays in resolving employee separation issues or potential premium charges to their employer UI trust fund accounts.

Background: Benefit Payment Control Unit Responsibility for Overpayment Analysis

The division's Benefit Payment Control (BPC) unit is responsible for detecting overpayments of UI benefits and establishing overpayments in the ESCOT system. The BPC unit uses multiple data matches to detect possible overpayments by comparing data from its system with third-party information. These data matches are intended to provide an independent verification of the information provided by claimants or in some cases to identify information not disclosed by the claimants (wages earned). The BPC unit reviews potentially overpaid claims that are identified from information found in Tennessee wage files and national and state new hire listings provided by employers. Other data reviewed by the BPC unit includes data on current state employees, deceased individuals (vital statistics), and prison inmates, which is compared to current UI beneficiaries. The BPC unit also receives tips and leads from various sources, including the UI Claims Center, regarding possible overpayments.

The BPC unit had nine full-time auditors at June 30, 2013, who were responsible for reviewing the results of the data matches, tips, and leads. The BPC auditors were also responsible for obtaining additional claimant and employer statements and information, and then making a decision as to whether an overpayment occurred, whether the overpayment was a result of error by the department or the claimant, and in some cases, whether the overpayment was the

result of fraud on the part of the claimant. The BPC unit had six unfilled BPC auditor positions as of June 30, 2013, two of which were subsequently filled in August 2013. The BPC unit also had eight support staff that assisted with some of the data matches and processing of overpayments established.

Results: The BPC Unit's Inability to Timely Investigate Potential Overpayments Resulted in a Backlog of 37,000 Cases

Based on inquiry of BPC management and staff and other work performed, we determined that the BPC unit's inability to promptly investigate potential overpayments has resulted in a significant backlog and delayed collection efforts. According to BPC management, potential overpaid claims assigned to BPC auditors were originally documented within the BPC unit's tracking system at over 60,000, but current management later revised the backlog down to approximately 37,000 through inquiry of BPC auditors in the field.

Because the BPC unit has been unable to process the backlog of potential overpayments, LWD management in conjunction with Department of Finance and Administration fiscal staff had to estimate the potential accounts receivable related to overpaid claims at June 30, 2013, for the state's *Comprehensive Annual Financial Report.* This estimate of accounts receivable related to potential overpayments totaled approximately $94 million.

Furthermore, because the BPC unit had not analyzed these claims, it could not report these overpayments to the DOL. The Employment and Training Administration (ETA) 227 Overpayment Detection and Recovery Activities report is used by LWD to report its overpayments to DOL quarterly. The ETA and state agencies need the information provided in the report to monitor the integrity of the benefit payment processes. DOL reporting instructions require only those overpayments established by LWD to be reported on the ETA 227 report. We found that LWD accurately reported the overpayments established and recorded in its ESCOT computer system on the ETA 227 report.

When the BPC unit determines that an overpayment has occurred, the overpayment is recorded in LWD's Employment Security Combined Online Technology (ESCOT) computer system. The amounts of overpayments reported on the ETA 227 are generated from ESCOT. Since the backlog of approximately 37,000 cases of potential overpayments waiting to be analyzed by the BPC unit were not in ESCOT, they were not included on the ETA 227 report. Therefore, the information that LWD reported to the DOL did not provide a complete picture of the amount overpaid, number of claimants overpaid, and whether the overpaid amount was due to error or fraud. As a result, DOL may not have been able to fully assess the integrity of LWD's benefit payment process.

According to the past two State Quality Service Plans submitted to the DOL by the BPC unit for the federal fiscal years 2013 and 2014, the BPC unit's performance in the detection of overpayments was 43.31% and 46.94% of the projected (100%) total population of overpayments based on a statistical sample of claims in Tennessee. These performance levels were below the 50% acceptable level established for the detection of overpayments by DOL.

According to current Employment Security Division management, the cause of the backlog was budget restrictions that prevented them from filling vacant positions for BPC auditors and support staff.

Recommendation

The current Commissioner of the Department of Labor and Workforce Development should address the failed processes noted above and 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 letter process, and the BPC unit process.

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 intake of 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. Once an employer registers in SIDES, all notifications to that employer regarding claims filed by the employer's former employees and responses from the employer are communicated electronically through emails with the division, which decreases paperwork and generally reduces the response time on both ends. This application could assist adjudicators in resolving pending claims through communications with employers.

The department's senior management should continue their efforts in finding and implementing a management system that will assist the division in processing claims efficiently and effectively, provide accountability for unresolved claims, and provide adequate storage and retention of supporting documents to claims.

Division management should ensure premium-paying employers are not harmed by delays in processing the employers' benefits charge letters.

Division management should ensure the BPC unit has adequate resources to address the backlog of claims involving potential overpayment of UI benefits so that collection efforts and federal reporting are not harmed and to investigate and, where appropriate, establish overpayments.

Management's Comment

We concur in part.

The Department has already embarked on replacing the outdated mainframe benefits system. The new system is expected to be installed and fully operational within eighteen to twenty-four months. Improved technology will significantly improve operations efficiency. Staffing is being evaluated and positions filled as funding permits. A career ladder is being established so that employees are able to be promoted upward to positions requiring their knowledge and experience. Expectations are to improve the staffing in these units during the remainder of the fiscal year.

Prior to the finalization and release of this audit, the Department's current management has begun initiatives to enhance our operating effectiveness in the UI program with the following actions taken to reduce/manage call volume:

- The IVR was modified in March 2013 by moving self-help options to the front, which allowed more claimants to help themselves.
- Call volume (while still high) was significantly reduced as a result of the self-help features.
- A report form was added to the Department's website in October 2013 to allow claimants to report their issues directly to the claims operation center.
- A new TIPS line was deployed in February 2014 that allows claimants to reset their PIN and to correct incorrect responses to the weekly certification questions.
- The new TIPS is further reducing call volume from claimants with certification issues.

The following steps have been taken in an attempt to manage the claim backlog:

- Ten adjudicator positions were refilled and positions will continue to be refilled as they become vacant.
- The new imaging center is expected to improve the efficiency and timeliness of claim processing by maintaining all documentation in one place.
- Reports have been designed to track the available documentation by claim so that adjudicators are aware of when a claim is ready for a decision.
- Over-time has continued to be utilized to reduce the backlog.

The following steps have been taken in an attempt to reduce/eliminate the backlog of benefit charge requests from employers:

- The Benefit Charge Unit was returned to the Benefit Operations & UI Technical Unit where it was housed prior to moving to the Customer Service Unit. The physical move occurred in September 2013.

- Over-time has been approved and other employees from the Benefit Operations Unit are also assisting.

The following steps are being taken in an attempt to reduce/eliminate the benefit payment control backlog:

- Pending cases within BPC are currently maintained in a FoxPro database on a single PC.
- Cross-match results are loaded into the database from the department's mainframe (ESCOT) but auditors record any over- or under-payments within ESCOT only.
- Auditors are now reviewing all cases assigned to them via FoxPro and eliminating duplications and those that have already been reviewed.
- The backlog numbers indicated are not holding true.
- The ETA Atlanta Regional Office visit (expected in March, 2014) will be utilized to assist in handling these cases.
- New procedures for assigning cases are also underway.
- The procurement of SAS is expected to occur by the end of the fiscal year and should greatly improve the efficiency of assigning cases and reducing fraud.

The Employment and Training Administration's (ETA) 227 Overpayment Detection and Recovery Activities are reported to the federal government on a quarterly basis. The report is a report of overpayments that have been investigated and established. It is not a report of estimated overpayments. As referenced in Section E of ETA 227 report guidelines, "the age of an overpayment amount is determined from the date the overpayment was established. For purposes of this report, the date an overpayment is established is the date the overpayment determination was issued." Under this provision the estimated $94.5 million non-established overpayments would not be reported.

Finding Number	2013-029
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-22341-12-55-A-47, UI-23919-13-55-A-47, UI-19610-10-55-A-47, UI-18048-09-55-A-47
Federal Award Year	2008 through 2015
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$56,590

As noted in the prior audit, the Employment Security Division's key controls for detecting fraudulent claims were not operating effectively or were not in place, resulting in ineligible payments of $150,795 to state employees, deceased individuals, state inmates in county jails, and claimants whose identities were not verified

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. As noted in the prior audit, we found that these controls were not always effective and discovered the division continued to pay unemployment benefits during the fiscal year 2013 audit period to ineligible individuals who were either state employees (19) or deceased (3). During the 2013 audit, we also discovered that the division paid unemployment benefits to state inmates, the majority of whom were incarcerated in county jails (84), and claimants whose identities were not verified (27). Of the $150,795 in payments to ineligible individuals that we detected, $56,590 were federal questioned costs.

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 and to detect contrary 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); prison inmates; Social Security Administration's database of issued social security numbers (identity verification); and new hires for Tennessee and national employers.

In order for management to use the data cross-matches as an effective control to detect ineligible benefit recipients, the data matches must be properly designed and programmed correctly; the cross-match results have to be reviewed by management and staff; and staff must follow up and take any necessary corrective action for benefit overpayments due to error or fraud. In order to test the effectiveness of management's cross-matches:

- we performed testwork on the state employee and vital statistics cross-matches and found that the matches were insufficient to detect ineligible state employees or deceased individuals;
- we performed our own cross-match and found that ineligible inmates were receiving benefits and learned that the division did not perform a cross-match to determine if state inmates in county jails were receiving benefits; and
- we inquired with division staff, who disclosed to us that claimants whose identities were not verified still received benefits.

We describe our testwork and results, including a table of ineligible costs, in detail 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 period July 1, 2012, through June 30, 2013. Our objective was to ensure that any claims paid to state employees were identified through proper programming of the data match, were investigated, and, where appropriate, overpayments were established and subsequent benefit payments were stopped.

Our cross-match identified 19 state employees who inappropriately received unemployment benefits. We asked division staff for their cross-match reports in order to determine if their cross-match had detected these ineligible employees and related benefit payments, but we learned that division staff had not retained all of their state employee cross-match reports. Based on further discussion with division management and review of available reports, we were only able to determine that 4 of the 19 state employees were not identified on the division's cross-match reports. For the remaining 15 state employees we identified, we could not verify that the division's cross-match had also identified them because the division had not retained the respective reports.

We communicated the results of our cross-match to the division and to the LWD Information Technology (IT) Division so that the divisions could investigate why the cross-match might have been ineffective. LWD IT staff was able to explain why 4 of the 19 claims would not have been identified by the division's own cross-match. IT staff stated there was a flaw in the programming logic of the state employee cross-match that occurred when they had attempted to correct a programming logic flaw that we noted in the prior audit. The IT staff determined, and we confirmed, that these four state employees were not identified because of a

timing issue related to claimants' certifications. Subsequently, IT staff stated that a work order had been initiated to reprogram the cross-match to properly identify all matches of state employees, regardless of the timing of the claimants' certifications.

We looked further into the 19 state employees identified in our cross-match. We determined that these state employees either did not report their state wages or only partially reported their state wages on their respective weekly certifications to the division. As of the end of audit fieldwork, the division had not established an overpayment for any of these 19 claims and is currently reviewing these claims to determine whether overpayments should be established. The resulting overpayments totaled $27,263, of which $19,075 was paid from state trust funds and the remaining $8,188 was paid from federal funds and was questioned.

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, 2012, to June 30, 2013. 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 that LWD paid unemployment insurance (UI) benefits totaling $3,408 to three individuals after the dates of death. Two of the three claims, which were state-funded and totaled $1,724, were not detected through the division's cross-match because of a flaw in the programming logic. This flaw was reported in the prior audit and corrected by the division on October 26, 2012; however, these claims were paid prior to the division's corrective action.

For the remaining claim of $1,684, which was federally funded, the division identified the claim in their cross-match but the cross-match results were not reviewed by supervisors, the claim was not assigned to a staff member to investigate, and no overpayment was established. According to division management, the reports containing the vital statistics data match had been printed each week, but hard copies were discontinued and placed on a shared electronic storage database in the winter of 2012. Management did not appropriately communicate the change in procedure, train staff on using the electronic storage software, or adequately supervise division staff responsible for investigating cross-matches.

We also noted that some extraneous information remains on the division's cross-match report. For instance, all reported deceased individuals with prior claims are still posted on the report. Although the reported deaths are current, the report included claims' history for more than ten years and claims that were prior to the date of death and therefore were not relevant. Inclusion of extraneous data impacts the efficiency of the cross-match.

Incarcerated Cross-match

In order to determine if the division's incarcerated cross-match was effective, we performed our own cross-match comparing unemployment benefit recipients to state inmates incarcerated in prisons and county jails for our entire audit period, July 1, 2012, to June 30, 2013. We used incarcerated data from the Tennessee Department of Correction's (TDOC) computer system. We identified 84 incarcerated claimants who were not available for work and were

therefore ineligible for benefits. None of these claims were detected by the division's cross-match; thus, management could not establish overpayments. We individually verified the incarcerated status of each of the 84 claimants for each benefit week with staff at TDOC. The potential overpayments from these 84 claims totaled $100,198, of which $54,476 was state-funded and $45,722 was federally funded.

We communicated the results of our cross-match to the division so it could investigate why their cross-match was ineffective, and we reviewed the division's own incarcerated cross-match report and procedures. The UI Administrator stated that the division does not include state inmates incarcerated in county jails in their cross-match, since those inmates can sometimes be eligible for benefits. She stated that only those inmates incarcerated in state prisons are included in the division's cross-match. We determined that 78 of the 84 incarcerated claimants we identified in our cross-match were state prisoners in county correctional facilities, and those claimants would not have been detected by any of the cross-matches the division performs. We were unable to obtain an explanation as to why the other six incarcerated claimants were not detected by the division's cross-match.

We also evaluated how effective the division was at investigating and establishing overpayments for incarcerated claimants identified in their own cross-match report. We nonstatistically and randomly chose five incarcerated claimants management had identified as potential overpayments and referred to the division's Benefit Payment Control (BPC) unit for investigation. We determined that one of the five potential overpayments (20%) was not assigned promptly (the identified case was left unassigned for over two months) and another case (20%) took the BPC auditor 261 days to resolve after it was first identified on the division's cross-match.

Background on Identity Verifications

LWD is required by Section 1137(a) of 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 social security numbers (SSNs) reported by the claimant with the SSNs on file with the Social Security Administration (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.

The LWD IT Division generates a report of initial claims with any discrepancies in the claimant's information, including name, date of birth, and SSNs reported by the SSA, which is sent to the Employment Security Division's Claims Center. Claims Center staff then mail out requests to these claimants for documentation to verify their identity and to resolve the discrepancies. The letter may ask claimants to submit a copy of their social security card, driver's license, marriage or divorce certificate, or birth certificate, within eight days. If the claimant is unable to provide adequate supporting documentation, then Claims Center staff places a denial code on the initial claim in the department's computer system. The denial code will stop benefit payments made on an approved or pending claim in the system; however, the

code does not prevent a claimant from filing a subsequent claim and receiving benefits, even if the claimant's identity had not been previously verified.

Identity Cross-match Claims Not Initially Verified

During our inquiries with Claims Center staff about the identification verification process, they self-reported to us that unemployment benefits were paid to ineligible claimants whose identities were not initially verified and overpayments were not established, as required by state law. A total of 13 partial claims were flagged during the initial processing stage because the claimants' identity information (name, social security number, or date of birth) was different than what was on file with SSA. While the division was waiting on a response from the claimant, payments for these partial claims were processed automatically. Claims Center staff did not establish overpayments for 11 of the 13 claims, totaling $3,423 paid to the ineligible (unverified) claimants during our fiscal year 2013 audit period. The remaining two claims were paid outside the scope of our audit period. Although these ineligible payments were self-reported by division management, we are required to report them as questioned costs because management had not properly established the ineligible payments as overpayments.

Identity Cross-match Claims Not Subsequently Verified

Claims Center staff also self-reported to us that unemployment benefits were paid to 26 ineligible claimants who filed subsequent claims after initial claims were flagged and denied. As noted in the background, claimants who failed to provide documentation to verify their identities are denied, but no internal control exists to prevent approving the claimant's subsequent claim or partial claim, even if the claimant's identity was still not verified. For 16 of the 26 claims, payments totaling $16,503 were made during our fiscal year 2013 audit period, all of which was state-funded except for $996, which was federally funded. The remaining 10 of the 26 claims were paid outside of our audit period. Although division management self-reported these ineligible payments, we are required to report the payments as questioned costs because management had not properly established them as overpayments.

Through our inquiries, we determined that 22 of the 26 claims identified were subsequently approved through the department's partial claim system. We were informed that the computer system generated an exception report of partial claims for which the claimant had not provided identification information when they initially filed. We were further told that the exception report properly identified the 22 claims as lacking identification information; however, even though the report was distributed to Claims Center staff to resolve, the report results were not investigated and identity verification was not achieved. The remaining 4 of 26 claims related to regular benefit claims (not partial claims described above) and were approved by staff without verification of identification. According to management, they do not have existing policies or procedures that require staff to check regular claims in the system to ensure there were no prior denied claims resulting from a claimant's failure to provide identity verification information. Without established policies and procedures, division management cannot be assured that all claimants' identities are verified before benefits are paid.

Conclusion

We found that the division's cross-match internal controls were ineffective to either prevent or detect benefit payments to ineligible claimants. Furthermore, when the division's controls did identify potential ineligible claimants, it failed to properly follow up and stop the UI benefits and to establish overpayments as appropriate.

The department's failure to ensure the operating effectiveness of controls over eligibility determinations, as discussed in 2013-027, have increased the importance of detection controls, such as the cross-matches described in this finding. To be effective, however, the cross-matches must be designed and programmed correctly, and the results must be investigated and, where appropriate, overpayments established. Otherwise, there is an increased risk of undetected and continued benefit payments to ineligible claimants.

A table of all combined payments to ineligible claimants from these ineffective controls is exhibited below.

Table of Ineligible Costs

Category (# of Matches Requiring Follow-up)	State-Funded	Federally Funded	Total Ineligible Payments
State Employee (19)	$19,075	$8,188	$27,263
Deceased (3)	$1,724	$1,684	$3,408
Incarcerated (84)	$54,476	$45,722	$100,198
Not Initially Verified (11) (**Initial claims were approved but individuals' identities were not verified.**)	$3,423	-	$3,423
Not Subsequently Verified (16) (**After initial claims were denied, subsequent claims were approved but individuals' identities were not verified.**)	$15,507	$996	$16,503
Total (133)	**$94,205**	**$56,590**	**$150,795**

Subsequent Corrective Action

On February 11, 2014, in a hearing before the House Consumer and Human Resources Committee, the UI Administrator stated that the division performs a cross-match for inmates in county jails. Since this corrective action was taken after our fiscal year 2013 audit period, we will confirm the effectiveness of the new cross-match during our next audit.

Recommendation

The UI Administrator for the Employment Security Division should ensure that the department's cross-matches are properly designed and are operating effectively through communication and coordination between the Division of Information Technology and the UI

Benefit Payment Control unit. Additionally, the Administrator should coordinate with representatives of third parties who provide data the division uses in its cross-match reports to determine if these reports continue to meet the division's objectives.

The UI Administrator should ensure that supervisors review the cross-match results to ensure that the claims identified for follow-up are assigned to staff and are properly investigated, and that overpayments, where appropriate, are established timely. In addition, the Administrator should ensure that staff is properly trained on the follow-up procedures to ensure benefits are only paid to eligible claimants. Furthermore, the Administrator should consider establishing computer controls to prevent claimants whose identity was not verified from receiving future benefits on partial or subsequent claims. Also, she should ensure that policies and procedures are developed to guide staff on resolving claims for claimants who fail to provide identity verification.

Management's Comment

We concur in part.

We do not concur in all cases the claims cited are overpayments. Cross matches are simply indicators of possible overpayments, and must be fully investigated, and if warranted an overpayment established.

As stated in other findings, the department continues to pursue replacement of existing systems. The mainframe replacement will be the primary system impacted, but this would also include the FoxPro database where most of the cross-match hits are maintained. This will be replaced by SAS which is expected to be in place by the end of the fiscal year.

The Department has already begun a review of cross-match files to determine if the most appropriate information is being used.

Cross-matches:

- The state-employment cross-match programming logic discovered during the audit was corrected during the audit. In addition, 16 of the 19 cases noted have been set up as overpayments. The other three were not overpayments.
- Overpayments have also been investigated and setup on the three Vital Statistics cross-match cases. The documentation from the cross-match will be further reviewed and revised.
- The incarcerated cross-match results were based on a completely different file than the one currently received from the Department of Corrections. The department is reevaluating the file currently received and if more comprehensive information is available. A weekly cross-match may be pursued.

- An automated stop payment code has been proposed as a way to prevent issues from the identity cross-match. It will be reviewed and implemented as soon as possible.

The new UI Integrity Director is reassigning cross-match reports to central office staff to result in more timely responses.

Finding Number	2013-030
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-22341-12-55-A-47, UI-23919-13-55-A-47, UI-19610-10-55-A-47, UI-18048-09-55-A-47
Federal Award Year	2008 through 2015
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	NA

As noted in the *2012 Single Audit Report*, the Department of Labor and Workforce Development's staff, operating under prior management, improperly classified overpayments of unemployment claims with fraud indicators as overpayments due to errors rather than fraud, increasing the risk that claimants submitting fraudulent claims could remain in the system for possible future benefits

Finding

As noted in the *2012 Single Audit Report*, the Department of Labor and Workforce Development's (LWD) Employment Security Division (the division), while under prior management which was in place during the majority of the fiscal year 2013 audit period, improperly classified overpayments of unemployment claims with fraud indicators as overpayments due to errors rather than fraud. 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.

Although prior division management issued new guidelines regarding the determination of overpayments as fraud or error in the prior audit period, the division's Adjudication unit continued to establish and classify overpayments as errors despite the indications of fraud in information provided by the claimants. These improper classifications increased the risk that claimants who had committed fraud were not properly disqualified from the Unemployment Insurance (UI) program. Additionally, this increased the risk that LWD was not collecting penalties and interest for fraudulent claims, as prescribed by state law.

Background

According to state regulations, individuals filing UI claims with the department must meet certain monetary earnings requirements from their past employment and must be currently unemployed or earning less than their weekly benefit amount, up to the $275 maximum weekly benefit amount. Once the monetary requirements are met, other non-monetary eligibility requirements must be met before a claim should be approved. For example, a claimant must have separated from their most recent employer through no fault of their own.

Once the division determines that a claimant is eligible for UI benefits based on the initial information provided by the claimant, the claimant must then make weekly certifications beginning at the time of the initial application and continuing throughout the period in which they receive benefits. This certification process includes a requirement that claimants report any wages they earned during the week. The division approves claims and pays unemployment benefits based on the information received from these weekly certifications.

The division is responsible for ensuring not only that UI benefit claimants meet eligibility requirements before claims are paid, but also that claimants continue to remain eligible for benefits. The division staff cross-matches data by comparing data in the unemployment benefits computer system to data obtained from third parties, including other departments and employers, to determine if the claimants remain eligible for benefits. Cross-matches of data are intended to provide independent verification of the information provided by claimants. Division staff also flag current claims for review when they receive new information from claimants, employers, or other departments. Division staff is responsible for investigating this new information to determine if claimants remain eligible for benefits and if overpayments of benefits have occurred. Generally, payments of unemployment benefits are continued until staff can consider the new information.

If it is later determined that a claimant received benefits for a week or weeks for which they were not eligible, an overpayment is established for the amounts paid for those weeks. The claimant is responsible for reimbursing the department for the established overpayment, regardless of whether it is due to claimant error or fraud.

For overpayments that are due to fraud, 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.

Division procedures require claims with fraud indicators to be reviewed exclusively by investigators within the Benefit Payment Control (BPC) unit rather than by the Adjudication unit. As noted earlier, 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.

The Adjudication unit is responsible for resolving any issues regarding claimant eligibility and for processing any respective overpayments due to errors. The Adjudication unit is required by policy to forward any possible overpayments due to fraud to the BPC unit.

BPC unit investigators are responsible for determining whether the division has overpaid claimants and whether penalties and any corresponding interest should be assessed on claimants when their claims have fraud indicators. The BPC investigators also determine disqualification periods for claimants who had 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.

Prior division management updated the division's policies and procedures in April 2012 to assist staff in classifying potential overpayments due to claimant fraud. As noted in this audit and the prior audit, however, claims with fraud indicators were not always forwarded to the BPC unit.

Results of our Testwork

We obtained a population of 842 overpayments, valued at greater than $1,000 per overpayment, which had been established by the division's Adjudication unit during the fiscal year 2013 audit period. We examined a non-statistical, random sample of these overpayments to determine if the claims contained indications of claimant fraud.

Based on testwork performed, 5 of 25 overpayment determinations (20%) made by the Adjudication unit were improperly classified as errors. We found that these five claims contained fraud indicators. The respective supporting documents did not state why the overpayments were classified as errors rather than claimant fraud. It should be noted that these five claims were improperly classified while staff were operating under prior management. Prior division management should have submitted these claims to the BPC unit to review for fraud, as required by the division's policies and procedures.

When division management does not ensure that overpayments are properly classified as either due to error or fraud, there is an increased risk that claimants who committed fraud will not be properly disqualified from the UI program. Additionally, there is an increased risk that the division will not collect penalties and interest for fraudulent claims, as prescribed by state law. The prior Commissioner and top division management, which were in place for the majority of the fiscal year 2013 audit period, did not identify these risks in the department's annual risk assessment.

Recommendation

The administrator of the Employment Security Division should ensure that overpayments with fraud indicators are properly classified and treated as fraudulent.

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

Division management, in conjunction with the internal auditor, should periodically monitor the Adjudication unit's overpayment decisions, including high-dollar overpayments, to

determine whether the Adjudication unit is properly processing only those overpayments due to errors and whether the BPC unit is properly processing overpayments with fraud indicators.

Division management should further refine the definition of potentially fraudulent claims and include more examples of those types of claims that should be referred to the BPC unit. Management of both the Adjudication unit and the BPC unit should continue to train staff accordingly.

The current Commissioner and upper management should ensure that the risk of improper classification of fraud overpayments as errors is specifically addressed in LWD's risk assessment and that mitigating internal controls are placed into operation.

Management's Comment

We concur.

Prior to the finalization and release of this audit, the Department's current management has begun initiatives to enhance our operating effectiveness of the UI Program to include the following:

- The UI Integrity Unit has a new Director who was appointed December 1, 2013.
- The department has requested a complete review of the programs within this unit by the U.S. Department of Labor's Employment and Training Administration (USDOL-ETA). ETA Atlanta Regional Office staff were originally scheduled to be onsite March 4-7, 2014, to review processes and advise program staff. The review will be rescheduled for later in March 2014.
- The fraud/non-fraud definition will be reviewed and clarified with ETA staff.
- A lean event for Benefit Payment Control (BPC) was held February 25-28, 2014.
    - The primary issue was the workflow for overpayments, both fraud and non-fraud.
    - A functional alignment of overpayments within the BPC unit will occur, before the end of the fiscal year.
- Supplemental funding from USDOL has been obtained to purchase a statistical analysis package designed to detect fraud. The purchase of SAS is expected by the end of the fiscal year. The software has been effectively utilized by other state agencies including TennCare.

The department's risk assessment submitted in December 2013 included the risk of improperly classifying unemployment insurance overpayments as non-fraud, rather than fraud.

Finding Number	2013-031
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-22341-12-55-A-47, UI-23919-13-55-A-47, UI-19610-10-55-A-47, UI-18048-09-55-A-47
Federal Award Year	2008 through 2015
Finding Type	Material Weakness
Compliance Requirement	Eligibility
Questioned Costs	N/A

As noted in the *2012 Single Audit Report*, under both prior and current management, 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

As noted in the *2012 Single Audit Report*, under both prior and current management, the Department of Labor and Workforce Development's (LWD) Employment Security Division (division) did not have adequate controls over its Unemployment Insurance (UI) claims online automated approval process to prevent or detect improper payments to ineligible claimants. Although current division management stated that it would review the controls for adequacy, we found that the computer system used in processing online claims still included an uncorrected programming issue. In addition, the manual claim reviews by staff, implemented as a compensating control, were still not always performed during the fiscal year 2013 audit period while under prior management. We also noted a new deficiency for the fiscal year ended June 30, 2013, that division management needs to strengthen procedures to ensure staff incorporate electronic responses from employers into the approval process.

The division is, as required by Tennessee Employment Security laws and regulations, responsible for determining eligibility and disqualification provisions for individuals seeking benefits from the UI program. We found that the division's lack of controls involving the online process increased the risk that payments were made to ineligible claimants.

We were unable to test a sample of claims approved through the online automated approval process because division management could not provide us with the population of payments made specifically through this process. In total, the division processed 3,388,249 checks for claimants in the amount of $752,617,557 for the fiscal year ended June 30, 2013. Management estimated that approximately 12% of all approved claims, which included partial claims, were approved through the online automated approval process.

Although we could not test the population of online automatically approved claims, we did perform eligibility testwork on all paid claims, regardless of how they were approved, and

we have reported the number of ineligible claims and questioned costs related to division management's lack of controls for all paid claims in our eligibility finding (2013-027).

Background of Approval Process for Unemployment Claims

According to state regulations, individuals filing UI claims with the department must meet certain monetary earnings requirements from past employment and must be currently unemployed or earning less than their weekly benefit amount up to the $275 maximum weekly benefit amount. Once the monetary requirements are met, other non-monetary eligibility requirements must be met before claims should be 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 laid off the employee;
2. quit - where the employee 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 division staff before a decision to approve benefits can be made. For division staff, the lack-of-work issue is generally the easiest to resolve as it only involves verification with the employer that the separation was due to lack of available work for the claimant.

Programming Weakness in Division's Online Automated Approvals

The division used a computer program to assist in processing UI claims including lack-of-work claims. This program automatically approved lack-of-work claims filed online, over the telephone at the Claims Center, or at local offices.

The online claims were processed daily in the division's Employment Security Combined Online Technology (ESCOT) computer system. This system assigned a decision/issue code of 45/00 when claimants stated that they separated from the employer due to a lack of work with no other issues (for example, additional earnings from a second source). Once code 45/00 claims were filed, the system generated a verification letter that was mailed to the most recent employer stating that the claimant had filed for UI benefits and had claimed to be separated from employment due to a lack of work. The letter requested that the employer respond to the division, but only if the employer disagreed with the claimant's assertion that his or her separation from employment was due to a lack of work. If the division did not receive a response from the employer within 14 days following the date that the claim was filed, the computer program automatically approved the claim and benefits began. The employers' responses were used to verify former employment and identify only those employees who separated for reasons other than lack of work, since all other types of claims had to be approved manually by division staff.

Our review of the process identified a weakness regarding the lack-of-work verification letters not always reaching the employer. This weakness was related to the computer programming of ESCOT and the online claims process.

The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit LWD's system. 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 LWD management with detailed information regarding the specific vulnerabilities we identified, as well as our recommendations for improvement.

Lack of Documentation for Manual Reviews

Division staff conducted a manual review of code 45/00 claims to compensate for the weakness in the online application process noted above. Prior division management added this manual review to ensure that each code 45/00 claim would be examined by staff before the computer system automatically approved the claimant's request for benefits.

Prior management did not design the database to capture and maintain details related to the initial coding for 45/00 claims, and the codes changed to 01/00 once the claims were approved. Therefore, the department could not provide us with the complete population of 45/00 claims from which to select a sample to test.

We were able to identify 12 approved claims that originated as code 45/00 claims that were part of our overall eligibility testwork. Based on testwork performed on these 12 code 45/00 claims, we found that 2 of them (17%) lacked documentation that they were reviewed before they were approved. As a result, division management could not be assured that all 45/00 claims were properly reviewed and that respective claimants were eligible for benefits. It should be noted that the two claims that lacked documentation of review were filed under prior management.

Lack of Adequate Procedures to Incorporate State Information Data Exchange System (SIDES) Responses

The division also used SIDES, a computer system developed through a strategic partnership with the U.S. Department of Labor to improve communications with employers that chose to participate. Those employers could view and respond electronically to correspondence from the department, such as lack-of-work verification letters, through their SIDES account.

We found an example of a 45/00 claim that was automatically approved, although the division had received a timely response from the respective employer through SIDES which disputed the separation issue. This particular claim was filed and approved under prior management. Division management stated they did not have adequate procedures established for staff to determine if any responses from employers had been received through SIDES prior to the automatic approval of the code 45/00 claims. As a result, management could not be assured that all respective claimants were actually eligible.

Conclusion

Because of programming issues with ESCOT and the online claims process, management could not be assured that employers appropriately received lack-of-work verification letters. If employers did not receive lack-of-work verification letters, they did 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. After confirming the programming issues in the prior audit period, prior division management implemented a manual review of lack-of-work claims as a compensating control. Prior division management, however, did not ensure that the manual reviews were performed. In addition, prior and current division management did not establish adequate procedures that ensured staff incorporated electronic responses from employers received through SIDES into the approval process.

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.

Recommendation

The current 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 certain 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 2013-028.

When the automated process is working effectively, the Commissioner should reassess the necessity of department staff manually 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 after approvals.

The Claims Center Director should strengthen procedures to ensure that any response to a lack-of-work verification letter received timely from an employer through SIDES is appropriately incorporated into the approval process and reviewed prior to any automatic approvals.

Management's Comment

We concur in part.

The online automated approval of claims occurs only after a review is conducted by a claims agent. Lack of work claims filed online are reviewed by an assigned agent; an employer letter is sent; and lacking any employer response, will approve on the 12th day. Claims filed as lack of work, but actually are found to be another issue, would have the issue code changed.

Prior to the finalization and release of this audit, the Department's current management has begun initiatives to enhance our operating effectiveness in the UI program to include the following:

- The review of online filed claims will continue to be re-evaluated.
- State Information Data Exchange System (SIDES) response letters are already being directed into the imaging storage.
- Employer responses received via mail or fax are also being directed to the imaging storage.
- It is anticipated that the new UI Benefits system will include tracking abilities.

The Department does not concur with the recommendation referencing a programming issue. The issue referenced was completed prior to the audit period.

Auditor's Rebuttal

We disagree with management's contention that the programming issue was corrected. Based on discussions with Claims Center management and IT staff and review of supporting documentation, the referenced programming issue still existed as of March 12, 2014.

Finding Number	2013-032
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	UI-22341-12-55-A-47, UI-23919-13-55-A-47, UI-19610-10-55-A-47, and UI-18048-09-55-A-47
Federal Award Year	2008 through 2015
Finding Type	Significant Deficiency
Compliance Requirement	Eligibility
Questioned Costs	N/A

As stated in the *2012 Single Audit Report*, the Department of Labor and Workforce Development's Employment Security Division did not obtain certifications from certain claimants, which increased the risk of ineligible individuals receiving unemployment benefits

Finding

As stated in the *2012 Single Audit Report*, both the prior and current management of the Department of Labor and Workforce Development's (LWD) Employment Security Division (the division) did not require all unemployment benefit claimants to make weekly certifications regarding their eligibility status during the fiscal year 2013 audit period. The division's failure to require these certifications increased the risk of ineligible individuals receiving benefits.

The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit LWD's system. 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 LWD management with detailed information regarding the specific vulnerabilities we identified, as well as our recommendations for improvement.

Background

Under the state's Unemployment Insurance (UI) 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 administers the UI program and determines eligibility and disqualification provisions, as required by the Tennessee Employment Security laws and regulations. The division is responsible for obtaining certifications from either claimants or their employers to determine whether claimants' eligibility statuses have changed. These weekly certifications include a set of questions for the claimant and require attestations to eligibility items.

Claimants may apply for either regular or partial benefits, depending on their circumstances. The division requires claimants applying for regular benefits to make weekly

certifications via telephone or internet regarding their eligibility status. Partial unemployment claims are filed by employers (rather than claimants) on behalf of employees. Partial benefits are given to employees that employers must either lay off temporarily or significantly cut employees' work hours (less than four full days per week), and whose earnings are less than the weekly benefit amount. Employers can submit partial claims in hard copy through the mail (bi-weekly) or electronically through the internet (weekly). Approximately one-third (75,000) of all paid claims processed by the division were partial claims, and the majority of the partial claims were filed online. Although the division could have required all claimants to provide weekly certifications via telephone or internet, they have historically chosen to treat partial benefits differently; therefore, in order to expedite the process, the division did not require weekly certifications from all partial benefit claimants.

Problem Noted in the Prior *Single Audit Report* That Remained Uncorrected

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 employees completed and signed to attest to their eligibility status, but the division did not require this attestation for all partial claims during the fiscal year 2013 audit period.

The Division's Corrective Actions Taken After the Fiscal Year 2013 Audit Period

In response to the prior-year audit finding, current division management implemented changes to address the conditions noted above after the fiscal year 2013 audit period. Management added a disclaimer to the department's website stating that all employers must obtain and maintain their employee's worker's statement, which attests to the employee's eligibility status for each week that the employer is submitting a partial claim on behalf of the employee. Although employers submitting claims must agree to obtain and maintain workers' statements, the division has no process to verify that the employers have obtained these statements.

Conclusion

Management's actions implemented after the fiscal year 2013 audit period should improve employers' and claimants' awareness of eligibility requirements and the importance of weekly updated information. Still, without a process for verifying that employers obtained weekly certifications, such as auditing a sample of weekly certifications, the division cannot be assured that claimants who qualified for partial benefits were eligible during subsequent benefit periods.

Additionally, the prior Commissioner and top division management did not identify this risk in LWD's annual risk assessment.

Recommendation

Employment Security Division management should ensure that all claimants, including those associated with partial benefit claims, provide weekly certifications either to employers or to the division. Division management should develop a process for division staff to audit a sample of these certifications to verify that claimants are eligible for benefits and that employers are maintaining certifications as required. Finally, the current Commissioner and top division management should include the risk identified above in LWD's annual risk assessment.

Management's Comment

We do not concur.

The Department has utilized an online automated partial claims filing system for several years. The system was designed as an easy way for employers to file claims for their job-attached workers.

Automated Partial System (APS):

- Employers file the claim for their employees.
- By virtue of the employer filing, employer approval is granted.
- Claims are processed quickly (usually within 7-10 days).

As of July 1, 2013, the APS was modified to provide employers with a certification form for employees, a limit of 10 consecutive weeks of filing was imposed, and employers had to provide a return to work date. Employers had to consent to these requirements to use the system.

The department's risk assessment submitted in December 2013 included the risk of employers having insufficient documentation for the claimant's certification for partial claims.

The Department is committed to reviewing the current process and requirements. A quarterly review of a sample of partial claims will be designed and implemented before the end of the fiscal year. Based on the results of the quarterly reviews, additional modifications may be necessary.

As a preliminary review of the potential issue with the Automated Partial System, the Department examined partial claims files during two separate periods. During the first period, employers were able to file for up to 15 consecutive weeks. As of 7/1/2013, employers were limited to 10 consecutive weeks, had to provide a return to work date, and also had to agree to the certification issue. The table below provides the results:

Claim Effective Dates	Number of SSN's Partial Claims Filed	Number of SSN's With Overpayments	Amount of Those Overpayments
07/01/2012 – 06/30/2013	20,358	194 (0.95% of partials filed)	$46,744
07/01/2013 - present	10,332	37 (0.36% of partials filed)	$11,922

With less than 0.4% having an issue after our latest modifications to the system last July, the numbers do not indicate this to be a significant issue.

Finding Number	2013-033
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-20221-10-55-A-47, AA-21423-11-55-A-47, AA-22963-12-55-A-47, AA-24120-13-55-A-47, DI-22464-11-75-A-47
Federal Award Year	2009 through 2015
Finding Type	Noncompliance
Compliance Requirement	Program Income
Questioned Costs	$77,400.57

For the second consecutive year, one subrecipient of the Department of Labor and Workforce Development failed to report revenue generated from Workforce Investment Act funds and used the revenue to offset expenses not specifically related to the federal program, resulting in $77,400.57 of federal questioned costs

Finding

For the second consecutive year, the Knoxville-Knox County Community Action Committee – Local Workforce Investment Area 3 (LWIA 3), a subrecipient of the Department of Labor and Workforce Development (LWD), failed to report to LWD program income that it generated using Workforce Investment Act (WIA) funds. In addition, LWIA 3 improperly used the program income to offset its operating costs, rather than to specifically offset its WIA program expenditures. As a result, we questioned costs of $77,400.57.

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). Federal regulations require WIA recipients and subrecipients to report program income. Based on LWD's *Supplementary Financial Guide*, LWIAs are to submit quarterly the receipts and disbursements of program income to LWD on the program income status report. LWD should in turn report the program income to the U.S. Department of Labor on the appropriate quarterly status report.

While performing follow-up work on the prior audit findings, we confirmed with management at LWIA 3 that their assistant director provided training to other LWIAs, which is allowable. The revenue that LWIA 3 earned from the training services the assistant director provided is considered program income; however, for the second consecutive year, LWIA 3 failed to report to LWD the revenues earned (gross or net program income) or the expenses incurred for this training, as required. As a result, LWD management did not report the program income to the U.S. Department of Labor.

In addition, 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. These regulations allow the recipients and subrecipients to use the generated program income to pay other costs incurred under the grant. 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."

According to LWIA 3's general ledger, the amounts recorded as revenue and expenses for these training services for fiscal year 2013 were as follows:

Gross program income	$ 109,867.61
Less: total expenses	32,467.04
Net program income	$ 77,400.57

When we first identified this deficiency in the prior audit, discussions with LWIA 3 management disclosed that they did not consider the revenue generated by the training as program income and thus did not report the revenue to LWD. The LWIA 3 Fiscal Services manager stated that the net income earned from the training (revenue less expenditures) is used to offset the costs of the agency's operations, not specifically WIA program expenditures. Therefore, the net program income, totaling $77,400.57, is questioned costs. Our basis for the questioned costs is the LWIA 3 general ledger balances scheduled above.

In the prior audit report, we also noted that LWD management was unaware of the program income generated by LWIA 3 and was, therefore, unable to report it to the U.S. Department of Labor, as required. We formally communicated the deficiency to the prior Commissioner of LWD on March 5, 2013. The Governor permanently appointed the current Commissioner on June 12, 2013. According to the current Commissioner, corrective actions were initiated to address the prior audit finding during fiscal year 2014, which falls outside the scope of our current audit (July 1, 2012, through June 30, 2013). Therefore, we will evaluate the effectiveness of those corrective actions during our next audit.

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 for our audit period. LWD management did not identify a risk of subrecipients' improper use of program income. Without effective procedures and proper follow-up, the risk of not reporting or misusing revenue generated with federal funds increases.

Recommendation

The Commissioner should ensure that management at the LWIAs reports revenue generated by using the WIA funds as program income, as required by LWD policies and federal regulations. The Commissioner or his designee should ensure that personnel at the LWIAs are aware of the requirements for reporting and utilizing program income. The Commissioner or his designee should ensure that effective procedures to mitigate the risk of subrecipients failing to

report or misusing program income are established and appropriately documented in management's formal risk assessment.

Management's Comment

We concur in part. We concur that the risk assessment submitted in December 2012 did not explicitly identify a risk of subrecipients' improper use of program income. However, this risk assessment did include the risk of improper usage of funds, which would have included program income. The risk of improper usage of funds has continued to be identified in the risk assessment submitted in December 2013.

Also, since this issue has been reported as a finding for the second consecutive year, we will evaluate the process for obtaining case management training at the LWIA level to determine the best use of federal funds. Our goal is to complete this evaluation by June 30, 2014.

We do not concur with the assertion that this is program income. Title 29, Section 97.25(b), *Code of Federal Regulations*, defines program income as "gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period." This is not program income, due to the two following reasons:

- First, only a portion of the assistant director's salary and benefits were charged to the WIA grant. As part of the corrective action from the prior audit finding, LWIA 3 began, in July 2012, allocating the assistant director's salary and benefits to appropriate programs at the end of each pay period, based upon the number of hours worked in the respective programs. Starting in July 2012, the portion of salary and benefits associated with this training activity is charged directly to the training expenditure account and is not associated with the WIA grant. So, the WIA grant is not supporting this training activity.
- Second, LWIA 3 draws federal WIA funds from the Department of Labor and Workforce Development on a reimbursement basis. These reimbursements are for actual WIA expenditures only, not budgeted amounts, and do not include any amount associated with the training. The reimbursements include the allowable and allocable WIA expenses for the assistant Director's salary and benefits.

Finding Number	2013-034
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-20221-10-55-A-47, AA-21423-11-55-A-47, AA-22963-12-55-A-47, AA-24120-13-55-A-47, DI-22464-11-75-A-47
Federal Award Year	2009 through 2015
Finding Type	Significant Deficiency and 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 requirements

Finding

As noted in the prior year audit, management at the Department of Labor and Workforce Development (LWD) and management at its Local Workforce Investment Areas (LWIAs) did not comply with the U.S. Department of Labor's Training and Employment Guidance Letter (TEGL) 17-05 and Section 185 of the Workforce Investment Act of 1998 (WIA).

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

Improper Exit Activity Reporting of WIA Program Participants

For the period July 1, 2012, through June 30, 2013, we selected a sample of 234 WIA program participants reported as active from a population of 29,709 participants and reviewed the related documentation to evaluate the participants' eligibility, activities, and outcomes. Our inspection of the participants' documentation revealed that for 77 of the 234 participants (33%) 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.

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

Program	Files Tested	Overall Errors	Overall Error Rate	Still Active But Should Have Been Exited	Error Rate	Was Not Exited Timely	Error Rate
Adult	78	22	28.2%	16	20.5%	6	7.7%
DW	78	28	12.0%	16	20.5%	12	15.4%
Youth	78	27	11.5%	15	19.2%	12	15.4%
Total	**234**	**77**	**32.9%**	**47**	**20.1%**	**30**	**12.8%**

Our review of the participants' files disclosed that of these 234 participants, there were 47 participants identified as active that should have been exited from the WIA program, and there were 30 participants that were not exited in a timely manner, as required by TEGL 17-05.

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 six years ago were still reported as active during the fiscal year 2013 audit period.

No Evidence of WIA Program Participants' Completion of Training or Attainment of Education Credentials

We also reviewed WIA program participants' files for evidence of completion of the skills training or attainment of the education credential requirement as a prerequisite for obtaining a job, and 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 234 participant files disclosed 126 participants had enrolled in the WIA program to receive training, but 11 of the 126 files (8.7%) did not contain evidence that the training was completed. Below is a summary of the results of our review.

Program	Number of Files Tested	Overall Errors	Overall Error Rate
Adult	42	5	11.9%
DW	40	4	10.0%
Youth	44	2	4.5%
Total	**126**	**11**	**8.7%**

In addition, we noted that one participant who failed the training was inaccurately reported in eCMATS as having attained the education credentials (GED).

The WIA, Section 185, entitled "Reports; Recordkeeping; Investigations," requires that documents related to WIA program participants be maintained on file to facilitate accurate reporting.

Based on inquiry of management and staff at the LWIAs, we found that the case managers did not have proper training on exit requirements established by the TEGLs, did not adequately assess the skills and training needs for the participants, and had excessive participant caseloads resulting in delayed follow-up and exit of the participants. Also, supervisors did not ensure that the case managers were following up with the participants and updating eCMATS timely.

Without the LWIAs' case managers properly evaluating and assessing the participants' skills and training needs at the time of enrollment in the WIA program, the risk of failure to achieve the participants' goals increases. Also, without accurate reporting of WIA program participants' activities, progress, and outcomes by the LWIAs, the risk of program noncompliance increases which could jeopardize future federal funding.

Recommendation

The Commissioner of the Department of Labor and Workforce Development or his 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, LWD management should ensure that LWIA personnel obtain, and maintain on file, the certificates of completion and education credentials attained for the WIA participants who complete training funded by the program. The Commissioner or his designee should ensure that personnel at the Local Workforce Investment Areas are provided sufficient and proper case management training.

Management's Comment

We concur in part, with the assertion this is an unresolved issue and remains a part of our ongoing corrective action plan per the Final Determination issued by USDOL on November 12, 2013.

We do not concur with the assertion there is no evidence of WIA participant completion of training or attainment of credentials/certificates. LWD's business rules permit case notes, letters, and surveys to serve as full documentation of completion and credentials as it replicates USDOL guidance on data element validation and source documentation requirements.

The finding asserts LWD management stated that, based upon the prior year audit, appropriate action will be taken to ensure that the local managers of the Workforce Investment Act (WIA) program report accurate and up-to-date information on exit activity, activities, and outcomes of training. As a result, LWD continues to implement a systematic plan and appropriate actions to correct each aspect of the finding. Analyses of lagging WIA participant records, quarterly reports from local areas accounting for all active WIA participant records, documented case management training, and data validation error reports showing significant improvements, all were carried out and submitted to USDOL as documentation of corrective action.

- On November 12, 2013, US DOL issued its Final Determination on this finding, and asserts that, based on the above, the finding is corrected.

LWD's MIS and our Quarterly Participant Tenure Reports continue to control the accuracy of activities, exits, and outcomes of participant records in the system, especially records inadvertently in the system beyond the requirements of TEGL 17-05. LWD managers and the University of Memphis ran the most recent Quarterly Participant Tenure Report covering registrations on or prior to December 31, 2011, and observed the following results:

- Among the WIA active participant, 1,978 had WIA registration dates in 2011 or earlier. The majority of active client records, 74.7%, had registration dates in 2011, 17.9% had registration dates in 2010, while approximately 7% had registration dates in 2009. Less than 1% (12) of the active clients had registration dates before 2009.

The tenure reports also consist of LWIA-specific worksheets listing all active clients, and distributed to each affected LWIA with instructions: to update the MIS activities if further services have been or will be provided to the participant, or exit the participant record on the last date of service, as required by TEGL 17-05. Of the sample of participant records provided to us during the audit:

- The most recent Participant Tenure Report and LWD management, focusing on the local areas most affected, have handled the needed exits or updates to active services for 2011, as required by TEGL 17-05. Fortunately, the Participant Tenure Report for 2012 active records was being prepared and processed during the audit, and LWD management needs to have the opportunity to complete the systematic plan put in

place after the prior audit, including on-going case management training, which documentation was provided during the audit. Rather than a finding, we propose this issue to be considered an unresolved issue, and not included in the findings of the current audit.

The finding also asserts there is no evidence of WIA participant completion of training or attainment of credentials/certificates. It goes on to state LWIA managers should keep on file certificates of completion and credentials. On this point, we observe the following:

- LWD's "Tennessee Data Element Validation Tool – Workforce Investment Act (expires February 1, 2015)" demonstrate that LWD's business rules permit case notes, letters, and surveys to serve as full documentation of completion and credentials. This validation tool has been in place as LWD's business process since 2010, and it basically replicates US DOL guidance on data element validation and source documentation requirements.
- The eleven (11) credential/certificate errors are described as having only progress notes, which clearly are allowable documentation of completion and credential attainment, as shown by LWD's business rule noted above.

LWD's data validation results show significant improvements year-to-year, to the point that most data items show error rates $\leq$ 5%, and again, the strategic plan put in place to handle these prior issues needs the opportunity to be successful, and thus the audit report rightly should exclude this draft finding.

Finding Number	2013-035
CFDA Number	20.509
Program Name	Formula Grants for Other Than Urbanized Areas
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	TN-18-X031
Federal Award Year	2012
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	$46,167

As noted in the prior three audits, staff in the Division of Multimodal Transportation Resources failed to adequately review subrecipients' reimbursement requests and paid subrecipients for unallowable costs with funds from the Formula Grants for Other Than Urbanized Areas program, resulting in federal questioned costs of $46,167 and state questioned costs of $23,083

Finding

As noted in the prior three audits, staff in the Division of Multimodal Transportation Resources (DMTR) lacked adequate documentation to review subrecipients' reimbursement requests for the Formula Grants for Other Than Urbanized Areas (Formula Grants) program and ultimately reimbursed subrecipients and charged the Formula Grants for $46,167 of expenditures that were not allowable under federal guidelines.

Background for the Formula Grants Program

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. These subrecipients submit to DMTR reimbursement requests for their transit service expenses. After DMTR approves these reimbursement requests, the department issues payments to the subrecipients and then bills the Federal Transit Administration for the federal share of these costs.

Management's Responses to Prior Findings

In response to the 2010 finding, management concurred and stated that DMTR would provide all staff and subrecipients with the state's Comprehensive Travel Regulations. Management also stated that DMTR had developed and distributed guidelines regarding the supporting documentation required to process reimbursement requests and had also provided training to address allowable and unallowable costs. In response to the 2011 finding, management concurred in part and stated that "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." In response to the 2012 finding, management concurred and stated that

DMTR would clarify the information that subrecipients must report on each request and would require that agencies itemize expenses included in the "Other Costs" category.

Results of Testwork

In order to determine the allowability of expenditures charged to this program, we tested 88 transactions from a population of 357 expenditure transactions totaling $15,706,792 charged to the Formula Grants program for the period July 1, 2012, through June 30, 2013. In some cases the selected transaction involved a reimbursement request from a subrecipient and was comprised of many smaller expenditures items. Our expenditure transaction testwork included all 48 expenditure transactions greater than $118,444, totaling $9,809,614, as well as a random sample of 40 expenditure transactions less than $118,444, totaling $776,311. As summarized in the table below and discussed in detail after the table, we found that 10[1] of the 88 expenditure transactions tested (11%) included specific items which were not allowable under the program guidelines. For each of these 10 transactions, subrecipients submitted reimbursement claims to DMTR and the DMTR staff approved and forwarded the claims to the Finance Office for payment even though the claims included unallowable items as described below.

UNALLOWABLE COSTS

Item	Reimbursement Request No.	Subrecipient	Type of Expenditure	Federal Questioned Costs	State Questioned Costs
1	006-06	First Tennessee Human Resource Agency	Duplicate- Fuel Cost	$35,781.29	$17,890.65
2	NW5311-09302012	Northwest Tennessee Human Resource Agency	Duplicate- Wages & Fringe Benefits	8,714.28	4,357.14
3	1275311INV#3	South Central Tennessee Development District	Duplicate- Vehicle Maintenance	25.07	12.53
4	1275311INV#4	South Central Tennessee Development District	Duplicate- Vehicle Maintenance	16.73	8.36
			Duplicate Payment Subtotal	**$44,537.37**	**$22,268.68**
5*	Z-13-RT0012-09	Southwest Human Resource Agency	**Promotional Items**	**$835.41**	**$417.71**
6	Z-13-RT0006-00-01	Mid-Cumberland Human Resource Agency	Roadeo Prizes	$225.00	$112.50
7	Z-13-RT0006-00-02	Mid-Cumberland Human Resource Agency	Roadeo T-shirts & Awards	359.56	179.77
8**	Z-13-RT0012-04	Southwest Human Resource Agency	Conference Decorations	127.33	63.66
			Conference/Roadeo Subtotal	**$711.89**	**$355.93**
9	2 83112	Southeast Tennessee Human Resource Agency	Flowers	$25.00	$12.50
10**	Z-13-RT0012-04	Southwest Human Resource Agency	Flowers	24.70	12.35
11*	Z-13-RT0012-09	Southwest Human Resource Agency	Flowers	12.50	6.25
12*	Z-13-RT0012-09	Southwest Human Resource Agency	Flowers	2.38	1.19
			Flowers Subtotal	**$64.58**	**$32.29**
13**	Z-13-RT0012-04	Southwest Human Resource Agency	Travel	$11.50	$5.75
14	Z-13-RT0012-03	Southwest Human Resource Agency	Travel	5.75	2.88
			Travel Subtotal	**$17.25**	**$8.63**
			Total Questioned Costs	**$46,166.50**	**$23,083.24**

* Items 5, 11, and 12 are from the same reimbursement claim for Southwest Human Resource Agency.
** Items 8, 10, and 13 are from the same reimbursement claim for Southwest Human Resource Agency.

[1] Of the 10 errors, 2 of those errors totaling $856 were identified in our random sample which was selected from the remaining population of $5,897,178 expenditures.

- *Duplicate Payments*- Due to various accounting errors, subrecipients erroneously billed DMTR twice for fuel costs, wages and fringe benefits, and vehicle maintenance expenses.
- *Promotional Items*[2]- A reimbursement request from Southwest Human Resource Agency (SWHRA) included an invoice for 250 flashlight key chains, 500 sanitizer pens, 1,000 ink pens, 1,000 note pads, and 1 tablecloth, which had the agency's logo and were ordered from a promotional products distributor.
- *Conference and "Roadeo" Expenses*[3]- Two subrecipients billed the Formula Grants program for unallowable costs for an annual conference and "roadeo" (a competition for qualified bus drivers and mechanics to display their skills):
    - SWHRA purchased Mardi Gras-themed items, including a banner and assorted feather masks for the conference; and
    - Mid-Cumberland Human Resource Agency (MCHRA) purchased t-shirts, trophies, and gift card prizes for the roadeo.

  Since only the most skilled personnel are allowed to participate in the roadeo competitions, the roadeo appears to be a contest rather than a training event open to all employees and does not meet the criteria of necessary and reasonable expenses under the program.
- *Flowers*[3,4]- Two subrecipients billed the program for flowers; while well-intended, expressions of sympathy are not necessary and reasonable for the proper and efficient performance and administration of federal awards.
- *Travel* - Two travel claims for SWHRA's Transportation Director did not comply with the state's Comprehensive Travel Regulations. Specifically, meals and incidental expenses for the day of departure and day of return were reimbursed at the full daily rate instead of 75% of the daily rate as required.

Recurring Questioned Costs

As a result of the subrecipients' inclusion of these 14 unallowable cost items in their reimbursement requests to DMTR and DMTR failing to identify these unallowable costs, DMTR staff approved these expenditures and overcharged the Formula Grants program by $46,167. We think it is pertinent to note that three of the subrecipients identified in this current finding, SETHRA, SWHRA, and NWTHRA—also had unallowable costs in at least two of our three prior-year audit findings.

[2] According to Office of Management and Budget (OMB) Circular A-87, "Unallowable advertising and public relations costs include . . . 3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs."
[3] OMB Circular A-87 states that costs must "be necessary and reasonable for proper and efficient performance and administration of Federal awards."
[4] According to OMB Circular A-87, the "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."

The DMTR 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 DMTR and Finance Office Directors have not ensured that subrecipients submit adequate documentation with their reimbursement requests. Based on the department's *Multi-Modal Review Process*, the human resource agencies that are subrecipients in the Formula Grants program are not required to provide supporting documentation for operating or administrative costs. As a result, DMTR staff is reviewing reimbursement requests and approving them without adequate supporting documentation.

Recommendation

The Commissioner should take immediate action to ensure that expenditures for the Formula Grants program are allowable and properly documented. As part of this corrective action, the Commissioner should consider the following:

- informing subrecipients that they will be expected to provide whatever supporting documentation for expenditures that the department deems necessary as part of its administration of the Formula Grants program;
- instructing the DMTR and Finance Office Directors to re-evaluate the invoice review procedures for requests and ensure that the personnel performing the review process have the knowledge and competency necessary to perform the reviews;
- utilizing the staff of the Internal Audit Office to ensure that the reviews of reimbursement requests performed by DMTR and the Finance Office are adequate; and
- requiring the Finance Office's External Audit Section to increase expenditure-related testwork related to SETHRA, SWHRA, and NWTHRA, to ensure that the problems noted in this audit and in the prior three audits are corrected.

Although the risks associated with noncompliance with federal regulations were identified and assessed in the department'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. DMTR will take steps to ensure that the Division is adequately staffed with regard to capacity and competencies to fulfill state and federal requirements and reimburse only allowable expenses. Additionally, DMTR will communicate to transit agencies that they are obligated to provide any supporting documentation deemed necessary by DMTR to adequately review their requests for reimbursement. DMTR will modify invoice submittal requirements to allow staff to identify unallowable expenditures. DMTR will work with Internal Audit to perform periodic test work on reimbursement requests. The DMTR will work with External

Audit to increase expenditure-related testwork related to SETHRA, SWHRA, and NWTHRA to ensure recurring problems are corrected.

Finding Number	2013-036
CFDA Number	20.205 and 20.509
Program Name	Highway Planning and Construction Cluster Formula Grants for Other Than Urbanized Areas
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	Various
Federal Award Year	2012 and 2013
Finding Type	Significant Deficiency
Compliance Requirement	Other
Questioned Costs	N/A

The department did not assess and mitigate the risks associated with information systems security, increasing the risk of fraudulent activity

Finding

Based on our testwork, we found that department staff did not always maintain proper information systems security, resulting in an 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 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. To ensure compliance with applicable requirements, the Commissioner should implement effective controls, 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 Transportation will work to improve information systems security controls over the systems and applications cited in the finding.

Finding Number	2013-037
CFDA Number	20.205
Program Name	Highway Planning and Construction
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	NH-I-269(23), STP/HPP-66(44), and BR-STP-70(9)
Federal Award Year	2012 and 2013
Finding Type	Significant Deficiency
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The department's Utility and Finance Offices paid utility relocation expenditures which were not adequately supported at the time of payment

Finding

The Federal Highway Administration (FHWA) provides funds under the Highway Planning and Construction program to assist states in the planning and development of a highway transportation system. The department's Utility Office within the Right-of-Way (ROW) Division is responsible for the relocation of utilities affected by highway construction projects.

Title 23, *Code of Federal Regulations*, Part 645, Section 103, indicates that expenditures incurred for relocating utilities are eligible for reimbursement by the FHWA provided these costs are incurred in a manner consistent with state laws and FHWA regulations. The department reimburses utilities for costs incurred when relocating power, lighting, communications, and other utility systems to accommodate highway construction projects. The utilities accumulate relocation related expenditures and submit reimbursement requests monthly, quarterly, or on one final request, to the department's Utility Office for reimbursement. During our audit, we found that the Utility Office lacked an adequate system for reviewing and approving utilities' reimbursement requests, and that the Accounts Payable Section of the Finance Office did not follow its procedures for paying reimbursement requests. Based on testwork performed, the department reimbursed utility providers even though the reimbursement requests were not adequately supported.

Current Expenditure Approval Process

The utility offices in the department's Knoxville, Chattanooga, Nashville, and Jackson regional offices review and approve reimbursement requests submitted by utility providers. After staff approve the requests, they upload the requests into Edison (the state's accounting system) and create vouchers to initiate the payments to the utilities.

As a part of their review process, all but the Nashville utility office use a stamp stating "!!!! Not Checked For Mathematical Errors !!!!" when approving reimbursement requests. According to the Director of ROW, the Assistant Director of ROW, and the State Utility Coordinator, the stamp was specially created for the regional utility offices' use because the

former External Audit Director indicated that "the Regional Utility Staff did not need to check for mathematical errors" as this was done by the Finance Office.

After the regional utility offices approve and enter reimbursement requests in Edison, the department's Finance Office reviews the requests and vouchers to approve them for payment. Utilities may invoice the department and receive reimbursements for their relocation costs on a monthly, quarterly basis, or submit a "final bill" after the completion of the relocation work.

Once final bills for relocation projects are submitted by the utilities, the External Audit Section of the Finance Office reviews expenditures for relocation projects exceeding $100,000 in total costs. External Audit staff traces the costs claimed on reimbursement requests to supporting documents obtained directly from the utilities. This process ensures that utilities do not typically receive payment for their final bills until the expenditures have been reviewed.

The Accounts Payable Section of the Finance Office performs the final approval of all vouchers for payment. According to the Payables Section's Fiscal Director 1, his staff reviews all reimbursement requests to ensure that they are mathematically accurate and that the supporting documentation contains no errors or omissions. If Accounts Payable staff identifies any issues, they refer the reimbursement requests back to the regional offices to seek clarification from the utilities. According to the Finance Office's *Procedures-Voucher Auditing for Approval*, a voucher should be denied if "any required document is not legible or any necessary information is missing."

Control Deficiencies and Testwork Results

Based on our audit work, we found that the department's approval processes do not ensure that utilities include adequate supporting documentation with their reimbursement requests. The regional utility offices lack any written policies for reviewing reimbursement requests. As a result, these offices approved reimbursement requests with inadequate documentation and forwarded them to the Finance Office for payment. One utility that appeared in our testwork submitted illegible documentation with several reimbursement requests; however, both the regional utility office and the Accounts Payable Section of the Finance Office approved these reimbursement requests. According to the Fiscal Director 1, the Accounts Payable staff should have denied these reimbursement requests and returned them to the regional office for resolution instead of approving them for payment. The External Audit Section did not review any of the reimbursement requests that we examined since the final bills for these relocation projects had not been submitted.

We obtained a listing of 366 Highway Planning and Construction projects awarded during the audit period from the Fiscal Director 1 in the Procedures Section of the Finance Office. Based on this listing, we identified and tested all 14 construction projects for which utilities received reimbursement for relocation expenditures during our audit period. As a result of our testwork, we found that for 3 of the 14 projects tested (21%) the department reimbursed utilities without adequate supporting documentation for the relocation expenditures claimed.

Table 1:
Summary of Federal Projects with Inadequate Supporting Documentation for Utility Relocation Expenditures

Federal Project No.	Utility	Expenditure Type	Relocation Expenditures Claimed	Federal Funds	State Funds
NH-I-269(23)	Utility 1	Labor	$ 35,746.52	$ 28,597.22	$ 7,149.30
		Burden	3,538.80	2,831.04	707.76
		Equipment	1,816.00	1,452.80	363.20
		Business Expense	1,082.50	866.00	216.50
		Materials & Supplies	42,566.38	34,053.10	8,513.28
		Contract	951,487.91	761,190.33	190,297.58
		Overhead	108,805.00	87,044.00	21,761.00
STP/HPP-66(44)	Utility 2	Auto Mileage	336.90	269.52	67.38
		Meals	4.91	3.93	0.98
	Utility 3	Mileage	9.01	7.21	1.80
		Meals	5.08	4.06	1.02
BR-STP-70(9)	Utility 4	Labor	8,678.59	6,942.87	1,735.72
		Minor Material	1,636.39	1,309.11	327.28
		Total:	$ 1,155,713.99	$ 924,571.19	$ 231,142.80

On February 20, 2014, subsequent to the completion of our audit fieldwork on December 13, 2013, the department provided supporting documentation for these 3 projects. Based on our review of this supporting documentation, we believe that the department's reimbursement of each of these relocation expenditures was allowable; however, we believe the documentation should have been obtained and maintained at the time of each reimbursement.

Risk Analysis

Office of Management and Budget (OMB) Circular A-87 states that "to be allowable under Federal awards, costs must…be adequately documented." Without an effective and formally-documented procedure for approving utilities' reimbursement requests, the department cannot ensure that all utility costs are eligible for reimbursement. In addition to increasing the risks of fraud, waste and abuse, the failure to review utilities' reimbursement requests may also lead to decreased federal funding for these types of expenditures.

Given the problems identified during our fieldwork, we also reviewed the department's risk assessment. Although management identified the risk that federal and state dollars could be used to pay for relocations that do not qualify for reimbursement, they did not specifically address risks associated with the reimbursement request process.

Recommendation

The Commissioner should ensure that adequate policies and procedures are developed for reviewing and approving utility relocation reimbursement requests. The policies and procedures

developed should ensure that the regional utility offices obtain and maintain adequate documentation for utilities' reimbursement requests and that the Finance Office only pays reimbursement requests that are adequately supported.

Management should assess all significant risks, including 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 any mitigating controls, and take action if deficiencies occur.

Management's Comment

We concur. The Finance Division will work with the Utilities Office to establish consistency between the invoicing requirements being accepted by the various Regional Utility offices. The new invoice procedures will summarize by cost category the total amount being billed and the documents that support a given cost category should accompany the invoice to ensure compliance with OMB Circular A-87. Each Regional Utility Office will be expected to review each invoice and all supporting documents to certify that the services have been received according to the contract and that the necessary supporting documentation is attached. The Finance Office will review the invoices according to procedures already in place and will verify that the necessary supporting documentation is attached to the invoice.

Finding Number	2013-038
CFDA Number	84.038
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	Tennessee State University
Grant/Contract No.	N/A
Federal Award Year	2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The bursar's office did not properly report student status changes to the contracted Perkins loan servicer, resulting in delayed conversions to repayment status for certain students

Finding

The bursar's office did not properly report status changes to the contracted Perkins loan servicer, resulting in delayed conversions to repayment status for those student borrowers who dropped below half-time enrollment without graduating.

The Federal Perkins Loan fund is a revolving loan fund established by a one-time federal contribution and a matching institutional contribution. The fund is fully administered by the institution, with all principal and interest payments going back into the fund for the use of future borrowers. According to 34 CFR 674.31(b)(2)(i)(B), "[The repayment period for Perkins loans] begins 9 months after the borrower ceases to be at least a half-time regular student at an institution of higher education." The bursar's office at Tennessee State University (TSU) is responsible for collecting payments made towards Perkins loans, a task which has been contracted to University Accounting Systems (UAS). UAS does not have access to the university's information system and therefore relies on TSU to update them of the student status of loan holders. TSU generally notifies UAS of impending graduations in October (for December graduates) and April (for May graduates), which allows for timely conversions to repayment status of graduating borrowers. However, UAS was not notified timely for those students with status changes for reasons other than graduation, including withdrawing from the university without graduating or dropping courses mid-term to carry less than a half-time load. As described below, TSU did not notify UAS until after the spring semester of the academic year, even for changes that happened during the fall semester.

Our discussions with the TSU loan supervisor revealed that for efficiency reasons, status changes for non-graduates are only reported to the servicer after the end of the spring term for both the previous fall and spring terms. Even then, as described below, TSU provided incorrect separation dates.

When TSU staff prepared the status change documentation to be sent to UAS in June 2013, they printed a report of enrolled borrowers from the UAS online system. TSU staff determined students' statuses by writing the number of registered hours at the beginning of the

preceding spring and fall semesters beside each name on the report. If a student did not register for a term, staff drew a line on the printout and wrote the final date of the previous non-summer term as the separation date, without considering whether the student actually completed all of the courses for which he or she was registered at the beginning of that term. The loan supervisor stated the printout with handwritten additions was mailed to UAS for them to manually enter in their system. She stated that she kept a copy for herself and reviewed it after it was mailed, but did not initial the document anywhere to indicate it had been reviewed.

The loan supervisor stated that the summer term is completely excluded from the status determination, because "borrowers are not required to register for summer courses" to stay out of repayment status. Chapter 4 of the *Financial Aid Handbook* states that the borrower is entitled to nine consecutive months for an initial grace period, and the summer term generally lasts approximately two-and-a-half months. The loan supervisor pointed out that summer graduates participate in the fall graduation ceremony, and UAS would be notified of that graduation along with all other fall graduates. If a borrower completed at least a half-time load during the summer term and did not graduate or take any courses during the fall term, UAS would be notified to begin the grace period at the end of the spring term, effectively reducing the borrower's grace period by up to two-and-a-half months. Conversely, if a borrower completed at least a half-time load during the summer term and graduated in the fall but did not take fall classes, UAS would be notified to begin the grace period at the end of the fall term, effectively giving the borrower a 13-month grace period.

Testwork revealed that for 6 of 25 (24%) records of student borrowers who dropped below half-time status tested, TSU did not notify UAS of the status change for an average of 140 days after it happened, and gave UAS incorrect dates to begin the grace periods of the six borrowers.

- Three of those borrowers dropped below a half-time status in early November 2012 and did not register for any classes in the spring, summer, or fall of 2013. UAS was notified on June 21, 2013, of a December 15, 2012, separation date, and retroactively started the grace period on December 15 instead of the applicable November date. Effectively, these borrowers will be allowed a ten-month grace period instead of the allowed nine months.
- For two of those borrowers, UAS was notified on October 31, 2012, of a December 15, 2012, planned graduation date. One of them dropped below half-time status on September 24, 2012, and the other dropped below half-time status on November 9, 2012. Only one of the students actually graduated, and neither of them registered for classes in the spring, summer, or fall of 2013. Those two borrowers will effectively be allowed a twelve-month and a ten-month grace period, respectively.
- One borrower registered for a full-time schedule in spring 2013 but never paid or showed up for any classes. The university has officially recorded his withdrawal date as February 5. This student has not registered for summer or fall 2013 classes. For the June 21, 2013, status determination, the worker handwrote the separation date as December 15, 2013, rather than the correct date of December 15, 2012. UAS did not question the date because they are commonly told in advance of planned graduations,

although they typically receive those notices via a mid-term email. This borrower is effectively being given a 19-month grace period.

Not accurately reporting student status changes to the loan servicer could result in a delayed initiation of the loan repayment process. Sending unreviewed status changes to the loan servicer further increases the risk that the loan repayment process will not begin timely. That delay will not only prevent funds from returning to the program for the use of other prospective Perkins loan borrowers, but it will also unnecessarily increase the amount of interest the borrower will ultimately have to pay.

Recommendation

University management and the bursar should ensure that all student status changes for Federal Perkins Loan borrowers are reported to the loan servicer accurately and within thirty days to allow the servicer to convert the loan to repayment status in compliance with federal regulations. The process used to document and communicate the changes should decrease the risk of data reproduction or other errors so that the servicer can accurately determine the start of grace periods and the subsequent repayment period. The registrar's office already has a process in place to notify the National Student Loan Data System within thirty days if they discover that a student receiving a loan either did not enroll or ceased to be enrolled on at least a half-time basis, to satisfy enrollment reporting compliance requirements. The bursar should consider establishing a channel of communication with the registrar's office to obtain that information and report it to the loan servicer in a more timely manner.

Management's Comment

We concur with the finding and recommendations. A report is being developed by Information Technology to list students who have Perkins Loans who have either withdrawn or have ceased to be enrolled on at least a half-time basis. Beginning February 3, 2014, the Bursar's Office will review these reports weekly and communicate the names of these students to UAS within the 30 days allowed. Monthly clearinghouse reports from UAS will be reconciled with information in Banner and the weekly reports. The loan manager will approve these monthly reviews and UAS will be notified immediately of differences.

Finding Number	2013-039
CFDA Number	84.007, 84.033, 84.063, 84.268, and 84.379
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	Tennessee State University
Grant/Contract No.	N/A
Federal Award Year	2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

Tennessee State University staff did not always return financial aid refunds caused by unofficial withdrawals promptly

Finding

Refunds owed to the U.S. Department of Education (ED) were not always promptly returned throughout the fiscal year. The *Code of Federal Regulations*, Title 34, Section 668.22, states the percentage of Title IV grant or loan assistance that has been earned by the student is 100%, if the student's withdrawal date occurs after completion of 60% of the payment period (or period of enrollment for a program that is measured in credit hours). The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew. An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

According to the Tennessee State University (TSU) Director of Financial Aid, the return of Title IV aid to ED is a joint effort between the Records Office and the Financial Aid Office. Students who officially withdraw from the university must complete a withdrawal form and have it signed by appropriate personnel in the Counseling Center, Financial Aid Office, and Residence Life (if the student resided in student housing). After these required signatures are obtained, the form is taken to the Records Office, where the date of withdrawal is entered into the student information system by Records Office personnel. The Registrar stated that the time frame for entry is less than 24 hours on average but can be as high as 48 hours during registration time when the office is flooded with student activity. When a student unofficially withdraws by not attending class, the date the student stopped attending classes is entered into the system by his or her individual professor. The Information Technology (IT) staff ran a daily report in spring 2013 which identified the withdrawn students, both officially and unofficially, and was sent to personnel in both the Records and Financial Aid offices. The report was run weekly during the fall 2012 semester with the parameters for the reports set by Records Office personnel. The individual responsible for return calculations in the Financial Aid Office used the information included in the reports to determine if a return of Title IV aid calculation was required.

We tested 13 students who withdrew during the audit period and received Title IV aid. Of the 13 students tested, we identified 7 students who withdrew prior to completion of 60% of

the enrollment period, requiring TSU personnel to perform Return of Title IV Funds calculations. For four of the seven student withdrawal calculations tested (57%), the refunds of amounts owed to ED were not performed within the 45-day time frame. Refunds ranging from $873 to $3,589 were 88 to 267 days late.

When we discussed this issue with TSU staff, we received differing reasons for the problem. According to the Financial Aid Office, during the fall semester of 2012, the former Technical Manager in the Financial Aid Office was responsible for performing Return of Title IV Funds calculations. Three of the four late refunds noted were for students who withdrew during the fall semester. The former Technical Manager performed one of the three calculations timely; however, the calculation was incorrect, resulting in only about one-third of the funds being refunded to ED timely.

After the Technical Manager's resignation in January 2013, the Loan Manager audited the former Technical Manager's work. This audit revealed several return calculations that were not performed. Return calculations were subsequently performed by the Loan Manager, and the required refunds were sent to the Department of Education. The Loan Manager took over responsibility for performing the Return of Title IV Funds calculations in the spring of 2013. For the one spring refund that was late, the Loan Manager stated that the student's professor did not report that the student stopped attending class until after the 60% earning point of the semester. As a result, the Financial Aid Office was not aware of the student's unofficial withdrawal timely.

When we discussed this issue with the Financial Aid Office, the Associate Director of Financial Aid Operations stated he believes the returns were not made to the Department of Education in a timely manner because the daily report run by the Records Office identifying withdrawals was not properly monitored by the Registrar's Office. The Associate Director stated that he believes the parameters set for the report did not extend throughout the enrollment period and caused all withdrawals after a certain point to not appear on the daily (formerly weekly) reports. However, the Registrar stated that the report was designed to identify withdrawals occurring from the first day of classes until the last day of classes in the semester. The Registrar provided us with a copy of the request for the spring 2013 semester to personnel in the IT department and the subsequent confirmation from IT personnel that the withdrawal report would run from the beginning until the end of the semester. Computer issues prevented the Registrar from providing us with the fall 2012 request and confirmation that the report was running from the first to the last day of the semester.

Because of the inconsistencies between the two offices related to the cause of this issue and the Registrar's confirmation email from the IT Department that the withdrawal report ran the entire spring semester, we decided to test an additional sample of 25 students who withdrew before the 60% earnings period during the fall 2012 semester. We found that 18 of 25 calculations were not performed timely (68%), 15 of which were not performed until the spring 2013 semester. When originally asked, the Loan Manager stated that she had to perform no more than five returns in the spring that should have been performed in the fall by the former Technical Manager. Students earned all financial aid funds beginning October 31 during the fall semester of 2012. We were able to verify that return calculations were being performed through December 2012 for students that withdrew up until October 8. Return calculations tested for

students who withdrew after October 8 were not performed until the spring 2013 semester. We were unable to support or dispute the Financial Aid Office's claim that the report stopped running at some point.

Not returning funds to ED in a timely manner could result in penalties being assessed against the university by the federal grantors.

Recommendation

Personnel in all offices involved in the Return of Title IV Funds process should perform their respective steps of the process to ensure that all funds are returned to the appropriate programs within the time frames specified by federal regulations. Personnel from the Financial Aid Office and the Records Office should discuss what information is needed from the information system and work with IT personnel to ensure that the relevant information is retrieved when needed. In addition, all professors should be reminded of the importance of timely reporting of unofficial withdrawals. Because the work of multiple departments is needed to ensure timely refunds to the federal government, communication among these departments should improve to ensure that the correct information is distributed to all required parties.

Management's Comment

We concur with the finding and recommendations. The following plan has already been implemented to ensure compliance:

Records – Each semester, the Records Office publishes the dates for students to officially withdraw with a grade of "W." Records also sends reminders to the faculty a minimum of twice each semester regarding their responsibility for coding students throughout the semester as "attending," "never attended," or "stopped attending," and noting applicable dates. Students who never attended or stopped attending are considered unofficially withdrawn.

Information Technology – On a daily basis, Information Technology distributes to Financial Aid, the Bursar's Office, and the Records Office a report of students who have officially and unofficially withdrawn.

Financial Aid – On a daily basis, the Office of Financial Aid calculates the amount of federal aid required to be returned based on attendance, adjusts accounts accordingly, and notifies the students of the adjustments. Funds are returned to the U.S. Department of Education within thirty (30) days of the adjustment.

These actions mitigate the risk that applicable refunds are not returned to the Department of Education within the allowable time period.

Finding Number	2013-040
CFDA Number	84.007, 84.033, 84.063, 84.268, and 84.379
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	Tennessee Technological University
Grant/Contract No.	Various
Federal Award Year	2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

Tennessee Technological University did not have accessible written policies and procedures regarding financial aid verification, resulting in an increased risk that the university could disburse funds to students who were not properly verified

Finding

According to the *Code of Federal Regulations* (CFR) Title 34, Part 668, Section 53, an institution "must establish and use written policies and procedures" for verifying certain information on an applicant's Free Application for Federal Student Aid. For at least a portion of the fiscal year under audit, Tennessee Technological University (TTU) was not in compliance with this regulation. In addition, for the remainder of the fiscal year under audit, the policies and procedures manual was not readily available to those staff who might need to access the manual.

In early May 2013, we asked for and received TTU's *Financial Aid Office Policies and Procedures* manual. The manual received did not contain the required policies, was incomplete in sections, and contained references to a different school. The Director of Financial Aid stated that the manual was a work in progress, as the original manual had recently been lost. The original TTU *Financial Aid Office Policies and Procedures* manual had been maintained only on the director's computer and had not been backed up. When the hard drive of that computer crashed around the middle of April 2013, the manual was destroyed. The manual the auditor received was a draft version of the original manual that was in the process of being re-created, using the manual from another school as a reference.

On July 10, 2013, we received an update of the draft *TTU Financial Aid Office Policies and Procedures* manual. This version did contain written policies and procedures regarding financial aid verification as required by 34 CFR 668.53. Although the newer manual is more complete than the manual the auditor originally obtained, it is still incomplete in several parts. For instance, a section entitled "Standard Student Budgets" was completely blank. Also, a section that indicated that it would describe the Business Office's role in disbursing funds simply stated: "The Business Office receives disbursement roster(s) from the Financial Aid Office and performs the following processes." The next phrase in the manual is the heading for the next section of the manual.

In addition, as the director's computer was only accessible to him, the manual was not available to other members of the Financial Aid Office. If a staff member needed to access the

manual, he or she would have to wait until the director was available to discuss the issue. The inaccessibility of the manual to other members of the Financial Aid Office is a violation of best practices.

As a result of these problems, the Financial Aid Office was not in compliance with the *Code of Federal Regulations* for a minimum of three months. In addition, with the policies and procedures manual only accessible to the director, staff may not be able to handle issues timely or make informed decisions.

Recommendation

The Director of Financial Aid should complete and finalize the new policies and procedures manual. The manual should be made easily accessible to those whose duties require them to access such policies and procedures. Also, the director should work with Information Technology Services to initiate comprehensive, automatic backup procedures for vital documents such as policies and procedures manuals.

Management's Comment

We concur with the finding and recommendation.

The current Policies and Procedures manual has been updated with all required regulatory language and detail. In its current state, the manual is both in printed and electronic form. The printed version is located in the director's Office which is accessible by all staff members.

The electronic version is stored on the director's hard drive which is backed up on a daily basis by TTU IT staff, and as of August 1, 2013, it is also stored on a shared drive (\\ttudb1.tntech.edu) that is accessible by all financial aid staff and also backed up on a daily basis.

Finding Number	2013-041
CFDA Number	84.038
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	University of Memphis
Grant/Contract No.	N/A
Federal Award Year	2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The University of Memphis did not report student status change dates correctly, resulting in excessive grace periods for repayment of Perkins Loans

Finding

The University of Memphis did not ensure that proper notification procedures were followed for graduates with Perkins Loans. As a result, the graduates received grace periods of more than a year, instead of the proper nine months, before beginning repayment of their Perkins Loans.

According to the 2012-2013 *Federal Student Aid Handbook*, Volume 6, p. 109, "A Perkins borrower is entitled to an initial grace period of nine consecutive months after dropping below half-time enrollment." In addition, the *Handbook* states on page 110, "A grace period is always day specific – an initial grace period begins the day after the day the borrower drops below half-time enrollment."

For the year ended June 30, 2013, we reviewed the files of 25 Perkins loan recipients entering repayment to determine whether repayment status began nine months after dropping below half-time attendance, as required. Two out of 25 recipients tested (8%) were not required to begin repayment of their loans for over a year. These two individuals were law school students who graduated on May 12, 2012, and did not enter repayment until June 1, 2013. We then expanded our testwork to include all Perkins recipients who graduated in spring 2012 and discovered that 11 of 60 Perkins graduates tested (18% of the population, all of whom were law school graduates) graduated on May 12, 2012, but did not begin repayment until June 1, 2013.

Based on discussions with the Associate Director of Financial Aid and the Bursar's Coordinator of Collections, Perkins Loan servicing is handled by an outside vendor, University Accounting Services (UAS), which sends required reminder notifications during the grace period and initiates repayment plans nine months after a student's reported status change to less than half-time attendance. The Bursar reported these status changes as having occurred on August 25, 2012, based on information supplied by the Financial Aid Department. Accordingly, UAS required the students to begin repaying their loans on June 1, 2013, approximately nine months after August 25, 2012, since UAS was unaware that the status changes had actually occurred on May 12, 2012.

When a Perkins Loan recipient drops below half-time attendance at The University of Memphis, a representative of the student's college is required to enter the status change into the Banner Student information system the day the school becomes aware that the change occurred. An employee in the Financial Aid Department, using a Hyperion report prepared by Business and Finance Support Services on the 5th of each month, identifies all reportable status changes and emails the information to the Bursar's Office, which in turn relays the information to UAS. If the status change is discovered after it actually occurred, the date of the status change, not the date it was discovered, should be reported so that the allowable grace period is not exceeded.

However, for the spring 2012 semester, a deviation from this standard process caused the errors previously noted. The Registrar at the law school did not enter the school's spring graduates into Banner Student until 38 days after graduation, on June 19, 2012. At this point, according to the Associate Director of Financial Aid, the Hyperion report on which the Financial Aid Department relied did not include the 11 law school graduates mentioned above since the report no longer accessed status changes from the spring term. On August 25, 2012, as the fall semester began, the Hyperion report noted the students as "not enrolled," and the Financial Aid Department reported them to the Bursar as students whose status had changed on August 25 instead of May 12. The Bursar supplied this information to UAS, who then sent the required reminder notifications during the grace period and began the repayment plans on June 1, 2013, approximately nine months after the incorrectly reported graduation date, but more than a year after the graduations actually occurred.

Not accurately reporting student status changes to the loan servicer resulted in a delayed initiation of the loan repayment process. That delay prevented funds from returning to the program for the use of other prospective Perkins loan borrowers.

Recommendation

The university should initiate necessary procedures to ensure that the correct dates of status changes for Perkins Loan recipients are reported to the loan servicing contractor.

Management should also ensure that risks such as those noted in this finding are adequately identified and assessed in the university's risk assessment activities and should identify specific staff to be responsible for the design and implementation of internal controls to ensure timely reporting, to monitor compliance with all requirements, and to take prompt action should exceptions occur.

Management's Comment

We concur with the finding and recommendation.

The university has implemented controls to ensure that all law student status changes are timely reported to the loan servicer. The law school is now reporting expected graduation dates so that these status changes will be identified earlier. In order to identify any law students who are graduating for a specific term, the Financial Aid Office will report expected graduation dates in addition to actual dates. Also, a Hyperion report is now run monthly to identify all student

status changes (including law students), as well as those in a prior term. These new controls (i.e. expected graduation dates now reported in the Banner system by the law school and modified Hyperion reports to look at expected graduation dates and actual dates reported for prior terms) will ensure that student status changes are reported timely.

The university currently has an established risk assessment process that includes Financial Aid processes with specific staff assigned responsibility for the design and implementation of internal controls, which includes controls for timely reporting and compliance monitoring. This exception was due to a unique process involving the Law School and was addressed immediately upon discovery. Care will be taken in the future to make sure that unique processes are considered and addressed as part of the university risk assessment process.

Finding Number	2013-042
CFDA Number	84.268
Program Name	Student Financial Assistance Programs
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	P268K12225
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 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 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 45:

> 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 Direct Loan borrowers who dropped below half-time, withdrew from classes, or graduated during the year ended June 30, 2013. The Registrar's

Office did not properly report the enrollment data to the Department of Education for 5 of the 40 borrowers tested.

- Three students unofficially withdrew during the spring 2013 semester; however, the Registrar's Office had not reported the students as having withdrawn as of August 20, 2013 (the date our testwork was completed).

- One student graduated on May 11, 2013; however, the Registrar's Office had not reported the student's enrollment status as graduated, instead of full-time, as of August 20, 2013.

- One student dropped to less than half-time on April 2, 2013; however, the Registrar's Office had not reported the student as having dropped to less than half-time as of August 20, 2013.

The Assistant Registrar stated that the first three enrollment status changes were not reported timely because unofficial withdrawals are not being reported at the Knoxville campus. The fourth and fifth students were not reported because the Admissions Office did not remove a special flag from the student's account, which prevented reporting.

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. Students who do not attend classes and unofficially withdraw should be reported to the Registrar's Office by the Office of Financial Aid and Scholarships, which monitors unofficial withdrawals. The Registrar's Office should report these enrollment status changes.

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. Each of the three instances is addressed below.

- *Three students unofficially withdrew during the spring 2013 semester; however, the Registrar's Office had not reported the students as having withdrawn as of August 20, 2013 (the date our testwork was completed).* The Registrar's Office in conjunction

with the Office of Financial Aid and Scholarships will follow the prescribed rule set forth in the *Federal Student Aid Handbook*, volume 5, page 22, that states: "For a student who withdraws from a school that is not required to take attendance without providing notification, the school must determine the withdrawal date no later than 30 days after the end of the earlier of (1) the payment period or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program." Therefore, the Office of Financial Aid and Scholarships will, at the completion of the term, when final grades are posted, identify those students who unofficially withdrew from the preceding term without benefit of a university official withdrawal. Within thirty (30) days of the determination of the unofficial withdrawal effective date, the Office of Financial Aid and Scholarships will notify the Registrar's Office, and these student records will be updated on the National Student Clearinghouse files to indicate the unofficial withdrawal and the appropriate date.

- *One student graduated on May 11, 2013; however, the Registrar's Office had not reported the student's enrollment status as graduated, instead of full-time, as of August 20, 2013.* The graduation and degree awarded were reported on time to the Clearinghouse. However, this student's change in enrollment status to "graduated" was not reported because she was assigned a student attribute which excluded her enrollment information from the Clearinghouse report. The practice of excluding this student attribute has been suspended effective immediately, which will allow reporting of all categories of student enrollment.
- *One student dropped to less than half-time on April 2, 2013; however, the Registrar's Office had not reported the student as having dropped to less than half-time as of August 20, 2013.* This student's enrollment was not reported because he was assigned a student attribute which excluded his enrollment information from the Clearinghouse report. The practice of excluding this student attribute has been suspended effective immediately, which will allow reporting of all categories of student enrollment.

Finding Number	2013-043
CFDA Number	84.063 and 84.268
Program Name	Student Financial Assistance Programs
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	P063P122251, P268K132251
Federal Award Year	2013
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$7,075 (84.063) $11,452 (84.268)

Financial Aid staff awarded aid to students who were not making satisfactory academic progress, resulting in federal questioned costs of $18,527

Finding

The Office of Financial Aid and Scholarships at the University of Tennessee's Martin Campus awarded aid to two students who were not making satisfactory academic progress as defined in the university's policies.

According to the *Federal Student Aid Handbook*, Volume 1, page 8:

> To be eligible for FSA funds, a student must make satisfactory academic progress, and [the] school must have a reasonable policy for monitoring that progress.

At the University of Tennessee at Martin, the *Policy and Procedures Manual* states that a student must meet the following standards to maintain satisfactory academic progress:

> Academic progress for federal and state financial aid programs is based on three measures: Cumulative grade point average, course-completion rate based on hours earned compared to hours attempted, and a maximum timeframe for degree completion. Satisfactory academic progress status is based on the entire academic record at all schools attended, regardless of whether financial aid was received. The following describes the university's standards for each of these three measures.
>
> Cumulative Grade Point Average (GPA) - Undergraduate students must maintain a minimum cumulative GPA of 2.0 to be making satisfactory academic progress for financial aid. Graduate students must maintain a minimum cumulative GPA of 3.0.
>
> Course Completion Rate (CCR) - Students must earn (pass) a cumulative 67% of all hours attempted to remain eligible for Financial Aid. Grades of A, B, C, D, & P count as attempted and earned credit hours. Grades of F, I, W, WP & WF count as attempted but not earned credit hours.

> Maximum Time Frame – The maximum time limit for a student to receive financial aid is 150% of the published program length. Most undergraduate degree programs at UTM require 120 credit hours to complete. To be placed on unsatisfactory progress due to maximum time frame, a student would either meet or exceed 180 attempted hours. All grades, A, B, C, D, F, I, P, W, WP & WF count as attempted hours. For Graduate programs, the maximum time frame is determined as 150% of the required hours for the degree as published in the Graduate Catalog.

At the beginning of the fall 2012 semester, the first student was placed on an "Academic Plan" due to having a financial aid appeal approved. He was required to "earn 80% of courses taken and earn a GPA of 2.0 each semester." He did not meet these goals but, due to a programming error, was not deemed ineligible for aid in the spring 2013 semester. As a result, he received $7,478 of federal student financial aid in error for the spring 2013 semester. These costs will be questioned.

At the end of the spring 2012 semester, the second student had only earned 91 hours of the 153 cumulative hours he had attempted at that time. He should have been suspended for not earning two-thirds of his attempted hours. However, there was a programming error, and he was not suspended at that time. As a result, he received $11,049 of federal student financial aid in error for the fall 2012 and spring 2013 semesters. These costs will be questioned.

Because the Office of Financial Aid and Scholarships at the Martin campus did not ensure its automated programs to detect students not maintaining satisfactory academic progress were operating correctly, federal financial aid was awarded to the two ineligible students.

The total amount of questioned costs for the transactions noted above is $18,527. We tested a sample of $392,582 from a total population of $51,688,155.

Recommendation

The Director of Financial Aid should implement additional review procedures to ensure financial aid recipients are maintaining satisfactory academic progress. Programming should be adequately reviewed and tested to prevent errors of this type.

The Director of Financial Aid should ensure that risks such as those noted in this finding are adequately identified and assessed in management's risk assessment activities. The Director 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. The two students identified in the audit were the only students with this issue. The questioned costs have been returned to the U.S. Department of Education.

Martin's Satisfactory Academic Progress (SAP) Policy, driven by the new federal guidelines, requires that all students are checked at the end of spring each year and those who are on Academic Plans or Graduation Plans are checked each semester until they are in compliance. After revamping our internal controls that are used to identify students who fail SAP, the financial aid office is confident that they are now accurately identifying those students who are not meeting our policy requirements.

The Director of Financial Aid will implement additional review procedures to ensure financial aid recipients are maintaining satisfactory academic progress. These will include people who have had continuous enrollment from the prior semester and those who are transferring hours in from prior semesters. Programming will be reviewed and tested to prevent future errors of this type.

The Director of Financial Aid will ensure that risks such as those noted in this finding are adequately identified and assessed in management's risk assessment activities. The Director has specific staff members who are responsible for the design and implementation of internal controls to prevent and detect exceptions timely. This staff member is also responsible for ongoing monitoring for compliance with all requirements and will take prompt action should exceptions occur.

Finding Number	2013-044
CFDA Number	17.258, 17.259, 17.278, 20.205, 20.509, 66.458, 66.468, 84.377, and 93.778
Program Name	Workforce Investment Act Cluster Highway Planning and Construction Cluster Formula Grants for Other Than Urbanized Areas Capitalization Grants for Clean Water State Revolving Fund Capitalization Grants for Drinking Water State Revolving Fund School Improvement Grants Cluster Medicaid Cluster
Federal Agency	Department of Labor Department of Transportation Environmental Protection Agency Department of Education Department of Health and Human Services
State Agency	Department of Labor and Workforce Development Department of Transportation Department of Environment and Conservation Department of Education Department of Finance and Administration
Grant/Contract No.	AA-20221-10-55-A-47, AA-21423-11-55-A-47, AA-22963-12-55-A-47, AA-24120-13-55-A-47, and DI-22464-11-75-A-47, HPP/STP-EN-198(9), SRTS-9309(15), STP-M-34(78), SRTS-9301(25), STP-EN-9305(25), STP-EN-1800(37), STP-M-8300(77), STP-M-9213(4), STP-M-NH-76(70), STP-M-99(35), STP-EN-9209(12), STP-M-35(47), STP-M-205(21), STP-EN-NH-58(24), STP-EN-9109(138), STP-EN-4900(55), STP-M-9409(169), CM-7900(49), STP-M-9109(140), STP-EN-6600(22), STP-M-9110(12), STP-EN-9100(38), STP-EN-2700(52), STP-EN-7800(59), STP-M-9409(158), STP-462(7), HPP-9317(9), STP-M-9400(53), STP-M-9204(9), STP-M-9302(17), STP-M-9302(17), STP-M-41(20), STP-M-9213(5), STP-EN-700(28), STP-M-9215(2), STP-M-9309(19), STP-M-9113(18), STP-M-205(20), CM-9312(106), CM-NHE-10(38), CM-9312(113), CM-7900(41), TN-18-X031, FS98427211-0, FS98427212-0, CS47000111-0, CS47000112-0, S377A110043, 05-1105TN5ADM, 05-1205TN5ADM, 05-1305TN5ADM, 05-1205TN5MAP, 05-1305TN5MAP, 05-1205TN5021, 05-1305TN5021, 05-1205TNIMPL, 05-1305TNIMPL, 05-1205TNINCT, 05-1305TNINCT, 05-1005TNARRA
Federal Award Year	2009 through 2015
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	N/A

Five state departments did not fulfill Federal Funding Accountability and Transparency Act reporting requirements, which resulted in a lack of transparent and accurate information to the public

Finding

The State of Tennessee receives funding from many federal programs. The Federal Funding Accountability and Transparency Act (FFATA) requires the state to report subaward financial information for these programs through the FFATA Subaward Reporting System (FSRS), a reporting tool maintained by the federal government. A subaward is a legal agreement between the state and another party allowing that party to perform activities that support the federal program.

According to the 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.

State entities use FSRS to upload this information to USASpending.gov.

According to Title 2, Part 170, Appendix A, *Code of Federal Regulations* (CFR), an entity

- must report each obligation of $25,000 or more in federal funds that does not include recovery funds for a subaward to an entity,
- must report each obligation of this subaward term in FSRS,
- must report no later than the end of the month following the month in which the obligation was made, and
- must report this information about each obligation based on the submission instructions posted on FSRS.

Our review of compliance with FFATA requirements for the year ended June 30, 2013, found that five state departments[5] did not report subaward financial information as required by FFATA. For the federal programs we audited, these state departments

[5] Department of Education (DOE)
Department of Environment and Conservation (TDEC)
Department of Finance and Administration (F&A)
Department of Labor and Workforce Development (LWD)
Department of Transportation (TDOT)

- did not report subaward data in FSRS,
- did not document when they reported subaward information in FSRS,
- did not promptly report information in FSRS, or
- incorrectly reported the Data Universal Numbering System (DUNS) number, the subaward number, and/or the amount of the subaward in FSRS.

Details are in the chart below:

Department	Program	CFDA No.	Amount Obligated	Issue
DOE	School Improvement Grant	84.377	$ 8,928,561.99	No obligations reported
TDEC	Capitalization Grants for Clean Water State Revolving Fund	66.458	14,300,000.00	No submission date documented for 4 subawards.
			6,000,000.00	Incorrect DUNS and subaward amount for 2 subawards.
	Capitalization Grants for Drinking Water State Revolving Fund	66.468	9,250,000.00	No submission date documented for 5 subawards.
			2,500,000.00	Incorrect subaward amount for 1 subaward.
LWD	Workforce Investment Act Cluster	17.258 17.259 17.278	44,100,000.00	No obligations reported.
TDOT	Highway Planning and Construction	20.205	5,640,323.00	7 subawards not reported.
			2,809,673.00	9 subawards reported late.
			1,820,897.00	Incorrect amount for 9 subawards.
	Formula Grants for Other Than Urbanized Areas	20.509	9,008,882.00	7 subawards, 12 subaward amendments not reported.
			3,040,023.00	5 subawards reported late.
F&A	Medical Assistance Program	93.778	$ 29,838,043.00	No obligations reported.
	Total		**$ 137,236,402.99**	

Once we made DOE management aware of their issue, their Fiscal Director reported this information in FSRS on September 13, 2013. Not meeting all of the FFATA requirements increases the likelihood that the public will not have access to transparent and accurate information regarding expenditures of federal awards.

Recommendation

The Commissioners of the Departments of Education, Environment and Conservation, Finance and Administration, Labor and Workforce Development, and Transportation should ensure that the appropriate staff members understand the FFATA reporting requirements and report applicable subawards in accordance with those 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 granted. The Commissioners should also ensure that appropriate staff members are assigned to review the reports submitted via FSRS to ensure that all applicable subawards are reported timely and accurately. These reviews should be documented and conducted by someone other than the staff member who initially reports the subaward information in FSRS.

If a state department encounters difficulties reporting the subawards in accordance with the FFATA requirements, department management should promptly contact the federal grantor or FSRS technical support personnel to obtain assistance and should maintain documentation of this communication.

Managements' Comment

Department of Education

We concur. As noted in the finding, when this matter was brought to the attention of the department, we reported the School Improvement Grant (SIG) information to the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS). The Department of Education has strengthened the communication link between SIG program staff and the Fiscal Director responsible for FSRS reporting. The department's Internal Audit Section will conduct periodic second party reviews to be sure SIG awards are reported timely.

Department of Environment and Conservation

The Department concurs in part with this finding. The Department did report sub-award financial information as required by FFATA. The FFATA Sub-award Reporting System (FSRS) is a reporting tool provided for use and maintained by the federal government. The Department has utilized this reporting tool and has entered data relative to approved sub-awards. When in use, the FSRS records a report date; however, the Department has only recently become aware that the report date could be altered through routine tasks such as periodic updates, editing or creation of new sub-awards and that the reporting tool would not retain the original report date. This failure to retain initially reported information became apparent during the recent Single Audit and is a situation that represents an anomaly or problem with the data reporting tool itself and which is beyond the control of the Department to remedy.

It has been suggested that the Department should have maintained a separate log of information or printed screen shots of data as it was entered; however, as stated above, the Department was not aware that the reporting tool provided would not retain initially reported data. To the contrary, the Department did properly utilize the reporting tool, within its understanding of such use, that it was provided and had no reason to doubt that the data entered would not be retained by the reporting tool. Furthermore, the Department was not, and is not, aware of any requirement in the Code of Federal Regulations (CFR) that would cause or mandate separate data logging or tracking of sub-award information to delineate report entry date into FSRS. Although the Department was of the belief that data entered into the reporting tool was maintained, Department staff were inadvertently logging report entry data through the

compilation and as an aspect of the Weekly Accomplishments Report, which staff complete to document work activities and the entry activities correspond with sub-award approval dates by the Tennessee Local Development Authority (TLDA). Unfortunately, the entries do not specifically list each project or sub-award entered although normal practice would have been to enter all sub-awards approved by the TLDA.

Considering this information, the Department is confident that the sub-award data was entered appropriately and timely, well before the end of the month following that during which the sub-awards were approved. Although the Department maintains that it reported data timely and correctly, in order to address the failure of the federal reporting tool to retain initially entered data, the Department has implemented a logging system in which staff will enter all pertinent sub-award information including the date of entry into the FFATA system. The Department has also implemented a review and verification process as a quality control measure to ensure accuracy of sub-award reporting.

The Department does agree that data entry errors were made relative to two Clean Water and one Drinking Water sub-awards. The Department will develop and implement amended data entry procedures to be utilized by staff entering data into the FFATA system. In addition, the Department will develop and implement enhanced review and verification procedures to ensure that data is reviewed and verified by staff other than the member that initially reported the information. The Department anticipates implementation on or before March 30, 2014.

Department of Finance and Administration

We concur. Since 2010, The Division of Health Care Finance and Administration (HCFA) has been in the process of pursuing an exception to FFATA reporting via CMS as very few Medicaid agencies report contract awards on USASpending.gov. It does not appear that there has been any progress made toward Medicaid agencies receiving a global exception to FFATA reporting. As a result, HCFA is presently gathering the required data from our contractors via a FFATA reporting form developed specifically by HCFA for this purpose. In addition, FFATA policy and procedures have been drafted to insure that the reporting project is implemented effectively.

As of February 24, 2014, HCFA has received this form back from 77% of our contractors. HCFA is currently making follow-up attempts to obtain the additional forms not received as of this date. It is being clearly communicated to sub recipients for both new awards and renewals that funds will not be released until required FFATA information is submitted. HCFA's accounting staff will be uploading the initial FFATA report compiled from this information to the FFATA website for these contractors by our target date of March 31, 2014. Updates to the FFATA website will be made as needed.

Department of Labor and Workforce Development

We concur. The Fiscal Services Section, which is staffed by the Department of Finance and Administration employees, has assumed responsibility for the Federal Funding Accountability and Transparency Act (FFATA) reporting. The reporting is now current and a

process has been established to ensure the timely submission of these reports to the FFATA Sub-award Reporting System (FSRS).

Department of Transportation

We concur in part. No grant award was found in FSRS that matched information in the audit report for 6 of 7 Highway Planning and Construction subawards and therefore could not be reported. Correction was made for 1 award report. Nine subawards were reported late. Management will be more diligent and work with the program areas to report promptly. Amounts reported for 9 subawards matched information in FSRS. Management cannot control incorrect data in FSRS. Available correct information was provided in reports submitted to FSRS that should end up in USASpending.gov. However, Transportation will document contact with federal grantors or FSRS technical support personnel if FSRS data is incorrect in the future. For Formula Grants Other than Urban Areas, subawards not reported or late are due to a timing issue for the Federal Transit Administration grants. They are awarded but subawards are not distributed within the reporting period set up in FSRS. FSRS and FFATA do not account for this process.

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, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Unclustered Programs				
Department of Agriculture				
Direct Programs				
Tennessee State University	Agricultural Research_Basic and Applied Research	10.001	$ 5,000.00	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001	2,598,803.88	$ 2,603,803.88
Agriculture	Plant and Animal Disease, Pest Control, and Animal Care	10.025	$ 753,201.57	
University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care	10.025	131,914.14	885,115.71
Agriculture	Market Protection and Promotion	10.163		8,715.02
Middle Tennessee State University	Farmers' Market Promotion Program	10.168		36,973.41
Agriculture	Specialty Crop Block Grant Program - Farm Bill	10.170		525,951.40
Agriculture	Organic Certification Cost Share Programs	10.171		15,420.17
University of Tennessee	Cooperative Forestry Research	10.202		653,670.41
University of Tennessee	Payments to Agricultural Experiment Stations Under the Hatch Act	10.203		6,698,862.22
Tennessee State University	1890 Institution Capacity Building Grants	10.216		440,368.30
Tennessee Technological University	Higher Education - Institution Challenge Grants Program	10.217	$ 83,984.12	
University of Tennessee	Higher Education - Institution Challenge Grants Program	10.217	17,679.51	101,663.63
Agriculture	Homeland Security_Agricultural	10.304		14,085.23
University of Tennessee	International Science and Education Grants	10.305		(5,757.60)
Tennessee State University	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443		308,214.91
Tennessee State University	Cooperative Extension Service	10.500	$ 9,243,855.40	
University of Tennessee	Cooperative Extension Service	10.500	11,615,653.90	20,859,509.30
Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		112,202,034.89
Human Services	Child and Adult Care Food Program	10.558		65,492,624.60
Agriculture	State Administrative Expenses for Child Nutrition	10.560	$ 180,932.84	
Education	State Administrative Expenses for Child Nutrition	10.560	2,185,920.80	
Human Services	State Administrative Expenses for Child Nutrition	10.560	1,350,603.59	3,717,457.23
Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572		81,488.28
Health	Senior Farmers Market Nutrition Program	10.576		537,384.69
Health	ARRA-WIC Grants To States (WGS)	10.578		226,870.56
Education	Child Nutrition Discretionary Grants Limited Availability	10.579		110,278.18
Education	Fresh Fruit and Vegetable Program	10.582		3,031,545.57
Agriculture	Forestry Research	10.652		288,174.07
Agriculture	Cooperative Forestry Assistance	10.664		1,491,783.16
Agriculture	Urban and Community Forestry Program	10.675		303,360.32
Agriculture	Forest Legacy Program	10.676		11,700.75
Agriculture	Forest Stewardship Program	10.678		300,608.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Agriculture	Forest Health Protection	10.680	$ 422,538.51	
University of Tennessee	Forest Health Protection	10.680	45,764.81	468,303.32
Economic and Community	Rural Business Enterprise Grants	10.769	$ 42,102.61	
Roane State Community College	Rural Business Enterprise Grants	10.769	48,891.00	
University of Tennessee	Rural Business Enterprise Grants	10.769	(11,332.01)	79,661.60
University of Tennessee	Rural Business Opportunity Grants	10.773		63,738.51
Dyersburg State Community College	Distance Learning and Telemedicine Loans and Grants	10.855	$ (2,889.06)	
East Tennessee State University	Distance Learning and Telemedicine Loans and Grants	10.855	34,084.50	
Walters State Community College	Distance Learning and Telemedicine Loans and Grants	10.855	7,395.62	38,591.06
University of Tennessee	Public Television Station Digital Transition Grant Program	10.861		292,700.58
University of Tennessee	Environmental Quality Incentives Program	10.912		282,018.02
Agriculture	Agricultural Statistics Reports	10.950		45,023.27
Tennessee State University	Technical Agricultural Assistance	10.960		(0.02)
Agriculture	Cooperative Forestry Position to Implement Forestry Provisions of Farm Bill	10 / 68-4741-1-121		15,235.69
Tennessee State University	National Small Farm Conference	10 / 119970	$ 10,000.00	
Tennessee State University	National Small Farm Conference	10 / 11-OA-2090-063	10,000.00	
Tennessee State University	National Small Farm Conference	10 / 12-25-A-5628	10,000.00	
Tennessee State University	National Small Farm Conference	10 / 3101036151	5,000.00	
Tennessee State University	National Small Farm Conference	10 / 608034	10,000.00	45,000.00
Tennessee State University	Strengthening the 1890 Community to Assist with the Implementation of the Marriott/USDA Agreement	10 / ASCR1890-0001		2,401.23
University of Tennessee	USDA APHIS Cankers Walnut Logs-Taylor	10 / 11-8130-0074-CA		7,109.13
University of Tennessee	USDA APHIS Cnkrs Walnut Logs '13-Taylor	10 / 12-8130-0074-CA		51.12
University of Tennessee	USDA APHIS Emerald Ash Borer 2012-Long	10 / 12-8247-0778-CA		80,016.35
University of Tennessee	USDA ARS Honey Bee Health-Skinner	10 / 58-1275-8-391 AMD 5		57,084.59
University of Tennessee	USDA FS Silviculture 2013-Clatterbuck	10 / SILVICULTURE 2013		151,625.00
Subtotal Direct Programs				$ 222,570,465.74
Passed Through University of Florida				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / PO 1000019158	$ 136.00	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / PO 1200142137	1,969.71	$ 2,105.71
University of Tennessee	Homeland Security_Agricultural	10.304 / UF12229		21,623.54
Passed Through University of Georgia				
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309-105/4785846	$ 2,519.08	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309-105/4786546	1,098.06	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309-109/4786236	2,200.26	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309-117/4893526	12,615.01	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RE675-116/489346	16,886.38	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RE675-161/4786096	6,510.45	41,829.24
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310 / RC293365/4693958		62,938.58
University of Tennessee	Cooperative Extension Service	10.500 / RE675-167/4940006		203.90
Passed Through University of Kentucky				
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / 3048109597-13-034		23,042.20
University of Tennessee	Cooperative Extension Service	10.500 / 3048107580-11-228		2,923.16
Passed Through Cornell University				
University of Tennessee	Integrated Programs	10.303 / 61384-9312		31,093.80
Passed Through North Carolina State University				
University of Tennessee	Integrated Programs	10.303 / 2012-E-04		691.32
University of Tennessee	Environmental Quality Incentives Program	10.912 / 2012-1632-06		169.50
University of Tennessee	Long Term Standing Agreements For Storage, Transportation And Lease	10.999 / ADVANCED ACCOUNT		25,000.00
Passed Through University of Rhode Island				
Tennessee State University	Integrated Programs	10.303 / 2007-51110-03816		534.81
Passed Through Rutgers, The State University of New Jersey				
University of Tennessee	Organic Agriculture Research and Extension Initiative	10.307 / SUB 4828		33,616.89
Passed Through Brigham Young University				
University of Tennessee	Specialty Crop Research Initiative	10.309 / 12-0356		747.29
Passed Through University of Massachusetts				
University of Tennessee	Specialty Crop Research Initiative	10.309 / 12-007055-D-00		9,169.10
University of Tennessee	Cooperative Extension Service	10.500 / 12-06968 C 00		1,063.00
Passed Through University of Maryland				
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310 / Z552802		38,402.50
Passed Through Kansas State University				
University of Tennessee	Cooperative Extension Service	10.500 / ADVANCED ACCOUNT	$ 2,028.45	
University of Tennessee	Cooperative Extension Service	10.500 / S12077	69,505.53	
University of Tennessee	Cooperative Extension Service	10.500 / S12133	4,255.97	
University of Tennessee	Cooperative Extension Service	10.500 / S12205	14,209.63	
University of Tennessee	Cooperative Extension Service	10.500 / S13131	19,315.85	109,315.43
Passed Through University of Arkansas				
University of Tennessee	Cooperative Extension Service	10.500 / 21662-06		28,909.39
Passed Through Slow the Spread Foundation, Incorporated				
Agriculture	Forest Health Protection	10.680 / 03-01-01		65,000.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Georgia Public Broadcasting				
University of Tennessee	Public Television Station Digital Transition Grant Program	10.861 / 8500018250		30,700.11
Passed Through Texas Agriculture Extension Services				
University of Tennessee	TX Coop Water Res Project Travel-Hawkins	10 / NO. 451004		7,145.09
Subtotal Pass-Through Programs				$ 536,224.56
Subtotal Department of Agriculture				$ 223,106,690.30
Department of Commerce				
Direct Programs				
University of Tennessee	Economic Development_Technical Assistance	11.303		$ 128,449.60
Secretary of State	ARRA-Broadband Technology Opportunities Program (BTOP)	11.557		9,983.27
University of Tennessee	Manufacturing Extension Partnership	11.611		1,954,684.83
Subtotal Department of Commerce				$ 2,093,117.70
Department of Defense				
Direct Programs				
University of Tennessee	Procurement Technical Assistance For Business Firms	12.002		$ 315,655.36
Revenue	Payments to States in Lieu of Real Estate Taxes	12.112		834,912.31
Environment and Conservation	State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		223,617.11
University of Tennessee	Basic and Applied Scientific Research	12.300		4,259.49
Military	Military Construction, National Guard	12.400		26,077.20
Military	National Guard Military Operations and Maintenance (O&M) Projects	12.401	$ 28,243,382.04	
Military	ARRA-National Guard Military Operations and Maintenance (O&M) Projects	12.401	409.68	28,243,791.72
University of Tennessee	Army Consumer Affs/Fin Planning 2012	12 / ADVANCED ACCOUNT		20,760.81
University of Tennessee	Army Consumer Affs/Finance 2013-Bartee	12 / ADVANCED ACCOUNT		55,352.90
University of Tennessee	Army Family Advocacy 2012	12 / ADVANCED ACCOUNT		6,961.38
University of Tennessee	Army Family Advocacy 2013-Bartee	12 / ADVANCED ACCOUNT		23,928.75
University of Tennessee	Army Mobilization Deployment 2012	12 / ADVANCED ACCOUNT		7,786.31
University of Tennessee	Army Mobilization Deployment 2013-Bartee	12 / ADVANCED ACCOUNT		41,935.57
University of Tennessee	Army Relocation Office 2012	12 / ADVANCED ACCOUNT		44,488.12
University of Tennessee	Army Relocation Office 2013-Bartee	12 / ADVANCED ACCOUNT		99,349.68
University of Tennessee	Army Soldier Readiness Office 2012	12 / ADVANCED ACCOUNT		9,537.44
University of Tennessee	Army Soldier Readiness Office 2013-Bartee	12 / ADVANCED ACCOUNT		26,833.44
University of Tennessee	DOD Operation Military Kids 2013-Crowe	12 / NAFBA1-13-M-0192		8,721.84
University of Tennessee	ONR SP470108D0014 MRE Pckg - Wiley	12 / SP4701-08-D-0014		59,456.97

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	Peace Corps-PC-12 -8-070 Wood	12 / PC-12-8-070	27,640.11
University of Tennessee	TN Army Nat'l Guard Youth Camp '12-Seals	12 / W912L7-12-P-0071	88,585.00
Subtotal Direct Programs			$ 30,169,651.51
Passed Through Academy of Applied Sciences			
University of Tennessee	Basic, Applied, and Advanced Research in Science and Engineering	12.630 / W911NF-10-2-0076	$ 11,192.64
Passed Through Defense Equal Opportunity Management Institute			
Austin Peay State University	Defense Equal Opportunity Climate Survey	12 / FA2521-06-P-0292	3,307.39
Subtotal Pass-Through Programs			$ 14,500.03
Subtotal Department of Defense			$ 30,184,151.54
Department of Housing and Urban Development			
Direct Programs			
Tennessee Housing Development Agency	Supportive Housing for Persons with Disabilities	14.181	$ 198,057.00
Tennessee Housing Development Agency	Emergency Solutions Grant Program	14.231	1,135,901.69
University of Tennessee	Supportive Housing Program	14.235	137,313.98
Tennessee Housing Development Agency	Home Investment Partnerships Program	14.239	12,771,698.57
Health	Housing Opportunities for Persons with AIDS	14.241	1,009,918.74
Southwest Tennessee Community College	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	21,130.87
Tennessee Housing Development Agency	ARRA-Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	122,499.12
Tennessee Human Rights Commission	Fair Housing Assistance Program_ State and Local	14.401	328,052.00
Tennessee State University	Historically Black Colleges and Universities Program	14.520	371,793.08
Middle Tennessee State University	Operation Lead Elimination Action Program	14.903	(1,168.45)
Environment and Conservation	Lead Hazard Reduction Demonstration Grant Program	14.905	639,300.43
Southwest Tennessee Community College	HUD 21st Century	14 / B-05-SP-TN0966	145,369.46
Subtotal Direct Programs			$ 16,879,866.49
Passed Through City of Knoxville			
University of Tennessee	Emergency Solutions Grant Program	14.231 / C-13-0065	$ 14,882.84
University of Tennessee	City of Knoxville HUD Bassett/ Fitzhugh	14 / HUD REGIONAL PLANNING	135,875.29
Passed Through City of Johnson City			
East Tennessee State University	Home Investment Partnerships Program	14.239 / UNKNOWN	2,704.79

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Pass-Through Programs				$ 153,462.92
Subtotal Department of Housing and Urban Development				$ 17,033,329.41
		Department of the Interior		
Direct Programs				
Environment and Conservation	Abandoned Mine Land Reclamation (AMLR) Program	15.252		$ 1,594,790.40
Environment and Conservation	Cooperative Endangered Species Conservation Fund	15.615	$ 1,610,603.45	
Tennessee Wildlife Resources Agency	Cooperative Endangered Species Conservation Fund	15.615	1,016,897.85	2,627,501.30
Tennessee Wildlife Resources Agency	Clean Vessel Act	15.616		381,041.18
Tennessee Wildlife Resources Agency	Sportfishing and Boating Safety Act	15.622		388,558.81
Tennessee Wildlife Resources Agency	Enhanced Hunter Education and Safety Program	15.626		2,146,423.84
University of Tennessee	Partners for Fish and Wildlife	15.631		1,217.78
Tennessee Wildlife Resources Agency	State Wildlife Grants	15.634		1,080,874.45
Tennessee Wildlife Resources Agency	Research Grants (Generic)	15.650		1,402.08
Environment and Conservation	Recovery Acts Fund - Habitat Enhancement, Restoration and Improvement	15.656		1,355.09
Tennessee Wildlife Resources Agency	Cooperative Landscape Conservation	15.669		148,711.31
Environment and Conservation	U.S. Geological Survey_Research and Data Collection	15.808		137,124.66
Environment and Conservation	National Cooperative Geologic Mapping Program	15.810		1,807.42
University of Tennessee	Cooperative Research Units Program	15.812		(702.42)
Environment and Conservation	Minerals Resources External Research Program	15.816		7,782.74
Environment and Conservation	Historic Preservation Fund Grants-In-Aid	15.904	$ 665,296.59	
Middle Tennessee State University	Historic Preservation Fund Grants-In-Aid	15.904	403,278.69	1,068,575.28
Secretary of State	American Battlefield Protection	15.926		6,520.07
Tennessee State Museum	Save America's Treasures	15.929		129,897.48
Tennessee State University	Minority Serving Institutions Technical Assistance & Capacity Building Conference	15 / 002944		2,000.00
University of Memphis	CERI Annual Support of USGS Personnel	15 / G09PX01478		9,844.34
Subtotal Direct Programs				$ 9,734,725.81
Passed Through Overmountain Victory Trail Association				
East Tennessee State University	Rivers, Trails and Conservation Assistance	15.921 / UNKNOWN		$ 6,000.00
Passed Through Western Kentucky University				
Tennessee State University	Rivers, Trails and Conservation Assistance	15.921 / H5000095041		12,054.17
Subtotal Pass-Through Programs				$ 18,054.17

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Department of the Interior				$ 9,752,779.98
	Department of Justice			
Direct Programs				
Finance and Administration	Sexual Assault Services Formula Program	16.017		$ 178,456.74
Commission on Children and Youth	Juvenile Accountability Block Grants	16.523		701,553.94
University of Tennessee	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525		79,932.61
Commission on Children and Youth	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	$ 584,290.78	
Mental Health and Substance Abuse Services	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	38,230.91	622,521.69
Commission on Children and Youth	Title V_Delinquency Prevention Program	16.548		557.45
Tennessee Bureau of Investigation	State Justice Statistics Program for Statistical Analysis Centers	16.550		31,560.00
Finance and Administration	National Criminal History Improvement Program (NCHIP)	16.554		157,789.30
University of Tennessee	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		210,180.69
Finance and Administration	Crime Victim Assistance	16.575		7,811,750.61
Treasury	Crime Victim Compensation	16.576		5,650,000.00
University of Tennessee	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		592,778.97
Administrative Office of the Courts	Drug Court Discretionary Grant Program	16.585		94,898.89
Finance and Administration	Violence Against Women Formula Grants	16.588		2,051,522.16
Finance and Administration	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		251,532.25
Finance and Administration	Residential Substance Abuse Treatment for State Prisoners	16.593		333,035.58
University of Tennessee	Bulletproof Vest Partnership Program	16.607		6,005.87
Tennessee Bureau of Investigation	Project Safe Neighborhoods	16.609	$ 94,938.74	
University of Memphis	Project Safe Neighborhoods	16.609	63,849.40	158,788.14
Tennessee Bureau of Investigation	Regional Information Sharing Systems	16.610		5,333,072.00
Tennessee Bureau of Investigation	Public Safety Partnership and Community Policing Grants	16.710		1,240,384.29
Commission on Children and Youth	Enforcing Underage Drinking Laws Program	16.727		5,245.18
Tennessee Bureau of Investigation	DNA Backlog Reduction Program	16.741		2,737,288.72
Finance and Administration	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		194,361.21
Tennessee Bureau of Investigation	Convicted Offender and/or Arrestee DNA Backlog Reduction Program	16.748		8,320.49
Correction	Support for Adam Walsh Act Implementation Grant Program	16.750		6,937.90
University of Memphis	Edward Byrne Memorial Competitive Grant Program	16.751		221,096.18
Middle Tennessee State University	Congressionally Recommended Awards	16.753	$ 318,580.94	
Southwest Tennessee Community College	Congressionally Recommended Awards	16.753	22,651.56	341,232.50

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Finance and Administration	ARRA-Recovery Act - State Victim Assistance Formula Grant Program	16.801		0.08
University of Tennessee	ARRA-Recovery Act – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810		(12,084.41)
Mental Health and Substance Abuse Services	Second Chance Act Prisoner Reentry Initiative	16.812		61,631.04
Tennessee Student Assistance Corporation	John R. Justice Prosecutors and Defenders Incentive Act	16.816		65,491.00
Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	16 / 2012-	$ 626,902.24	
Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	16 / 2013-116	191,802.06	818,704.30
Subtotal Direct Programs				$ 29,954,545.37
Passed Through Radford University				
University of Tennessee	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560 / 2009-DN-BX-K200		$ 27,538.78
Passed Through Shelby County Government				
University of Memphis	Reduction and Prevention of Children's Exposure to Violence	16.730 / CA-1313041	$ 27,024.89	
University of Memphis	Reduction and Prevention of Children's Exposure to Violence	16.730 / PO #006176	33,573.26	60,598.15
Passed Through National 4-H Council				
University of Tennessee	Nat'l 4-H Mentoring 2012-Crowe	16 / YEAR 2	$ 52,233.70	
University of Tennessee	Nat'l 4-H Mentoring 2013-Crowe	16 / 2013	13,072.38	65,306.08
Subtotal Pass-Through Programs				$ 153,443.01
Subtotal Department of Justice				$ 30,107,988.38
Department of Labor				
Direct Programs				
Labor and Workforce Development	Labor Force Statistics	17.002		$ 1,015,014.89
Labor and Workforce Development	Compensation and Working Conditions	17.005		108,785.14
Labor and Workforce Development	Unemployment Insurance	17.225	$ 790,141,807.73	
Labor and Workforce Development	ARRA-Unemployment Insurance	17.225	(2,040,793.82)	788,101,013.91
Labor and Workforce Development	Senior Community Service Employment Program	17.235		1,762,322.93
Labor and Workforce Development	Trade Adjustment Assistance	17.245		8,545,921.00
Labor and Workforce Development	WIA Dislocated Workers	17.260	$ 83,695.55	
Labor and Workforce Development	ARRA-WIA Dislocated Workers	17.260	151,356.22	235,051.77
Labor and Workforce Development	Incentive Grants - WIA Section 503	17.267		355,654.32
Pellissippi State Community College	H-1B Job Tranining Grants	17.268	$ 9,787.29	
Roane State Community College	H-1B Job Tranining Grants	17.268	243,100.13	252,887.42
Jackson State Community College	Community Based Job Training Grants	17.269	$ 42,622.96	
Roane State Community College	Community Based Job Training Grants	17.269	728,177.62	770,800.58

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Labor and Workforce Development	Work Opportunity Tax Credit Program (WOTC)	17.271		697,362.43
Labor and Workforce Development	Permanent Labor Certification for Foreign Workers	17.272		5,597.92
Labor and Workforce Development	Temporary Labor Certification for Foreign Workers	17.273		83,813.29
Labor and Workforce Development	Workforce Investment Act (WIA) National Emergency Grants	17.277		3,530,965.49
Chattanooga State Community College	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	$ 437,847.21	
Jackson State Community College	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	6,268.89	
Motlow State Community College	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	1,555,720.66	
Roane State Community College	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	970,404.76	2,970,241.52
Labor and Workforce Development	Occupational Safety and Health_State Program	17.503		3,606,230.90
Labor and Workforce Development	Consultation Agreements	17.504		1,091,490.72
Labor and Workforce Development	OSHA Data Initiative	17.505		47,338.90
Labor and Workforce Development	Mine Health and Safety Grants	17.600		51,755.22
Subtotal Direct Programs				$ 813,232,248.35
Passed Through Knoxville-Knox County Community Action Committee				
University of Tennessee	Community Based Job Training Grants	17.269 / KNOX CAC WIA OUT-OF		$ 107,587.84
Passed Through Southeast Tennessee Development District				
Chattanooga State Community College	Community Based Job Training Grants	17.269 / CB-12808-90-60-A-47		97,440.02
Passed Through Memphis Bioworks Foundation				
Dyersburg State Community College	Green Jobs Innovation Funds Grants	17.279 / GI-19864-10-60-A-47		2,064.75
Passed Through Henry Ford Community College				
Motlow State Community College	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282 / SGA/DFA PY 11-08	$ 87,586.19	
Pellissippi State Community College	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282 / PO#B0004798	16,148.18	103,734.37
Passed Through Operation Stand Down Nashville, Incorporated				
Tennessee State University	Veterans' Employment Program	17.802 / VW-20702-10-60-5-47		72,924.05
Subtotal Pass-Through Programs				$ 383,751.03
Subtotal Department of Labor				$ 813,615,999.38

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Department of State				
Passed Through Institute for Training and Development				
University of Tennessee	Academic Exchange Programs - Undergraduate Programs	19.009 / 2012 STUDY-BRAZILIAN		$ 161,491.53
Subtotal Department of State				$ 161,491.53
Department of Transportation				
Direct Programs				
Transportation	Airport Improvement Program	20.106		$ 12,319,588.00
Tennessee State University	Highway Training and Education	20.215		22,134.16
Safety and Homeland Security	National Motor Carrier Safety	20.218		4,912,623.18
Transportation	Metropolitan Transportation Planning	20.505		817,456.09
Transportation	Formula Grants for Rural Areas	20.509	$ 13,818,965.91	
Transportation	ARRA-Formula Grants for Rural Areas	20.509	1,888,380.00	15,707,345.91
Transportation	Clean Fuels	20.519		33,956.53
Transportation	Paul S. Sarbanes Transit in the Parks	20.520		103,045.00
Transportation	Alcohol Open Container Requirements	20.607		18,363,129.16
Transportation	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614		212,782.82
Commerce and Insurance	E-911 Grant Program	20.615		457,752.19
Tennessee Regulatory Authority	Pipeline Safety Program State Base Grant	20.700		532,054.82
Military	Interagency Hazardous Materials Public Sector Training and Planning Grants	20 / HMEP2012	$ 272,066.59	
Military	Interagency Hazardous Materials Public Sector Training and Planning Grants	20 / HMEP2013	109,538.42	381,605.01
University of Tennessee	FHWA-DTFH61-06-D-00026/Task 2a-Everett	20 / DTFH61-06-D-00026/7-		(8,145.35)
University of Tennessee	USDOT DTFH61-11-D-00007 Kohls	20 / DTFH61-11-D-00007		188,066.04
Subtotal Direct Programs				$ 54,043,393.56
Passed Through North Carolina State University				
University of Tennessee	NCST Thermochemical Process-Taylor	20 / 2011-1498-01		$ 4.58
Subtotal Pass-Through Programs				$ 4.58
Subtotal Department of Transportation				$ 54,043,398.14
Department of the Treasury				
Passed Through NeighborWorks America				
Tennessee Housing Development Agency	National Foreclosure Mitigation Counseling (NFMC) Program	21 / PL112-55:95X1350		$ 659,511.00
Subtotal Department of the Treasury				$ 659,511.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Appalachian Regional Commission				
Direct Programs				
Columbia State Community College	Appalachian Regional Development	23.001	$ 20,296.46	
Economic and Community Development	Appalachian Regional Development	23.001	7,772.21	$ 28,068.67
East Tennessee State University	Appalachian Area Development	23.002	$ 28,217.31	
Economic and Community Development	Appalachian Area Development	23.002	863,010.34	
Tennessee Technological University	Appalachian Area Development	23.002	198,325.09	1,089,552.74
East Tennessee State University	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	$ 75,544.55	
Economic and Community Development	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	160,234.99	
Walters State Community College	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	39,939.90	275,719.44
University of Tennessee	ARC CO-17261-12 Ezzell	23 / CO-17261-12		5,200.66
Subtotal Direct Programs				$ 1,398,541.51
Passed Through University of Kentucky Research Foundation				
East Tennessee State University	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011 / 4-67886-04-435		$ 44.00
Subtotal Pass-Through Programs				$ 44.00
Subtotal Appalachian Regional Commission				$ 1,398,585.51
Equal Employment Opportunity Commission				
Direct Programs				
Tennessee Human Rights Commission	Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002		$ 355,950.00
Subtotal Equal Employment Opportunity Commission				$ 355,950.00
General Services Administration				
Direct Programs				
General Services	Donation of Federal Surplus Personal Property (Noncash Award)	39.003		$ 403,694.50
Secretary of State	Election Reform Payments	39.011		471,514.27
Subtotal General Services Administration				$ 875,208.77
Library of Congress				
Direct Programs				

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Middle Tennessee State University	Teaching with Primary Sources	42 / GA08C0077		$ 140,395.47
Subtotal Library of Congress				$ 140,395.47
National Aeronautics and Space Administration				
Direct Programs				
Tennessee Technological University	Science	43.001		$ 82,739.77
Austin Peay State University	Solar Energy LASER Physics	43 / BCS-1061716		116,468.48
Tennessee State University	NASA Science Engineering Mathematics Aerospace Academy (SEMAA)	43 / NAS3-02123-STSU		31,270.21
Subtotal Direct Programs				$ 230,478.46
Passed Through Vanderbilt University				
East Tennessee State University	Science	43.001 / 21603-S13		$ 11,250.00
Tennessee State University	Tennessee Space Grant College and Fellowship Program	43 / NNX10AM45H		63,400.93
Passed Through Mathematical Science Research Institute				
University of Tennessee	Math Sci & Research Inst (MSRI) Lenhart	43 / MOU 2012 MODERN MATH		37,171.99
Passed Through United Negro College Fund Special Programs Corporation				
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				$ 120,322.92
Subtotal National Aeronautics and Space Administration				$ 350,801.38
National Endowment for the Arts				
Direct Programs				
Tennessee Arts Commission	Promotion of the Arts_Partnership Agreements	45.025		$ 768,600.00
Subtotal National Endowment for the Arts				$ 768,600.00
National Endowment for the Humanities				
Direct Programs				
University of Tennessee	Promotion of the Humanities_ Division of Preservation and Access	45.149		$ 154,509.45
University of Tennessee	Promotion of the Humanities_ Fellowships and Stipends	45.160		(10,489.58)
Middle Tennessee State University	Promotion of the Humanities_Public Programs	45.164	$ 2,500.00	
University of Memphis	Promotion of the Humanities_Public Programs	45.164	477.11	2,977.11

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal National Endowment for the Humanities				$ 146,996.98
Institute of Museum and Library Services				
Direct Programs				
Secretary of State	Grants to States	45.310		$ 2,791,710.74
Tennessee State University	National Leadership Grants	45.312	$ 317,910.73	
University of Tennessee	National Leadership Grants	45.312	8,127.73	326,038.46
University of Memphis	Laura Bush 21st Century Librarian Program	45.313	$ 123,029.32	
University of Tennessee	Laura Bush 21st Century Librarian Program	45.313	293,195.45	416,224.77
Subtotal Institute of Museum and Library Services				$ 3,533,973.97
National Science Foundation				
Direct Programs				
University of Tennessee	Engineering Grants	47.041		$ 50,172.98
Tennessee Technological University	Mathematical and Physical Sciences	47.049	$ 11,444.04	
University of Tennessee	Mathematical and Physical Sciences	47.049	44,031.79	55,475.83
Austin Peay State University	Computer and Information Science and Engineering	47.070		67,747.27
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075		39,123.79
Cleveland State Community College	Education and Human Resources	47.076	$ 56,699.18	
East Tennessee State University	Education and Human Resources	47.076	198,689.05	
Middle Tennessee State University	Education and Human Resources	47.076	1,025,582.61	
Tennessee State University	Education and Human Resources	47.076	731,787.69	
University of Tennessee	Education and Human Resources	47.076	1,251,997.49	3,264,756.02
University of Tennessee	Office of Cyberinfrastructure	47.080		22,237.06
Middle Tennessee State University	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082	$ 127,152.84	
Tennessee State University	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082	8,899.44	
University of Memphis	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082	244,349.24	380,401.52
Subtotal Direct Programs				$ 3,879,914.47
Passed Through American Physical Society				
Middle Tennessee State University	Mathematical and Physical Sciences	47.049 / PHY-0808790		$ 9,987.75
Passed Through University of Minnesota				
University of Tennessee	Mathematical and Physical Sciences	47.049 / CPS00002006229		25,000.00
Passed Through Vanderbilt University				
Chattanooga State Community College	Computer and Information Science and Engineering	47.070 / 2019-015199		683.99
Passed Through EdLab Group Foundation				
Middle Tennessee State University	Education and Human Resources	47.076 / EQ2012-39		825.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Indian River State College				
Chattanooga State Community College	Education and Human Resources	47.076 / RCNET CSCC 0001	$ 1,030.05	
Chattanooga State Community College	Education and Human Resources	47.076 / RCNET CSCC 0002	36,185.97	37,216.02
Passed Through Kentucky Community and Technical College System				
Pellissippi State Community College	Education and Human Resources	47.076 / KCT-PS-531		13,539.22
Passed Through Lorain County Community College				
Chattanooga State Community College	Education and Human Resources	47.076 / 1104107		5,259.01
Passed Through Madisonville Community College				
Jackson State Community College	Education and Human Resources	47.076 / DUE-1204975		38,518.60
Passed Through Puget Sound Center				
Middle Tennessee State University	Education and Human Resources	47.076 / HRD-0631789		2,879.42
Passed Through Stevens Institute of Technology				
University of Memphis	Education and Human Resources	47.076 / HRD-0833076		1,923.84
University of Tennessee	Stevens Institute of Technology Bennett	47 / ENGAGE SPATIAL SKILL		2,235.99
Passed Through University of Tulsa				
Jackson State Community College	Education and Human Resources	47.076 / DUC-0856482		35,562.12
Subtotal Pass-Through Programs				$ 173,630.96
Subtotal National Science Foundation				$ 4,053,545.43
Small Business Administration				
Direct Programs				
Roane State Community College	7(j) Techincal Assistance	59.007		$ 102,616.16
Middle Tennessee State University	Small Business Development Centers	59.037	$ 2,106,270.14	
Tennessee Board of Regents	Small Business Development Centers	59.037	2,636,653.32	4,742,923.46
University of Tennessee	Federal and State Technology Partnership Program	59.058		39,396.35
Economic and Community Development	State Trade and Export Promotion Pilot Grant Program	59.061		409,751.26
Subtotal Small Business Administration				$ 5,294,687.23
Department of Veterans Affairs				
Direct Programs				
Tennessee State Veterans Homes Board	Veterans State Nursing Home Care	64.015		$ 13,555,606.04
East Tennessee State University	Veterans Home Based Primary Care	64.022		216,403.07
Tennessee Higher Education Commission	All-Volunteer Force Educational Assistance	64.124		294,589.85

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Veterans Affairs	State Cemetery Grants	64.203		1,535,310.00
Tennessee Technological University	Educational Assistance Annual Reporting Fees	64 / ANNUAL REPORTING FEE		1,269.40
University of Memphis	Support of Veteran's Service Office	64 / 11908142		7,692.00
Subtotal Department of Veterans Affairs				$ 15,610,870.36
	Environmental Protection Agency			
Direct Programs				
Environment and Conservation	Air Pollution Control Program Support	66.001		$ 959,100.29
Environment and Conservation	State Indoor Radon Grants	66.032		144,677.20
Environment and Conservation	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		343,867.27
Environment and Conservation	State Clean Diesel Grant Program	66.040		90,830.00
Environment and Conservation	Water Pollution Control State, Interstate, and Tribal Program Support	66.419		2,836,856.16
Environment and Conservation	State Public Water System Supervision	66.432		1,487,117.03
Environment and Conservation	Water Quality Management Planning	66.454		18,825.79
Environment and Conservation	Capitalization Grants for Clean Water State Revolving Funds	66.458	$ 3,334,942.15	
Environment and Conservation	ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	970,194.79	4,305,136.94
Agriculture	Nonpoint Source Implementation Grants	66.460		3,235,629.55
Environment and Conservation	Regional Wetland Program Development Grants	66.461		216,104.78
Environment and Conservation	Water Quality Cooperative Agreements	66.463		5,581.25
Environment and Conservation	Capitalization Grants for Drinking Water State Revolving Funds	66.468	$ 5,590,737.63	
Environment and Conservation	ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468	301,934.75	5,892,672.38
Environment and Conservation	Water Protection Grants to the States	66.474		70,485.91
University of Tennessee	Office of Research and Development Consolidated Research/Training/ Fellowships	66.511		4,250.91
University of Tennessee	Science To Achieve Results (STAR) Fellowship Program	66.514		17,331.09
Agriculture	Performance Partnership Grants	66.605		248,748.00
Environment and Conservation	Environmental Information Exchange Network Grant Program and Related Assistance	66.608		134,302.59
Environment and Conservation	Protection of Children from Environmental Health Risks	66.609		3,987.44
Environment and Conservation	Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		148,416.79
Environment and Conservation	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		211,953.22
Environment and Conservation	Pollution Prevention Grants Program	66.708		59,312.07
Environment and Conservation	Hazardous Waste Management State Program Support	66.801		1,544,693.41
Environment and Conservation	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		715,602.01

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Environment and Conservation	Underground Storage Tank Prevention, Detection and Compliance Program	66.804		1,045,358.18
Environment and Conservation	Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		1,820,277.79
Environment and Conservation	Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809		281,979.96
Environment and Conservation	State and Tribal Response Program Grants	66.817		953,560.07
Subtotal Direct Programs				$ 26,796,658.08
Passed Through Shelby County Health Department				
Middle Tennessee State University	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034 / 95490112		$ 52,586.28
Subtotal Pass-Through Programs				$ 52,586.28
Subtotal Environmental Protection Agency				$ 26,849,244.36
Department of Energy				
Direct Programs				
Environment and Conservation	State Energy Program	81.041	$ 5,432,826.54	
Environment and Conservation	ARRA-State Energy Program	81.041	823,237.96	$ 6,256,064.50
Human Services	Weatherization Assistance for Low-Income Persons	81.042	$ (121,611.85)	
Human Services	ARRA-Weatherization Assistance for Low-Income Persons	81.042	(6,947,538.83)	
Tennessee Housing Development Agency	Weatherization Assistance for Low-Income Persons	81.042	539,492.55	(6,529,658.13)
University of Tennessee	ARRA-Conservation Research and Development	81.086		338,444.43
Environment and Conservation	ARRA-Renewable Energy Research and Development	81.087		45,698.89
Tennessee State University	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	$ 335,855.98	
Tennessee Technological University	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	246,663.01	582,518.99
Environment and Conservation	ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122		191,185.06
Environment and Conservation	ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		1,641,831.00
Military	Department of Energy Emergency Preparedness	81 / DOE FFY 2010 AWARD	$ (5,500.16)	
Military	Department of Energy Emergency Preparedness	81 / DOE FFY 2011 AWARD	9,659.90	
Military	Department of Energy Emergency Preparedness	81 / DOE FFY 2012 AWARD	434,551.42	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Military	Department of Energy Emergency Preparedness	81 / DOE FFY 2013 AWARD	442,665.01	881,376.17
Roane State Community College	Miscellaneous Federal Activities	81 / DEFG0505OR23185		4,996.75
Tennessee State University	Minority Serving Institutions Technical Assistance & Capacity Building Conference	81 / DE-NA0001352		6,006.51
Tennessee Wildlife Resources	Oak Ridge Wildlife Management	81 / REORDOER-3-97-0702		186,970.32
University of Tennessee	Secretariat Lab Energy R&D Group 2010	81 / LERDWG		13,624.47
University of Tennessee	Secretariat Lab Energy R&D Group 2012	81 / CHECK NO. 359024		10,142.31
Subtotal Direct Programs				$ 3,629,201.27
Passed Through Tennessee Energy, Industry and Construction Consortium				
Chattanooga State Community College	ARRA-Conservation Research and Development	81.086 / 8500017799		$ 7,500.00
Passed Through Georgia Environmental Finance Authority				
Tennessee Technological University	State Energy Program Special Projects	81.119 / SIEA2010-102 AMENDMENT 1		10,129.21
Passed Through University of Minnesota				
Tennessee State University	ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122 / DE-0E0000427		10,506.80
Passed Through Argonne National Laboratory				
University of Tennessee	Argonne Natl Lab-Workshops-IESP-Dongarra	81 / 9F-31202		102,396.51
Passed Through Pathway Lending				
University of Tennessee	ARRA-Pathway Lending Peretz	81 / LETTER DATED 3/27/13		3,000.00
University of Tennessee	ARRA-Pathway Lending Symposium Greene	81 / LETTER DATED 3/15/13		3,100.00
Subtotal Pass-Through Programs				$ 136,632.52
Subtotal Department of Energy				$ 3,765,833.79
Department of Education				
Direct Programs				
Labor and Workforce Development	Adult Education - Basic Grants to States	84.002		$ 12,258,663.16
Education	Migrant Education_State Grant Program	84.011		799,051.61
Education	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		469,129.95
University of Tennessee	Undergraduate International Studies and Foreign Language Programs	84.016		42,611.37
Austin Peay State University	Higher Education_Institutional Aid	84.031	$ 384,911.27	
Cleveland State Community College	Higher Education_Institutional Aid	84.031	397,940.55	
Dyersburg State Community College	Higher Education_Institutional Aid	84.031	359,753.39	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Nashville State Community College	Higher Education_Institutional Aid	84.031	298,803.38	
Northeast State Community College	Higher Education_Institutional Aid	84.031	66,101.00	
Southwest Tennessee Community College	Higher Education_Institutional Aid	84.031	229,288.53	
Tennessee State University	Higher Education_Institutional Aid	84.031	8,429,687.48	10,166,485.60
Cleveland State Community College	Federal Family Education Loans	84.032	$ 7,729,468.00	
Roane State Community College	Federal Family Education Loans	84.032	8,860,762.00	
Tennessee Student Assistance Corporation	Federal Family Education Loans	84.032	139,230,137.28	155,820,367.28
Education	Career and Technical Education -- Basic Grants to States	84.048	$ 22,548,262.62	
Middle Tennessee State University	Career and Technical Education -- Basic Grants to States	84.048	3,162.13	22,551,424.75
Cleveland State Community College	Fund for the Improvement of Postsecondary Education	84.116	$ 62,975.95	
East Tennessee State University	Fund for the Improvement of Postsecondary Education	84.116	58,074.92	
Roane State Community College	Fund for the Improvement of Postsecondary Education	84.116	116,527.50	
University of Tennessee	Fund for the Improvement of Postsecondary Education	84.116	1,256,652.09	1,494,230.46
Human Services	Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126		52,233,184.11
University of Memphis	Rehabilitation Long-Term Training	84.129	$ 130,676.46	
University of Tennessee	Rehabilitation Long-Term Training	84.129	169,916.68	300,593.14
Education	Migrant Education_Coordination Program	84.144		111,465.38
University of Tennessee	Business and International Education Projects	84.153		6,277.55
Human Services	Independent Living_State Grants	84.169		464,629.88
Human Services	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177		659,034.58
Education	Special Education-Grants for Infants and Families	84.181		9,651,974.40
Education	Safe and Drug-Free Schools and Communities_National Programs	84.184	$ 1,552,187.10	
University of Tennessee	Safe and Drug-Free Schools and Communities_National Programs	84.184	130,871.34	1,683,058.44
Education	Safe and Drug-Free Schools and Communities_State Grants	84.186		313,934.07
Human Services	Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		467,944.00
University of Tennessee	Adult Education_National Leadership Activities	84.191		345,047.69
Education	Education for Homeless Children and Youth	84.196		982,907.35
Middle Tennessee State University	Graduate Assistance in Areas of National Need	84.200	$ 52,301.30	
University of Tennessee	Graduate Assistance in Areas of National Need	84.200	45,710.69	98,011.99
Education	Even Start_State Educational Agencies	84.213		225,163.39
Education	Fund for the Improvement of Education	84.215		427,522.85
Human Services	Assistive Technology	84.224		507,068.05
Education	Tech-Prep Education	84.243		165,113.01
University of Tennessee	National Institute for Literacy	84.257		234,237.83

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Human Services	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265		77,945.57
Education	Charter Schools	84.282		4,396,689.32
Education	Twenty-First Century Community Learning Centers	84.287		17,714,517.32
Education	Special Education - State Personnel Development	84.323		727,024.10
University of Memphis	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		307,689.38
University of Tennessee	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		9,484.36
Education	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		211,676.20
Correction	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331		52,547.55
East Tennessee State University	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	$ 1,291.24	
Tennessee Higher Education Commission	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,517,268.21	
University of Tennessee	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	787,380.03	2,305,939.48
East Tennessee State University	Child Care Access Means Parents in School	84.335		126,889.79
Education	Transition to Teaching	84.350		5,437.94
Tennessee Arts Commission	Arts in Education	84.351		220,209.39
Education	Rural Education	84.358		5,028,267.68
Education	English Language Acquisition State Grants	84.365	$ 5,227,788.99	
University of Tennessee	English Language Acquisition State Grants	84.365	333,508.09	5,561,297.08
Education	Mathematics and Science Partnerships	84.366		1,301,430.00
Education	Improving Teacher Quality State Grants	84.367	$ 44,561,892.75	
Tennessee Higher Education Commission	Improving Teacher Quality State Grants	84.367	1,263,022.06	45,824,914.81
Education	Grants for State Assessments and Related Activities	84.369		10,243,144.11
Austin Peay State University	Academic Competitiveness Grants	84.375	$ 469.00	
University of Memphis	Academic Competitiveness Grants	84.375	750.00	1,219.00
Tennessee Higher Education Commission	College Access Challenge Grant Program	84.378		3,188,524.27
Southwest Tennessee Community College	Strengthening Minority-Serving Institutions	84.382		440,824.99
Human Services	ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390		31.58
Education	ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395		133,087,807.06
Health	ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		(15.81)

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Human Services	ARRA-Independent Living State Grants, Recovery Act	84.398		(71.04)
Human Services	ARRA-Independent Living Services for Older Individuals Who are Blind, Recovery Act	84.399		28.42
Education	ARRA-Education Jobs Fund	84.410		9,041,739.30
Education	NCES Task Order Contract: National Assessment of Educational Progress	84 / ED-03-CO-0091		125,998.16
Education	State Data Task Order	84 / ED-08-CO-0064	$ 955.52	
Education	State Data Task Order	84 / UNKNOWN	20,821.73	21,777.25
Subtotal Direct Programs				$ 512,502,099.15
Passed Through Dekalb County School System				
Middle Tennessee State University	Career and Technical Education -- Basic Grants to States	84.048 / UNKNOWN		$ 707.87
Passed Through National Commission on Teaching				
University of Memphis	Fund for the Improvement of Postsecondary Education	84.116 / A-2		12,500.00
Passed Through Kent State University				
University of Tennessee	Adult Education_National Leadership Activities	84.191 / 401000-UT		15,771.29
Passed Through Bedford County Department of Education				
Middle Tennessee State University	Fund for the Improvement of Education	84.215 / U215X100126		4,747.72
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		226,010.58
Passed Through Memphis City Schools				
University of Memphis	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334 / PO 05 00739 Z 05		(7,800.38)
Passed Through Signal Centers, Incorporated				
University of Tennessee	Child Care Access Means Parents in School	84.335 / CCR & R	$ 631.36	
University of Tennessee	Child Care Access Means Parents in School	84.335 / EAST CCR&R	415,333.45	415,964.81
Passed Through Drexel University				
University of Tennessee	Transition to Teaching	84.350 / 213025 AMENDMENT #3		17,396.26
Passed Through University of Louisiana at Monroe				
University of Tennessee	Transition to Teaching	84.350 / TEACH PROJECT		20,644.68

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Sallie B. Howard School				
University of Tennessee	Arts in Education	84.351 / U351C090008		15,911.94
Passed Through National Writing Project Corporation				
Middle Tennessee State University	Improving Teacher Quality State Grants	84.367 / 05-TN03-SEED2012		19,501.92
Middle Tennessee State University	Investing in Innovation (i3) Fund	84.411 / 05-TN03-I32013		18,797.28
Middle Tennessee State University	National Writing Project	84 / 05-TN03	$ 2,245.30	
Tennessee Technological University	National Writing Project	84 / 08-TN04 AMENDMENT 3	24,231.57	
University of Tennessee	National Writing Project	84 / 94-TN02	(43,049.56)	
University of Tennessee	National Writing Project	84 / 94-TN02-SEED2012	13,646.06	(2,926.63)
University of Tennessee	Nat'l Writing Project '12 - Prog. Income	84 / 94-TN02		502.72
Passed Through Alliance for Business and Training, Incorporated				
Northeast State Community College	College Access Challenge Grant Program	84.378 / CAGC-GR1134839		238,242.35
Passed Through Battelle				
East Tennessee State University	ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 / 326365		155,509.57
Passed Through Battelle Memorial Institute				
Tennessee Technological University	ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 / P.O. US001-0000326351 CHANGE ORDER 1		106,272.23
Passed Through Florida Department of Education				
Education	ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 / 91Z-PS111-3R001		39,861.22
Passed Through Metropolitan Nashville Public Schools				
Middle Tennessee State University	ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 / 2-213324-07		5,296.84
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		24,943.38
Passed Through New School for New Orleans				
Education	ARRA-State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act	84.396 / U396B100118		342,468.68
Subtotal Pass-Through Programs				$ 1,670,324.33
Subtotal Department of Education				$ 514,172,423.48

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
National Archives and Records Administration				
Direct Programs				
Secretary of State	National Historical Publications and Records Grants	89.003		$ 45,971.61
Subtotal National Archives and Records Administration				$ 45,971.61
Delta Regional Authority				
Direct Programs				
Economic and Community Development	Delta Regional Development	90.200		$ 354,269.68
Subtotal Delta Regional Authority				$ 354,269.68
U.S. Election Assistance Commission				
Direct Programs				
Secretary of State	Help America Vote Act Requirements Payments	90.401		$ 538,650.05
Subtotal U.S. Election Assistance Commission				$ 538,650.05
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		$ 66,900.00
Commission on Aging and Disability	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042		335,800.00
Commission on Aging and Disability	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043		402,500.00
Commission on Aging and Disability	Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048		194,988.97
Commission on Aging and Disability	Alzheimer's Disease Demonstration Grants to States	93.051		491,049.74
Commission on Aging and Disability	National Family Caregiver Support, Title III, Part E	93.052		2,957,435.77
Health	Public Health Emergency Preparedness	93.069		11,264,503.32
Health	Environmental Public Health and Emergency Response	93.070		471,010.73
University of Tennessee	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		542,130.50
Mental Health and Substance Abuse Services	Enhance Safety of Children Affected by Substance Abuse	93.087		911,982.81
Children's Services	Guardianship Assistance	93.090	$ 2,949,270.68	
Children's Services	ARRA-Guardianship Assistance	93.090	(1,598.29)	2,947,672.39
Children's Services	Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		944,560.92

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Agriculture	Food and Drug Administration_ Research	93.103	$ 78,302.97	
Health	Food and Drug Administration_ Research	93.103	44,422.66	
University of Tennessee	Food and Drug Administration_ Research	93.103	1,361,959.55	1,484,685.18
Mental Health and Substance Abuse Services	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		3,946,435.52
Health	Maternal and Child Health Federal Consolidated Programs	93.110	$ 220,764.46	
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110	243,026.79	463,791.25
Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		2,655,590.45
University of Tennessee	Oral Diseases and Disorders Research	93.121		34,028.00
University of Tennessee	Nurse Anesthetist Traineeships	93.124		54,354.54
Health	Cooperative Agreements to States/ Territories for the Coordination and Development of Primary Care Offices	93.130		138,771.21
Health	Injury Prevention and Control Research and State and Community Based Programs	93.136		624,628.11
Mental Health and Substance Abuse Services	Projects for Assistance in Transition from Homelessness (PATH)	93.150		872,091.11
University of Tennessee	Centers of Excellence	93.157		1,215,541.49
Health	Grants to States for Loan Repayment Program	93.165		482,587.97
University of Tennessee	Nursing Workforce Diversity	93.178		210,238.72
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		19,393.97
Health	Surveillance of Hazardous Substance Emergency Events	93.204		40,193.28
Health	Family Planning_Services	93.217		5,706,029.17
Health	Traumatic Brain Injury State Demonstration Grant Program	93.234		227,458.34
Health	Affordable Care Act (ACA) Abstinence Education Program	93.235		1,159,440.46
Health	Grants to States to Support Oral Health Workforce Activities	93.236		165,336.33
Health	State Capacity Building	93.240		185,407.08
Health	State Rural Hospital Flexibility Program	93.241		490,134.92
Administrative Office of the Courts	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	$ 392,145.28	
Mental Health and Substance Abuse Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	6,983,334.32	
University of Memphis	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	92,683.22	
University of Tennessee	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1,769,667.39	9,237,830.21
East Tennessee State University	Advanced Nursing Education Grant Program	93.247	$ 258,830.72	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Memphis	Advanced Nursing Education Grant Program	93.247	230,553.64	
University of Tennessee	Advanced Nursing Education Grant Program	93.247	1,335,526.77	1,824,911.13
Health	Universal Newborn Hearing Screening	93.251		198,224.83
Health	Immunization Cooperative Agreements	93.268	$ 4,430,531.03	
Health	Immunization Cooperative Agreements (Noncash Award)	93.268	68,892,111.25	73,322,642.28
Health	Adult Viral Hepatitis Prevention and Control	93.270		130,223.98
Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283		8,147,188.41
Health	State Partnership Grant Program to Improve Minority Health	93.296		131,654.30
Health	Small Rural Hospital Improvement Grant Program	93.301		315,972.45
University of Tennessee	Advanced Education Nursing Traineeships	93.358		338,558.00
East Tennessee State University	Nurse Education, Practice Quality and Retention Grants	93.359	$ 270,717.61	
University of Tennessee	Nurse Education, Practice Quality and Retention Grants	93.359	1,408,420.21	1,679,137.82
University of Tennessee	Nursing Research	93.361		7,317.95
University of Tennessee	National Center for Research Resources	93.389		2.78
East Tennessee State University	Cancer Research Manpower	93.398		263,780.85
University of Tennessee	ARRA-Equipment to Enhance Training for Health Professionals	93.411		(150.00)
Health	ARRA-State Primary Care Offices	93.414		12,515.11
Health	Pregnancy Assistance Fund Program	93.500		2,033,511.88
Health	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		4,188,883.09
Health	PPHF 2012 National Public Health Improvement Initiative	93.507		1,555,667.53
Commerce and Insurance	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511		972,093.47
East Tennessee State University	ARRA-Affordable Care Act (ACA) Advanced Nursing Education Expansion Initiative	93.513		261,468.00
East Tennessee State University	ARRA-Affordable Care Act (ACA) Nurse-Managed Health Clinics	93.515		511,613.78
East Tennessee State University	Affordable Care Act (ACA) Public Health Training Centers Program	93.516		677,220.82
Commission on Aging and Disability	Affordable Care Act - Medicare Improvements for Patients and Providers	93.518		114,758.13
Commerce and Insurance	Affordable Care Act (ACA) - Consumer Assistance Program Grant	93.519		30,339.00
Health	Centers for Disease Control and Prevention -Affordable Care Act (ACA) - Communities Putting Prevention to Work	93.520		135,905.50

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
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		1,121,903.42
Finance and Administration	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525		1,256,187.20
East Tennessee State University	ARRA-Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	$ 2,630,646.29	
Health	Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	1,787,687.54	4,418,333.83
Health	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	93.544		283,307.15
Children's Services	Promoting Safe and Stable Families	93.556		11,848,739.54
Human Services	Child Support Enforcement	93.563		30,549,059.57
Human Services	Child Support Enforcement Research	93.564		179,931.27
Human Services	Low-Income Home Energy Assistance	93.568		65,896,388.89
Human Services	Community Services Block Grant	93.569		13,746,912.94
Administrative Office of the Courts	State Court Improvement Program	93.586		613,167.67
Children's Services	Community-Based Child Abuse Prevention Grants	93.590		616,919.62
Human Services	Grants to States for Access and Visitation Programs	93.597		187,743.66
Children's Services	Chafee Education and Training Vouchers Program (ETV)	93.599		606,986.97
Education	Head Start	93.600	$ 146,132.80	
Tennessee State University	Head Start	93.600	2,812,779.22	2,958,912.02
Secretary of State	Voting Access for Individuals with Disabilities_Grants to States	93.617		302,398.11
Finance and Administration	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624		756,000.00
Intellectual and Developmental Disabilities	Developmental Disabilities Basic Support and Advocacy Grants	93.630		1,213,332.82
University of Tennessee	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		549,846.61
Children's Services	Children's Justice Grants to States	93.643		330,336.00
Children's Services	Stephanie Tubbs Jones Child Welfare Services Program	93.645		6,574,943.21
University of Tennessee	Child Welfare Research Training or Demonstration	93.648		813,869.60
Children's Services	Foster Care_Title IV-E	93.658	$ 40,644,277.37	
Children's Services	ARRA-Foster Care_Title IV-E	93.658	(2,443.02)	40,641,834.35
Children's Services	Adoption Assistance	93.659	$ 39,647,258.43	
Children's Services	ARRA-Adoption Assistance	93.659	(8,171.68)	39,639,086.75
Human Services	Social Services Block Grant	93.667		35,658,053.07
Children's Services	Child Abuse and Neglect State Grants	93.669		513,487.98
Finance and Administration	Family Violence Prevention and Services/Battered Women's Shelters_ Grants to States and Indian Tribes	93.671		1,790,358.67
Children's Services	Chafee Foster Care Independence Program	93.674		1,987,280.33

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701		557.94
Education	ARRA-Head Start	93.708		710,334.48
Health	ARRA-Immunization	93.712		(96.74)
Human Services	ARRA-Child Care and Development Block Grant	93.713		(7,818.79)
Health	ARRA-Preventing Healthcare-Associated Infections	93.717		101,275.19
Finance and Administration	ARRA-State Grants to Promote Health Information Technology	93.719		2,969,519.73
Health	ARRA-Prevention and Wellness-State, Territories and Pacific Islands	93.723		(104.50)
Health	ARRA-Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724		39,702.61
Commission on Aging and Disability	ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725		15,636.76
Health	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF-2012)	93.733		1,500.00
Health	State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735		156,293.47
Finance and Administration	Children's Health Insurance Program	93.767		156,560,190.40
Commission on Aging and Disability	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		1,084,239.40
Finance and Administration	Money Follows the Person Rebalancing Demonstration	93.791		11,101,856.26
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		60,752.66
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855		74,032.16
Tennessee State University	Biomedical Research and Research Training	93.859	$ 359,140.71	
University of Tennessee	Biomedical Research and Research Training	93.859	776,226.46	1,135,367.17
University of Tennessee	Aging Research	93.866		32,933.39
East Tennessee State University	Grants for Primary Care Training and Enhancement	93.884		412,171.05
Health	Health Care and Other Facilities	93.887		50,988.00
Health	National Bioterrorism Hospital Preparedness Program	93.889		6,211,960.47
Tennessee State University	Family and Community Violence Prevention Program	93.910		208,989.97
Health	Grants to States for Operation of Offices of Rural Health	93.913		186,394.09
Health	HIV Care Formula Grants	93.917		20,216,024.36
Education	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		195,016.79
Health	HIV Prevention Activities_Health Department Based	93.940		5,039,826.99

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Health	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943		12,013.56
Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		728,596.17
Health	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		141,713.25
Mental Health and Substance Abuse Services	Block Grants for Community Mental Health Services	93.958		10,532,265.50
Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959		33,614,791.35
East Tennessee State University	Prevention and Public Health Fund (PPHF) Public Health Traineeships	93.964		3,000.00
Health	Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977		2,026,305.28
Mental Health and Substance Abuse Services	Mental Health Disaster Assistance and Emergency Mental Health	93.982		185,263.40
Health	Preventive Health and Health Services Block Grant	93.991		1,249,145.84
Health	Maternal and Child Health Services Block Grant to the States	93.994		11,707,005.09
Subtotal Direct Programs				$ 679,610,907.55
Passed Through Vanderbilt University				
Tennessee State University	Maternal and Child Health Federal Consolidated Programs	93.110 / 5T83MC00008-56-00	$ 28,418.20	
Tennessee State University	Maternal and Child Health Federal Consolidated Programs	93.110 / T73 MC00050	10,313.00	
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / VUMC6915	8,291.47	$ 47,022.67
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / DC008763		3,672.00
University of Tennessee	Cardiovascular Diseases Research	93.837 / 1 F32 HL116175-01		52,501.69
Passed Through National Partnership for Environmental Technology Education				
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / 10453	$ 23,645.00	
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / 10491	88,029.57	111,674.57
Passed Through University of Cincinnati				
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / 7038		13,534.67
Passed Through Community Health Network				
East Tennessee State University	Telehealth Programs	93.211 / 6H2AIT16623		66,702.01
Passed Through Meharry Medical College				
Tennessee State University	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / 5U84DD000443 03		(3,464.91)

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee State University	PPHF-2012 Geriatric Education Centers	93.969 / 5UB4HP19055-02-00	$ 8,620.74	
Tennessee State University	PPHF-2012 Geriatric Education Centers	93.969 / 5UB4HP19055-03-00	23,014.72	31,635.46
Passed Through National Safe Place				
University of Tennessee	Transitional Living for Homeless Youth	93.550 / 90-CY6498-01-00		5,389.39
Passed Through Shelby County Government				
University of Memphis	Head Start	93.600 / CA114475		1,770.44
Passed Through Methodist LeBonheur Community Health and Well-Being				
University of Tennessee	Health Care Innovation Awards (HCIA)	93.610 / CMS331046		185,603.22
Passed Through QSource				
University of Memphis	ARRA-Health Information Technology Regional Extension Centers Program	93.718 / 470UM		(18,196.97)
Passed Through Pitt Community College				
Dyersburg State Community College	ARRA-State Grants to Promote Health Information Technology	93.719 / 90CC0078		197,089.06
Chattanooga State Community College	ARRA-Health Information Technology Professionals in Health Care	93.721 / 90CC0078/02-04	$ 214,149.74	
Walters State Community College	ARRA-Health Information Technology Professionals in Health Care	93.721 / 90CC0078/01	260,459.77	474,609.51
Passed Through Carnegie Mellon University				
Tennessee State University	Biomedical Research and Research Training	93.859 / 1T36GM095335-01	$ (1,696.14)	
Tennessee State University	Biomedical Research and Research Training	93.859 / 5T36GM008789-08	(31,308.40)	
Tennessee State University	Biomedical Research and Research Training	93.859 / 5T36GM095335-02	26,007.73	
Tennessee State University	Biomedical Research and Research Training	93.859 / 5T36GM095335-03	2,629.56	(4,367.25)
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		20,957.17
Passed Through United Way of the Mid-South				
University of Memphis	HIV Prevention Activities_Health Department Based	93.940 / UW ROYHIV		12,260.59
Passed Through University of Kentucky Research Foundation				
East Tennessee State University	PPHF-2012 Geriatric Education Centers	93.969 / 3048109594-13-017		101,380.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Douglas-Cherokee Economic Authority, Incorporated				
University of Tennessee	Douglas-Cherokee Econ Authority Campbell	93 / TEEN PREG PREV	$ 8,658.47	
University of Tennessee	Douglas-Cherokee Econ Authority Campbell	93 / TEEN PREG PREV YR2	12,255.55	20,914.02
Passed Through University of Maryland				
University of Tennessee	University of Maryland-DHHS-Vaughn	93 / HHSN276201100004C		200.00
Subtotal Pass-Through Programs				$ 1,320,887.34
Subtotal Department of Health and Human Services				$ 680,931,794.89
Corporation for National and Community Service				
Direct Programs				
Finance and Administration	State Commissions	94.003		$ 301,389.56
Finance and Administration	Learn and Serve America_School and Community Based Programs	94.004		26,559.18
Finance and Administration	AmeriCorps	94.006		3,635,159.18
Finance and Administration	Program Development and Innovation Grants	94.007		45,753.83
Finance and Administration	Training and Technical Assistance	94.009		7,060.00
Subtotal Corporation for National and Community Service				$ 4,015,921.75
Executive Office of the President				
Direct Programs				
Tennessee Bureau of Investigation	High Intensity Drug Trafficking Areas Program	95.001		$ 264,997.26
Subtotal Direct Programs				$ 264,997.26
Passed Through Laurel County Fiscal Court				
Safety and Homeland Security	High Intensity Drug Trafficking Areas Program	95.001 / I5PAPP501		$ 44,905.60
Subtotal Pass-Through Programs				$ 44,905.60
Subtotal Executive Office of the President				$ 309,902.86
Department of Homeland Security				
Direct Programs				
Tennessee Wildlife Resources	Boating Safety Financial Assistance	97.012		$ 1,946,652.63
Commerce and Insurance	National Fire Academy Fellowship	97.019		22,134.67
Economic and Community Development	Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		106,773.45
Military	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		16,532,170.17
Military	Hazard Mitigation Grant	97.039		12,781,135.08
Environment and Conservation	National Dam Safety Program	97.041		87,451.59

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Military	Emergency Management Performance Grants	97.042	6,241,617.74
Commerce and Insurance	State Fire Training Systems Grants	97.043	13,925.67
Commerce and Insurance	Assistance to Firefighters Grant	97.044	399,050.00
Finance and Administration	Cooperating Technical Partners	97.045	6,209.72
Military	Pre-Disaster Mitigation	97.047	147,173.78
Southwest Tennessee Community College	Scientific Leadership Awards	97.062	100,108.96
Military	Homeland Security Grant Program	97.067	22,394,863.78
Economic and Community Development	Map Modernization Management Support	97.070	12,500.00
Military	Buffer Zone Protection Program (BZPP)	97.078	719,218.35
Military	Earthquake Consortium	97.082	49,757.97
Safety and Homeland Security	Driver's License Security Grant Program	97.089	1,234,412.25
Military	Interoperable Communications and Training Project	97.124	30,825.41
University of Tennessee	HLS 08GTT8K021 Food-Thompson	97 / 2008GTT8K021	600,663.16
University of Tennessee	HLS 08GTT8K026 Animal-Thompson	97 / 2008GTT8K026	823,291.62
Subtotal Direct Programs			$ 64,249,936.00
Passed Through Eastern Kentucky University			
East Tennessee State University	State and Local Homeland Security National Training Program	97.005 / 452026-10-241	$ 156,299.60
Passed Through Shelby County Government			
University of Memphis	Homeland Security Grant Program	97.067 / PO S006423	689,388.01
Passed Through UT-Battelle, Limited Liability Company			
Austin Peay State University	DMARK-3	97 / 4000112222	176,487.71
Austin Peay State University	UT Battelle - Oak Ridge National Laboratory	97 / 4000080888	568.00
Subtotal Pass-Through Programs			$ 1,022,743.32
Subtotal Department of Homeland Security			$ 65,272,679.32
Agency for International Development			
Direct Programs			
Tennessee State University	USAID Development Partnerships for University Cooperation and Development	98.012	$ 5,000.00
Subtotal Agency for International Development			$ 5,000.00
Other Federal Assistance			
Tennessee Valley Authority			
Direct Programs			
Pellissippi State Community College	Tennessee Valley Region_Economic Development	62.004	$ 53,713.88

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Military	Tennessee Valley Authority Emergency Preparedness	62 / FY2010-2014 TVA AWARD	$ 1,122,239.80	
Military	Tennessee Valley Authority Emergency Preparedness	62 / TVA FFY 2010 AWARD	184,033.75	1,306,273.55
Tennessee Technological University	Diversity Alliance Partnership	62 / CONTRACT NO. 299056	$ 1,441.07	
Tennessee Technological University	Diversity Alliance Partnership	62 / CONTRACT NO. 453192	483.88	1,924.95
Tennessee Technological University	Energy Right Solutions for Business & Industry Energy Efficiency Programs	62 / Application #:ERS05_ 005342		3,494.96
University of Tennessee	TVA - Solar Farm 8500021516 - Patterson	62 / 8500021516		69,163.13
University of Tennessee	TVA 272087 Occasional Flooding-Danehower	62 / PO 272087		8,728.24
University of Tennessee	TVA- 8500020705 - Patterson	62 / 8500020705		115,006.84
University of Tennessee	TVA-Women Minority Business FY13-Barber	62 / 453205		10,000.00
Subtotal Tennessee Valley Authority				$ 1,568,305.55
Nuclear Regulatory Commission				
Direct Programs				
University of Tennessee	U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006		$ 30,235.96
Chattanooga State Community College	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	$ 76,541.45	
University of Tennessee	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	131,199.46	207,740.91
Tennessee State University	Minority Serving Institutions Technical Assistance & Capacity Building Conference	77 / NRC-27-10-510		20,000.00
Subtotal Direct Programs				$ 257,976.87
Passed Through Southern University				
University of Tennessee	SouthernUnivOSP-02-8300-2012-0011 Miller	77 / OSP-02-8300-2012-011		$ 7,757.35
Subtotal Pass-Through Programs				$ 7,757.35
Subtotal Nuclear Regulatory Commission				$ 265,734.22
Subtotal Other Federal Assistance				$ 1,834,039.77
Total Unclustered Programs				$ 2,511,383,804.02
Research and Development Cluster				
Department of Agriculture				
Agricultural Marketing Service				
Direct Programs				
University of Tennessee	Federal-State Marketing Improvement Program	10.156		$ 8,280.04

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Direct Programs				$ 8,280.04
Passed Through The Works, Incorporated				
University of Memphis	Farmers' Market Promotion Program	10.168 / 12-25-G-1418		$ 4,071.87
Subtotal Pass-Through Programs				$ 4,071.87
Subtotal Agricultural Marketing Service				$ 12,351.91
Agricultural Research Service				
Direct Programs				
Middle Tennessee State University	Agricultural Research_Basic and Applied Research	10.001	$ 7,235.14	
Tennessee State University	Agricultural Research_Basic and Applied Research	10.001	601,838.40	
Tennessee Technological University	Agricultural Research_Basic and Applied Research	10.001	2,201.26	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001	910,268.58	$ 1,521,543.38
Subtotal Direct Programs				$ 1,521,543.38
Passed Through Arkansas Children's Hospital				
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / USDA 58-6251-7-032		$ 16,411.18
Subtotal Pass-Through Programs				$ 16,411.18
Subtotal Agricultural Research Service				$ 1,537,954.56
Animal and Plant Health Inspection Service				
Direct Programs				
Tennessee State University	Plant and Animal Disease, Pest Control, and Animal Care	10.025		$ 12,235.90
Subtotal Animal and Plant Health Inspection Service				$ 12,235.90
Forest Service				
Direct Programs				
University of Tennessee	Forestry Research	10.652		$ 126,230.07
University of Tennessee	Forest Health Protection	10.680		103,589.14
Subtotal Direct Programs				$ 229,819.21
Passed Through National Fish and Wildlife Foundation				
University of Tennessee	National Fish and Wildlife Foundation	10.683 / 2010-0005-000	$ 8,431.44	
University of Tennessee	National Fish and Wildlife Foundation	10.683 / 2011-0065-000/25760	72,364.82	
University of Tennessee	National Fish and Wildlife Foundation	10.683 / 30533	309,283.08	$ 390,079.34
Subtotal Pass-Through Programs				$ 390,079.34

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Forest Service				$ 619,898.55
	National Institute of Food and Agriculture			
Direct Programs				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200		$ 521,382.18
Tennessee State University	Cooperative Forestry Research	10.202		161,482.22
Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205		2,494,492.88
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206		36,828.38
Tennessee State University	1890 Institution Capacity Building Grants	10.216		1,080,310.22
University of Tennessee	Higher Education - Institution Challenge Grants Program	10.217		80,892.88
University of Tennessee	Biotechnology Risk Assessment Research	10.219		47,136.09
Tennessee State University	Integrated Programs	10.303	$ 161,595.55	
University of Tennessee	Integrated Programs	10.303	545,382.34	706,977.89
University of Tennessee	Organic Agriculture Research and Extension Initiative	10.307		127,814.97
University of Tennessee	Specialty Crop Research Initiative	10.309		(1,900.67)
Middle Tennessee State University	Agriculture and Food Research Initiative (AFRI)	10.310	$ 32,152.94	
Tennessee State University	Agriculture and Food Research Initiative (AFRI)	10.310	1,147,825.32	
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310	3,630,182.84	4,810,161.10
University of Tennessee	Sun Grant Program	10.320		135,164.36
Subtotal Direct Programs				$ 10,200,742.50
Passed Through Oklahoma State University				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / AB-5-67940-UTN		$ 39,332.36
Passed Through Purdue University				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / 8000050955-AG		4,190.10
Passed Through University of Florida				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / PO 1200139947		5,871.88
University of Tennessee	Specialty Crop Research Initiative	10.309 / UF 11284		5,280.04
Passed Through University of Hawaii				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / PO Z960240		10,280.49
University of Tennessee	Biotechnology Risk Assessment Research	10.219 / 2889453		88,041.33
Passed Through South Dakota State University				
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / 3TN017		15,962.96

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Kentucky Research Foundation				
University of Memphis	Grants for Agricultural Research_ Competitive Research Grants	10.206 / 3048105000-09-275		12,490.09
Passed Through University of Georgia				
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309-109/4787876		7,314.55
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310 / RC294-323/4943246		19,430.97
Passed Through Virginia State University				
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 2010-38821-21614		1,230.80
Passed Through North Carolina State University				
University of Tennessee	Integrated Programs	10.303 / ADVANCED ACCOUNT	$ 34,996.43	
University of Tennessee	Integrated Programs	10.303 / 2001-2893-01	45,187.23	80,183.66
Passed Through Texas A&M University				
Tennessee State University	Integrated Programs	10.303 / 2008-51130-19537		20,856.04
Passed Through Virginia Polytechnic Institute and State University				
University of Tennessee	Integrated Programs	10.303 / 545850-19121		18,107.66
Passed Through Cornell University				
University of Tennessee	Specialty Crop Research Initiative	10.309 / 613414-9392 YEAR 2		124,246.03
Passed Through Washington State University				
University of Tennessee	Specialty Crop Research Initiative	10.309 / 112674-G002611		110,636.57
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310 / 115334 G002889		210,794.70
Passed Through Iowa State University				
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310 / 416-23-11A		75,133.33
Passed Through University of Illinois				
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310 / 2013-00998-01		43,705.77
Passed Through University of Maine				
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310 / UM-S878		54,390.89
Passed Through University of Wyoming				
University of Tennessee	Sun Grant Program	10.320 / ADVANCED ACCOUNT		18,450.46
Passed Through New York University				
University of Tennessee	Cooperative Extension Service	10.500 / USDA2010-48696-21892		31,004.96

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Arkansas				
University of Tennessee	Cooperative Extension Service	10.500 / 21662-09	$ 10,242.33	
University of Tennessee	Cooperative Extension Service	10.500 / 21662-12	24,154.89	34,397.22
Subtotal Pass-Through Programs				$ 1,031,332.86
Subtotal National Institute of Food and Agriculture				$ 11,232,075.36
Natural Resources Conservation Service				
Direct Programs				
University of Tennessee	Soil and Water Conservation	10.902		$ 31,240.14
University of Tennessee	Soil Survey	10.903		24,991.46
University of Tennessee	Environmental Quality Incentives Program	10.912		294,013.91
Subtotal Natural Resources Conservation Service				$ 350,245.51
Other Programs				
Direct Programs				
Austin Peay State University	USDA Forest Service Bat Nose	10 / 10-PA-11086000-004		$ 4,544.91
Austin Peay State University	USDA Forest Service, Land Between the Lakes Botany Survey	10 / 11-PA-11086000-017		5,353.16
Tennessee State University	Attractiveness of Girdled Walnut to Bark and Ambrosia Beetles	10 / 11-CR-11242310-061		2,434.76
University of Tennessee	NRCS 693A759133 Grazing-Ames	10 / 693A759133		125,817.88
University of Tennessee	USDA 085521518799 After School-Moussa	10 / 20085521518799		12,028.84
University of Tennessee	USDA APHIS Cold Treatment Blk Soil-Frrec	10 / 11-8130-0086-CA		1,916.14
University of Tennessee	USDA APHIS Parasitoids Ash Borer-Grant	10 / 11-8130-0079-CA		43,575.88
University of Tennessee	USDA APHIS Thousand Cnkr Blck Wlnt-Grant	10 / 12-8247-0895-CA		17,170.12
University of Tennessee	USDA ARS Ag Support 2011-Arelli	10 / 58-6402-2-111		23,836.16
University of Tennessee	USDA ARS Ag Support 2013-Arelli	10 / 58-6402-3-009		48,582.72
University of Tennessee	USDA ARS Energy Policy Analysis-English	10 / 58-0111-11-001		60,870.87
University of Tennessee	USDA ARS Pathogens-Horvath	10 / 58-1230-0-466		34.31
University of Tennessee	USDA CSREES Classroom Safety-Richards	10 / 20085111004354		11,249.29
University of Tennessee	USDA FS 09CA11330131043 Swtgum CRC-Labbe	10 / 09CA11330131043		32,078.84
University of Tennessee	USDA FS 09CR11330145029 FIA 2009-Belli	10 / 09CR11330145029		85,272.28
University of Tennessee	USDA FS 09CS11080400029 Sngbd-Buehler	10 / 09CS11080400029		9,068.47
University of Tennessee	USDA FS 10CR11330134023 Data-Belli	10 / 10CR11330134023		11,166.42
University of Tennessee	USDA FS 10CS11330144082 TCM/NVUM-Cho	10 / 10-CS-11330144-082		15,757.46
University of Tennessee	USDA FS 10JV11330134066 Chsnt-Schlarbaum	10 / 10JV11330134066		3,677.43
University of Tennessee	USDA FS 12CA11330134025 Oaks-Schlarbaum	10 / 12CA11330134025		36,568.23
University of Tennessee	USDA FS Chem/Bio Control Adelgid-Grant	10 / 11-DG-11083150-021		198,879.26

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	USDA FS Cherokee Visitor Monitoring-Fly	10 / 11-CS-11080-100-015		31,651.80
University of Tennessee	USDA FS Genetic Specialist 12-Schlarbaum	10 / 10-CS-1108-3133-001		22,428.17
University of Tennessee	USDA FS Industries of the South-Hodges	10 / 12-CR-11330145-045		8,514.82
University of Tennessee	USDA FS National Survey 2011-Fly	10 / 11CR11330109-029		993.27
University of Tennessee	USDA FS Nat'l Visitor Use Monitoring-Fly	10 / 12-CS-1181116-023		65,677.53
University of Tennessee	USDA FS Rearing Predators TN Rls-Parkman	10 / 10-DG-11083150-011		141,067.90
University of Tennessee	USDA FS Rearing WTB Walnut TN-Klingeman	10 / 12-CR-11242310-056		6,797.14
University of Tennessee	USDA FS Sasajiscymnus-Grant	10 / 10-CA-11330129-054		9,382.23
University of Tennessee	USDA FS Sudden Oak Death-Lamour MATCH	10 / 11-DG-1108350-002		2,951.07
University of Tennessee	USDA FS Sudden Oak Stream Baiting-Lamour	10 / 12DG11083150-004		20,000.00
University of Tennessee	USDA FS Walnut Twig Beetle-Lambdin	10 / 11-DG-11083150-005		23,211.24
University of Tennessee	USDA Household Food Demand-Yen	10 / 58-4000-7-0029		(15.20)
University of Tennessee	USDA NIFA Anaerobic Soil-Butler	10 / 2010-51102-21707		74,257.16
University of Tennessee	USDA NIFA Pollen-Mediate Gene-Stewart	10 / 2010-39211-21699		79,547.73
University of Tennessee	USDA-09-PA-11080600-017 - Anderson	10 / 09-PA-11080600-017		1,589.11
Subtotal Direct Programs				$ 1,237,937.40
Passed Through Alabama Agricultural and Mechanical University				
University of Tennessee	AAMU Expand Canola Acreage-ETREC	10 / 2011-38624-31002-UTN		$ 10,919.74
Passed Through Indiana University of Pennsylvania				
University of Tennessee	IUP-RI Warbler Breeding Mgt-Buehler	10 / 1112-045UT		41,626.76
Passed Through University of Georgia				
University of Tennessee	UGA SARE Organic Corn-ETREC	10 / RD309-122/4941266		18,252.00
Subtotal Pass-Through Programs				$ 70,798.50
Subtotal Other Programs				$ 1,308,735.90
Subtotal Department of Agriculture				$ 15,073,497.69
Department of Commerce				
National Institute of Standards and Technology (NIST)				
Direct Programs				
University of Memphis	Measurement and Engineering Research and Standards	11.609	$ 49,093.47	
University of Tennessee	Measurement and Engineering Research and Standards	11.609	18,185.78	$ 67,279.25
Subtotal National Institute of Standards and Technology (NIST)				$ 67,279.25

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
National Oceanic and Atmospheric Administration (NOAA)			
Direct Programs			
University of Tennessee	Center for Sponsored Coastal Ocean Research_Coastal Ocean Program	11.478	$ 179,458.84
Subtotal National Oceanic and Atmospheric Administration (NOAA)			$ 179,458.84
Other Programs			
Direct Programs			
University of Tennessee	Special Oceanic and Atmospheric Projects	11.460	$ 367,127.33
East Tennessee State University	Meteorologic and Hydrologic Modernization Development	11.467	105,607.68
Subtotal Other Programs			$ 472,735.01
Subtotal Department of Commerce			$ 719,473.10
Department of Defense			
Department of the Air Force, Materiel Command			
Direct Programs			
University of Tennessee	Air Force Defense Research Sciences Program	12.800	$ 857,832.06
Subtotal Direct Programs			$ 857,832.06
Passed Through Iowa State University			
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / 421-21-03B	$ 67,861.88
Passed Through University of Dayton			
Tennessee State University	Air Force Defense Research Sciences Program	12.800 / FA8650-09-D-3944/0006	89,382.64
Passed Through University of Houston			
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / SUB NO R-09-0127-04	50,131.97
Passed Through University of Texas			
Tennessee State University	Air Force Defense Research Sciences Program	12.800 / FA9550-09-1-0165	14,334.90
Passed Through Virginia Polytechnic Institute and State University			
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / SUB 450174-19121	96,820.02
Subtotal Pass-Through Programs			$ 318,531.41
Subtotal Department of the Air Force, Materiel Command			$ 1,176,363.47

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Department of the Navy, Office of the Chief of Naval Research				
Direct Programs				
Tennessee State University	Basic and Applied Scientific Research	12.300	$ (913.69)	
Tennessee Technological University	Basic and Applied Scientific Research	12.300	218,001.14	
University of Memphis	Basic and Applied Scientific Research	12.300	136,107.48	
University of Tennessee	Basic and Applied Scientific Research	12.300	2,564,213.93	$ 2,917,408.86
Subtotal Direct Programs				$ 2,917,408.86
Passed Through University of Colorado				
University of Tennessee	Basic and Applied Scientific Research	12.300 / 1548375		$ 72,438.35
Subtotal Pass-Through Programs				$ 72,438.35
Subtotal Department of the Navy, Office of the Chief of Naval Research				$ 2,989,847.21
National Security Agency				
Direct Programs				
Middle Tennessee State University	Mathematical Sciences Grants Program	12.901		$ 19,107.59
University of Memphis	Information Security Grant Program	12.902		57,839.17
Subtotal National Security Agency				$ 76,946.76
U.S. Army Materiel Command				
Direct Programs				
Tennessee State University	Basic Scientific Research	12.431	$ 231,850.50	
University of Memphis	Basic Scientific Research	12.431	136,423.28	
University of Tennessee	Basic Scientific Research	12.431	821,440.89	$ 1,189,714.67
Subtotal Direct Programs				$ 1,189,714.67
Passed Through American Ordnance, Limited Liability Company				
University of Memphis	Basic Scientific Research	12.431 / P56120		$ 2,000.00
Passed Through Pennsylvania State University				
University of Tennessee	Basic Scientific Research	12.431 / 4542-UTK-USA-0531		53,325.47
Passed Through State University of New York				
Tennessee State University	Basic Scientific Research	12.431 / W911NF-09-1-0392		106,261.27
Subtotal Pass-Through Programs				$ 161,586.74
Subtotal U.S. Army Materiel Command				$ 1,351,301.41
Other Programs				
Direct Programs				

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Collaborative Research and Development	12.114		$ 11,662.66
University of Tennessee	Basic Scientific Research - Combating Weapons of Mass Destruction	12.351		659,174.90
East Tennessee State University	Military Medical Research and Development	12.420	$ 9,400.36	
University of Memphis	Military Medical Research and Development	12.420	1,164,431.99	
University of Tennessee	Military Medical Research and Development	12.420	1,470,273.84	2,644,106.19
University of Memphis	Research and Technology Development	12.910	$ 505,127.72	
University of Tennessee	Research and Technology Development	12.910	134,178.86	639,306.58
University of Memphis	STEP-DISA: Skill Gap and Training	12 / HC1028-13-C-0026		1,365.11
University of Memphis	Test and Evaluation Methodologies for Skill Gap Analysis	12 / HC1047-11-P-4202		14,972.12
University of Tennessee	AF AF9101-06-D-0001/0006 MOELLER	12 / FA9101-06-D-00010006		35,780.65
University of Tennessee	AF FA7014-10-D-0012-T1-Clin 0001-Sal	12 / FA7014-10-D-0012-T1		10,986,912.73
University of Tennessee	AF FA8650-09-C-7916 - Dongarra	12 / FA8650-09-C-7916		1,026.59
University of Tennessee	AF FA9101-06-D-0001/0007 MOELLER	12 / FA9101-06D-0001/0007		(141.48)
University of Tennessee	AF FA9101-06-D-0001/0008 MOELLER	12 / FA9101-06D-0001-0008		(59.03)
University of Tennessee	AF FA9101-06-D-0001/0014 MOELLER	12 / FA9101-06-D-0001/014		9,328.77
University of Tennessee	AF FA9101-06-D-0001/0015 VAKILI	12 / FA9101-06-D-00010015		23,173.69
University of Tennessee	AF FA9101-06-D-0001/0016 MOELLER	12 / FA9101-06-D-00010016		21,626.21
University of Tennessee	AF FA9101-06-D-0001/0017 MOELLER	12 / FA9101-06-D-00010017		4,473.76
University of Tennessee	AF FA9101-06-D-0001/0018 MOELLER	12 / FA9101-06-D-00010018		0.01
University of Tennessee	AF-FA9550-11-1-0082 Hu	12 / FA9550-11-1-0082		218,376.55
University of Tennessee	Air Force FA8650-13-C-2326 Frankel	12 / FA8650-13-C-2326		28,563.76
University of Tennessee	AOARD FA2386-12-1-4007 Hu	12 / FA2386-12-1-4007		32,806.80
University of Tennessee	Army Bimolecular Architectures-Stewart	12 / W911NF0810107		43,290.82
University of Tennessee	Army CERL/CESU Vehicle Dynamics-Ayers	12 / W9132T-08-2-0004		13,685.86
University of Tennessee	Army SERPDP W912HQ-13-C-0055 Loeffler	12 / W912HQ-13-C-0055		1,253.18
University of Tennessee	Army W911NF-10-1-0297 Mays 49%	12 / W911NF-10-1-0297		98,256.71
University of Tennessee	Army W912HZ1120036 Atchafalaya Bsn-Clark	12 / SW912HZX-11-20036		78,620.50
University of Tennessee	DOD Acoustic Aerial Monitoring-Buehler	12 / W912HZ-11-2-0024		245,000.12
University of Tennessee	DOD Stream Bank Mapping-Ayers	12 / W9132T-12-2-0041		27,088.35
University of Tennessee	Missile Defense HQ0147-12-C-6019 Abidi	12 / HQ0147-12-C-6019		282,902.97
University of Tennessee	Navy N62583-11-C-0521 Loeffler	12 / N62583-11-C-0521		78,502.80
University of Tennessee	NRL N00173-12-P-3227 Dmowski	12 / N00173-12-P-3227		10,939.57
University of Tennessee	ONR SP470108D0014 CORANET Trvl-Zivanovic	12 / SP470108D0014		3,370.59
University of Tennessee	SERDP W912HQ10C0006 Sb Lead-Essington	12 / W912HQ-10-C-0006		58,422.08
University of Tennessee	SERDP W912HQ11C0067 Bioremedial Parker	12 / W912HQ-11-C-00067		372,096.15

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	US Army W912HQ-10-C-0062 Loeffler	12 / W912HQ-10-C-0062		36,169.08
University of Tennessee	USACE W91237-11-C-0017 Bray	12 / W91237-11-C-0017		181,101.68
University of Tennessee	USACE W91237-11-P-0299 Bray	12 / W91237-11-P-0299		5,822.40
Subtotal Direct Programs				$ 16,868,979.43
Passed Through American Burn Association				
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH0920194		$ 5,661.61
Passed Through Children's Research Institute				
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH-09-1-0592		10,170.31
Passed Through Indiana University				
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH-11-1-0347		58,290.54
Passed Through National Neurovision Research Institute				
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH0710720		32,457.98
Passed Through National Trauma Institute				
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH0810758	$ (21.77)	
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH1110841	75,161.92	75,140.15
Passed Through University of Connecticut				
University of Tennessee	Military Medical Research and Development	12.420 / KFS#5253310PSA#24810	$ 21,585.97	
University of Tennessee	Military Medical Research and Development	12.420 / PSA 524631 / 7207	(11.35)	21,574.62
Passed Through University of Texas				
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH-08-2-0135		121,608.27
Passed Through Vanderbilt University				
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH-10-1-0528		15,451.34
Passed Through Prairie View A&M University				
University of Tennessee	Basic, Applied, and Advanced Research in Science and Engineering	12.630 / FC10053 ACCT 416270		30,910.84
Passed Through Academy of Applied Science				
Tennessee State University	Research and Engineering Apprentice Program	12 / DAAH04-93-G-0163		4,250.20

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through American Ordnance, Limited Liability Company			
University of Memphis	Aerial Survey of White-Tailed Deer	12 / PO #P56174	18,587.10
Passed Through Arkansas State University			
University of Memphis	Sensors for Material Identification, Detection, and Characterization (SMIDC)	12 / W15P7T 10 C A012	196,305.47
Passed Through Auburn University			
Tennessee Technological University	Manufacturing Consulting Study	12 / 13-ENG-202609-TTU MODIFICATION 1	8,541.83
University of Tennessee	Auburn Univ Ultra High Efficiency Tolbert	12 / 12-ECE-202626-UTK	372,602.43
Passed Through Draper Laboratory			
University of Tennessee	Draper Lab SC001-0000000637 Holleman	12 / SC001-0000000637	140,096.21
Passed Through Marshall University Research Corporation			
University of Tennessee	Marshall Univ Research Corp 2011-232 Bray	12 / P1200033	11,277.36
Passed Through Mav6, Limited Liability Company			
University of Memphis	Common IED Exploitation Target Set (CIEDETS)	12 / 2012-VA-D-0001	9,261.35
Passed Through Sandia National Laboratories			
University of Tennessee	Sandia Natl Lab PO #1231736 Parigger	12 / PO #1231736	3,084.50
University of Tennessee	Sandia Natl Lab PO #1332785 Parigger	12 / PO #1332875	4,932.46
Passed Through The Ohio State University Research Foundation			
University of Tennessee	OSU 60020780 Pb As Cleanup Goals-Jardine	12 / 60020780	36,286.87
Passed Through University of Michigan			
Tennessee State University	Advanced Battery Manufacturing for Testing & Evaluation and Nanosensors for Explosives Detection	12 / N65540-10-C-0003	113,499.69
Subtotal Pass-Through Programs			$ 1,289,991.13
Subtotal Other Programs			$ 18,158,970.56
Subtotal Department of Defense			$ 23,753,429.41
Central Intelligence Agency			
Direct Programs			
University of Memphis	Computationally Estimating Geographical Information from User-Contributed Data	13 / 2012-12062700004	$ 50,338.17

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Central Intelligence Agency				$ 50,338.17
Department of Housing and Urban Development				
Passed Through Memphis and Shelby County Planning and Development				
University of Memphis	Sustainable Communities Regional Planning Grant Program	14.703 / CA1315554 PO #S007108		$ 16,274.30
University of Memphis	Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants	14.704 / CCPTN0023-10	$ 57,663.34	
University of Memphis	Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants	14.704 / #29045	12,228.11	69,891.45
Passed Through Knoxville-Knox County Metropolitan Planning Commission				
University of Tennessee	Knoxville Knox County Metro Plan Collett	14 / LOW IMPACT STORM WAT		41,664.60
University of Tennessee	Knoxville Knox County Metro Plan Shelton	14 / REIMAGINING URBAN HI		4,925.80
Subtotal Department of Housing and Urban Development				$ 132,756.15
Department of the Interior				
Fish and Wildlife Service				
Direct Programs				
University of Tennessee	Cooperative Endangered Species Conservation Fund	15.615		$ 1,521.79
University of Tennessee	Migratory Bird Monitoring, Assessment and Conservation	15.655		60,897.34
Middle Tennessee State University	Endangered Species Conservation - Recovery Implementation Funds	15.657		1,900.00
Subtotal Direct Programs				$ 64,319.13
Passed Through University of Nevada, Reno				
Austin Peay State University	Fish and Wildlife Management Assistance	15.608 / UNR-13-01		$ 18,371.20
Passed Through The Nature Conservancy				
Tennessee Technological University	Cooperative Endangered Species Conservation Fund	15.615 / TNFO-080110-3830-02 AMEND 2	$ (2,203.63)	
Tennessee Technological University	Cooperative Endangered Species Conservation Fund	15.615 / TNFO-100111-3850-01 AMEND #1	198,305.82	196,102.19
Passed Through Mississippi State University				
University of Tennessee	Challenge Cost Share	15.642 / 80300331289		(52.42)
Subtotal Pass-Through Programs				$ 214,420.97
Subtotal Fish and Wildlife Service				$ 278,740.10

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
National Park Service				
Direct Programs				
Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	15.916	$ 2,155.20	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916	69,329.88	$ 71,485.08
Tennessee Technological University	Natural Resource Stewardship	15.944		301.35
Middle Tennessee State University	Cooperative Research and Training Programs - Resources of the National Park System	15.945	$ 33,961.53	
University of Memphis	Cooperative Research and Training Programs - Resources of the National Park System	15.945	12,780.37	
University of Tennessee	Cooperative Research and Training Programs - Resources of the National Park System	15.945	268,873.20	315,615.10
Subtotal Direct Programs				$ 387,401.53
Passed Through City of Selma				
Middle Tennessee State University	Historic Preservation Fund Grants-In-Aid	15.904 / AL-11-030		$ 2,320.51
Passed Through Western Kentucky University				
Tennessee State University	Outdoor Recreation_Acquisition, Development and Planning	15.916 / P11AC50530		6,399.50
Passed Through Discover Life in America				
Middle Tennessee State University	Cooperative Research and Training Programs - Resources of the National Park System	15.945 / UNKNOWN		1,643.06
Passed Through New Mexico State University				
University of Tennessee	Cooperative Research and Training Programs - Resources of the National Park System	15.945 / Q01537		756.05
Passed Through University of Nebraska				
University of Tennessee	Cooperative Research and Training Programs - Resources of the National Park System	15.945 / ADVANCED ACCOUNT		5,938.34
Subtotal Pass-Through Programs				$ 17,057.46
Subtotal National Park Service				$ 404,458.99
U.S. Geological Survey				
Direct Programs				
University of Tennessee	Assistance to State Water Resources Research Institutes	15.805		$ 208,074.23
University of Memphis	Earthquake Hazards Reduction Program	15.807		1,032,420.75

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Memphis	U.S. Geological Survey_Research and Data Collection	15.808	$ 69,941.07	
University of Tennessee	U.S. Geological Survey_Research and Data Collection	15.808	29,971.48	99,912.55
University of Memphis	National Cooperative Geologic Mapping Program	15.810	$ 8,984.13	
University of Tennessee	National Cooperative Geologic Mapping Program	15.810	10,091.96	19,076.09
Tennessee Technological University	Cooperative Research Units Program	15.812		260,806.09
Subtotal U.S. Geological Survey				$ 1,620,289.71
Other Programs				
Direct Programs				
University of Tennessee	Fish, Wildlife, and Parks Programs on Indian Lands	15.039		$ 5,994.18
Tennessee Technological University	Conservation Grants Private Stewardship for Imperiled Species	15.632		3,242.77
Middle Tennessee State University	Oral History Project for Congaree National Park (CESU)	15 / H5000095041		(0.03)
University of Tennessee	NPS H5000095041 Nat'l Cemetery-Sorochan	15 / TASK #J5450100012		4,931.12
University of Tennessee	NPS J5471100059 Treatment Mgt Plan-Grant	15 / J5471100059		70,719.29
University of Tennessee	NPS Ranavirus Surveillance GSMNP-Gray	15 / P12AC12875		10,007.81
University of Tennessee	NPS River Habitat Mapping #3-Ayers	15 / H5000055040 MOD 3		7,360.68
University of Tennessee	USDI/FWS TN M-5-C Biologist-McKenzie	15 / TN M-5-C		109,659.60
University of Tennessee	USDI-NPS J5160101650 Fordyce	15 / J5160101650		3,062.54
University of Tennessee	USGS Louisiana Black Bear-Belli	15 / G10AC00275 MOD 1		29,973.45
Subtotal Direct Programs				$ 244,951.41
Passed Through Southern Conservation Corporation				
Austin Peay State University	Clarks River National Wildlife Refuge	15 / C-09-0503		$ 467.07
Subtotal Pass-Through Programs				$ 467.07
Subtotal Other Programs				$ 245,418.48
Subtotal Department of the Interior				$ 2,548,907.28
Department of Justice				
Bureau of Justice Assistance				
Direct Programs				
University of Memphis	Congressionally Recommended Awards	16.753		$ 373,853.24
Subtotal Bureau of Justice Assistance				$ 373,853.24
National Institute of Justice				

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Direct Programs				
University of Tennessee	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		$ 808,291.54
Subtotal National Institute of Justice				$ 808,291.54
Office of Juvenile Justice and Delinquency Prevention				
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	$ 20,525.20	
University of Memphis	Reduction and Prevention of Children's Exposure to Violence	16.730 / PO #S007084	67,150.12	$ 87,675.32
Subtotal Office of Juvenile Justice and Delinquency Prevention				$ 87,675.32
Other Programs				
Direct Programs				
University of Tennessee	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525		$ 55,982.12
Subtotal Other Programs				$ 55,982.12
Subtotal Department of Justice				$ 1,325,802.22
Department of Labor				
Direct Programs				
University of Tennessee	US DOL-DOLJ089F26523-Li	17 / J089F26523		$ 187,708.60
Subtotal Department of Labor				$ 187,708.60
Department of State				
Bureau of Educational and Cultural Affairs				
Direct Programs				
University of Tennessee	Professional and Cultural Exchange Programs - Citizen Exchanges	19.415		$ 818,277.27
Subtotal Bureau of Educational and Cultural Affairs				$ 818,277.27
Subtotal Department of State				$ 818,277.27
Department of Transportation				
Federal Highway Administration (FHWA)				
Passed Through Memphis City Schools				
University of Memphis	Highway Training and Education	20.215 / CNTR 2013-0013PO 01-96461-A-05		$ 22,627.02

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Federal Highway Administration (FHWA)				$ 22,627.02
Federal Transit Administration (FTA)				
Direct Programs				
University of Tennessee	Public Transportation Research	20.514		$ 111,795.21
Subtotal Direct Programs				$ 111,795.21
Passed Through University of Kentucky Research Foundation				
University of Tennessee	State Planning and Research	20.515 / 3048110277-13-194		$ 12,163.72
Subtotal Pass-Through Programs				$ 12,163.72
Subtotal Federal Transit Administration (FTA)				$ 123,958.93
Pipeline and Hazardous Materials Safety Administration				
Direct Programs				
University of Tennessee	Pipeline Safety Program State Base Grant	20.700		$ 308,089.97
Subtotal Pipeline and Hazardous Materials Safety Administration				$ 308,089.97
Research and Innovative Technology Administration				
Direct Programs				
University of Memphis	University Transportation Centers Program	20.701	$ 644,026.74	
University of Tennessee	University Transportation Centers Program	20.701	1,011,899.30	$ 1,655,926.04
University of Tennessee	Biobased Transportation Research	20.761		1,494,239.91
Subtotal Direct Programs				$ 3,150,165.95
Passed Through University of Illinois				
University of Tennessee	University Transportation Centers Program	20.701 / 2012-02061-04 A0694		$ 81,527.62
Passed Through University of Wisconsin-Madison				
University of Memphis	University Transportation Centers Program	20.701 / 396K594		409,566.01
Passed Through University of Georgia				
Middle Tennessee State University	Biobased Transportation Research	20.761 / RR722-134/4893566		9,000.96
Subtotal Pass-Through Programs				$ 500,094.59
Subtotal Research and Innovative Technology Administration				$ 3,650,260.54
Other Programs				
Direct Programs				

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	USDOT DTFH64-12-G-00021 Han (Hargrove)	20 / DTFH64-12-G-00021		$ 5,000.00
University of Tennessee	USDOT DTFH64-12-G-00022 Huang (Bowers)	20 / DTFH64-12-G-00022		4,998.24
University of Tennessee	USDOT-FAA DTFACT-13-P-00013 Ryerson	20 / DTFACT-13-P-00013		48,942.40
Subtotal Direct Programs				$ 58,940.64
Passed Through Arizona State University				
University of Tennessee	Arizona State University 13-978-Ryerson	20 / 13-978		$ 12,414.02
Passed Through Louisiana State University				
University of Tennessee	Louisiana State Univ 70521 Jin	20 / 70521		30,255.80
Passed Through Mississippi State University				
University of Tennessee	Mississippi State 061300-363994-02 Jin	20 / 061300-363994-02		68,377.50
Passed Through The MITRE Corporation				
University of Tennessee	The MITRE Corporation TO #95695T1 Ryerson	20 / 95695 TASK ORDER #1		14,969.64
Subtotal Pass-Through Programs				$ 126,016.96
Subtotal Other Programs				$ 184,957.60
Subtotal Department of Transportation				$ 4,289,894.06
Department of the Treasury				
Direct Programs				
University of Tennessee	IRS-BPA-TIRNO09-Z-00019-TO-0003-Vossler	21 / TIRNO09-Z-00019-TO-3		$ 118,810.17
Subtotal Department of the Treasury				$ 118,810.17
Appalachian Regional Commission				
Direct Programs				
East Tennessee State University	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011		$ 50,005.34
Subtotal Appalachian Regional Commission				$ 50,005.34
National Aeronautics and Space Administration				
Direct Programs				
East Tennessee State University	Science	43.001	$ 6,110.29	
Tennessee Technological University	Science	43.001	233,830.65	
University of Tennessee	Science	43.001	394,534.59	$ 634,475.53
Middle Tennessee State University	Aeronautics	43.002		311.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Exploration	43.003		122,133.40
University of Tennessee	Cross Agency Support	43.009		33,268.55
University of Tennessee	JPL Moersch	43 / 1242851		2,153.25
University of Tennessee	JPL-NASA-RSA#1416716 Emery Proposal 1	43 / RSA# 1416716		19,425.47
University of Tennessee	NASA Glenn NNX07AD58A MARTOS	43 / NNX07AD58A		(385.87)
University of Tennessee	NASA JPL 1451872 Moersch	43 / CONTRACT NO. 1451872		200,654.13
University of Tennessee	NASA JPL RSA # 1439682 Emery	43 / RSA 1439682		31,726.52
University of Tennessee	NASA NAG8-1901 Townsend	43 / NAG8-1901		(642.03)
University of Tennessee	NASA NNX07AC14G Townsend	43 / NNX07AC14G SUPP # 5		3,542.97
University of Tennessee	NASA NNX09AM86G Fedo	43 / NNX09AM86G-000002		79,677.31
University of Tennessee	NASA NNX10AB23G Emery	43 / NNX10AB23G		83,776.79
University of Tennessee	NASA NNX10AH48G McSween	43 / NNX10AH48G		78,844.45
University of Tennessee	NASA NNX10AT66G Hayes	43 / NNX10AT66G		74,881.64
University of Tennessee	NASA NNX11AG58G Taylor	43 / NNX11AG58G		240,507.47
University of Tennessee	NASA NNX12AN21H Blalock	43 / NNX12AN21H		49,571.21
University of Tennessee	NASA NNX12AP32G Emery	43 / NNX12AP32G		661.56
University of Tennessee	NASA NNX13AG76G Fedo	43 / NNX13AG76G		16,230.38
University of Tennessee	NASA-MARSHALL NNM09AB71P MARTOS	43 / NNM09AB71P		16,004.46
University of Tennessee	NASA-NNX08AU47G - Burr	43 / NNX08AU47G-00003		(398.08)
University of Tennessee	NASA-NNX08BA24G - Burr	43 / NNX08BA24G-000004		(12,042.87)
University of Tennessee	NASA-NNX08BA81G - Burr	43 / NNX08BA81G		11,498.43
University of Tennessee	NASA-NNX09AE08G - Emery	43 / NNX09AE08G		81,513.84
University of Tennessee	NASA-NNX09AQ51G - Burr	43 / NNX09AQ51G		191,299.61
University of Tennessee	NASA-RSA # 1378475 - Emery	43 / RSA # 1378475-02		(317.94)
Subtotal Direct Programs				$ 1,958,371.18
Passed Through Arizona State University				
University of Tennessee	Science	43.001 / 01-082 AMEND #23	$ 81,467.46	
University of Tennessee	Science	43.001 / 10-254 MOD 4	57,684.79	$ 139,152.25
Passed Through California Institute of Technology, Jet Propulsion Laboratory				
East Tennessee State University	Science	43.001 / 1353814		831.45
Passed Through SETI Institute				
University of Tennessee	Science	43.001 / SUB #08-SC-1062 MOD #1	$ 65,096.01	
University of Tennessee	Science	43.001 / SC-3020	17,139.93	82,235.94
University of Tennessee	SETI Ins 08-SC-1091 Moersch (AtacamaDes)	43 / 08-SC-1091		27,145.45
University of Tennessee	SETI Ins 08-SC-1092 Moersch (LakeLander)	43 / 08-SC-1092		39,106.37
Passed Through Smithsonian Astrophysical Observatory				
East Tennessee State University	Science	43.001 / G01-12017C		6,071.66
University of Memphis	Solar B XRT	43 / SV7-77005 AMEND 16		43,152.56
Passed Through University of Virginia				
University of Tennessee	Science	43.001 / GP10152-133756-04		(11,625.56)
Passed Through Vanderbilt University				
Austin Peay State University	Science	43.001 / 21603-S2	$ 32,796.17	
University of Memphis	Science	43.001 / 21631 51	58,408.33	91,204.50

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Middle Tennessee State University	Education	43.008 / 21603-S6	$ 32,880.52	
University of Tennessee	Education	43.008 / 2016-015735	20,972.87	53,853.39
Tennessee State University	Tennessee NASA Experimental Program to Stimulate Competitive Research (EPSCOR) Infrastructure Development	43 / NNX09AW06A		(440.43)
Tennessee State University	NASA EPSCoR (Experimental Program to Stimulate Competitive Research) Subspace Segmentation & High Dimensional Data Analysis	43 / NNX12AI14A		62,520.82
Tennessee Technological University	Tennessee Space Grant Consortium Award (Tennessee Space Grant College and Fellowship Program)	43 / SUBCONTRACT #21603-S8 AMEND 4		16,820.40
University of Memphis	Simulation of Magnetically Induced Fluid Motion in Reduced Gravity	43 / 21603-S9		9,081.12
Passed Through Cornell University				
University of Tennessee	Aeronautics	43.002 / OSP39361-6446		3,571.34
Passed Through University of California, Los Angeles				
University of Tennessee	Aeronautics	43.002 / 2090-S-JB694 AMEND 23		66,250.54
Passed Through Colorado State University				
University of Tennessee	Cross Agency Support	43.009 / G-6560-1		14,286.09
Passed Through Brown University				
University of Tennessee	Brown Univ - PO# P258656 - Taylor	43 / PO258656/SUB00000242		(19,481.11)
Passed Through Johns Hopkins University				
University of Tennessee	John Hopkins University 971503	43 / 971503		7,438.95
Passed Through Public Broadcasting System				
University of Memphis	PBS Teaching Climate Change Project	43 / NASAPBS		6,504.98
Passed Through University of Arizona				
University of Tennessee	University of Arizona PO #30948 Emery	43 / PO # 30948		48,149.90
Passed Through University of New Hampshire				
University of Tennessee	Univ of New Hampshire 11-107 Townsend	43 / 11-107 AMENDMENT #02		107,215.77
Subtotal Pass-Through Programs				$ 793,046.38
Subtotal National Aeronautics and Space Administration				$ 2,751,417.56
National Endowment for the Arts				
Direct Programs				
University of Memphis	Promotion of the Arts_Grants to Organizations and Individuals	45.024		$ (152.60)
Subtotal Direct Programs				$ (152.60)

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Cannon County Arts Center				
Middle Tennessee State University	Promotion of the Arts_Grants to Organizations and Individuals	45.024 / UNKNOWN		$ 1,501.71
Subtotal Pass-Through Programs				$ 1,501.71
Subtotal National Endowment for the Arts				$ 1,349.11
National Endowment for the Humanities				
Direct Programs				
East Tennessee State University	Promotion of the Humanities_ Research	45.161	$ 34,444.28	
University of Memphis	Promotion of the Humanities_ Research	45.161	46,158.14	
University of Tennessee	Promotion of the Humanities_ Research	45.161	221,653.26	$ 302,255.68
Subtotal National Endowment for the Humanities				$ 302,255.68
Institute of Museum and Library Services				
Direct Programs				
University of Tennessee	National Leadership Grants	45.312		$ 321,084.57
University of Tennessee	Laura Bush 21st Century Librarian Program	45.313		306,672.11
Subtotal Direct Programs				$ 627,756.68
Passed Through University of Illinois				
University of Tennessee	Laura Bush 21st Century Librarian Program	45.313 / 2010-03028-02		$ 104,206.87
Subtotal Pass-Through Programs				$ 104,206.87
Subtotal Institute of Museum and Library Services				$ 731,963.55
National Science Foundation				
Direct Programs				
East Tennessee State University	Engineering Grants	47.041	$ 71,826.36	
Middle Tennessee State University	Engineering Grants	47.041	234,241.25	
Tennessee State University	Engineering Grants	47.041	14,049.72	
Tennessee Technological University	Engineering Grants	47.041	161,075.40	
University of Memphis	Engineering Grants	47.041	69,689.49	
University of Tennessee	Engineering Grants	47.041	6,280,531.64	$ 6,831,413.86
East Tennessee State University	Mathematical and Physical Sciences	47.049	$ 478,389.26	
Middle Tennessee State University	Mathematical and Physical Sciences	47.049	11,013.33	
Tennessee State University	Mathematical and Physical Sciences	47.049	176,062.56	
University of Memphis	Mathematical and Physical Sciences	47.049	279,985.31	
University of Tennessee	Mathematical and Physical Sciences	47.049	3,556,144.52	4,501,594.98
East Tennessee State University	Geosciences	47.050	$ 147,175.05	
Middle Tennessee State University	Geosciences	47.050	45,878.34	
University of Memphis	Geosciences	47.050	451,457.50	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Geosciences	47.050	833,235.88	1,477,746.77
Tennessee Technological University	Computer and Information Science and Engineering	47.070	$ 11,432.43	
University of Memphis	Computer and Information Science and Engineering	47.070	465,625.42	
University of Tennessee	Computer and Information Science and Engineering	47.070	1,933,432.02	2,410,489.87
East Tennessee State University	Biological Sciences	47.074	$ 325,620.46	
Middle Tennessee State University	Biological Sciences	47.074	28,137.04	
Tennessee State University	Biological Sciences	47.074	171,291.31	
University of Memphis	Biological Sciences	47.074	343,296.57	
University of Memphis	ARRA-Biological Sciences	47.074	130,909.94	
University of Tennessee	Biological Sciences	47.074	6,376,409.23	7,375,664.55
Austin Peay State University	Social, Behavioral, and Economic Sciences	47.075	$ 3,351.01	
University of Memphis	Social, Behavioral, and Economic Sciences	47.075	286,695.55	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075	550,809.91	840,856.47
East Tennessee State University	Education and Human Resources	47.076	$ 556,774.58	
Middle Tennessee State University	Education and Human Resources	47.076	26,069.92	
Tennessee State University	Education and Human Resources	47.076	908,930.19	
Tennessee Technological University	Education and Human Resources	47.076	1,174,658.28	
University of Memphis	Education and Human Resources	47.076	483,657.82	
University of Tennessee	Education and Human Resources	47.076	1,308,990.14	4,459,080.93
University of Memphis	Polar Programs	47.078	$ 104,970.85	
University of Tennessee	Polar Programs	47.078	66,440.84	171,411.69
University of Tennessee	Office of International and Integrative Activities	47.079		32,984.20
University of Tennessee	Office of Cyberinfrastructure	47.080		783,003.82
Middle Tennessee State University	Office of Experimental Program to Stimulate Competitive Research	47.081	$ 51,870.68	
University of Tennessee	Office of Experimental Program to Stimulate Competitive Research	47.081	3,145,796.14	3,197,666.82
East Tennessee State University	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082	$ 1,826,349.77	
Middle Tennessee State University	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082	524,983.00	
Tennessee State University	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082	91,781.39	
Tennessee Technological University	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082	202,213.46	
University of Memphis	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082	341,094.04	
University of Tennessee	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082	5,207,807.72	8,194,229.38
University of Tennessee	NSF 0711134 Project Management-Zacharia	47 / OCI-0711134		6,353,240.74
University of Tennessee	NSF Fellowship EAR-PF Barry	47 / EAR-PF		3,058.84
University of Tennessee	NSF VSEE Retirement - D Roberts	47 / 11-MOR-1390	$ (503.41)	
University of Tennessee	NSF VSEE Retirement - D Roberts	47 / 12-MOR-1390	24,157.34	23,653.93
Subtotal Direct Programs				$ 46,656,096.85

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Colorado				
University of Tennessee	Engineering Grants	47.041 / SPO #0000075352		$ 20,168.32
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / PROJECT NO. 1548373		35,507.25
Passed Through University of Georgia				
Middle Tennessee State University	Engineering Grants	47.041 / RR722-136/4786866		12,872.09
Passed Through University of North Carolina				
University of Tennessee	Engineering Grants	47.041 / SUB 5-37373		12,326.22
Passed Through Virginia Polytechnic Institute and State University				
University of Tennessee	Engineering Grants	47.041 / 478583-19121		29,773.20
Passed Through University of Texas				
University of Tennessee	Mathematical and Physical Sciences	47.049 / UTA09-000853		47,597.96
Passed Through Vanderbilt University				
Tennessee State University	Mathematical and Physical Sciences	47.049 / DMR-0907619	$ 1,820.00	
University of Tennessee	Mathematical and Physical Sciences	47.049 / 20726-S2 AMEND #3	27,748.80	29,568.80
Passed Through Washington State University				
University of Tennessee	Mathematical and Physical Sciences	47.049 / 118207 G003113		29,907.88
Passed Through Florida International University				
University of Tennessee	Geosciences	47.050 / 800001191-02		47,395.55
Passed Through Pennsylvania State University				
University of Tennessee	Geosciences	47.050 / 3687-UT-NSF-5019-05		3,228.09
University of Tennessee	Biological Sciences	47.074 / 4373-UT-NSF-5974	$ 88,331.66	
University of Tennessee	Biological Sciences	47.074 / 4729-UT-NSF-5974	3,626.03	91,957.69
Passed Through Southern Methodist University				
University of Memphis	Geosciences	47.050 / G001231-7500		9,060.10
Passed Through University of Southern California				
University of Tennessee	Geosciences	47.050 / SUBAWARD #157595	$ 3,135.57	
University of Tennessee	Geosciences	47.050 / SUBAWARD #36202823	19,049.75	22,185.32
Passed Through University of Texas at El Paso				
University of Tennessee	Geosciences	47.050 / EAR-1009533		4,859.15
Passed Through University of New Mexico				
University of Tennessee	Computer and Information Science and Engineering	47.070 / 063014-87H2 AMEND #4		582,650.19
Passed Through University of South Florida				
Tennessee Technological University	Computer and Information Science and Engineering	47.070 / 2108-1039-00-A MOD #2		11,090.19

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Boston University				
University of Tennessee	Biological Sciences	47.074 / 4500000653		14,171.88
Passed Through Portland State University				
University of Tennessee	Biological Sciences	47.074 / 201REY307		39,248.05
Passed Through Purdue University				
University of Tennessee	Biological Sciences	47.074 / 4101-35203-01		14,653.93
Passed Through The New York Botanical Garden				
University of Tennessee	Biological Sciences	47.074 / NYBG-1206197-02-UT		11,751.31
Passed Through University of Arizona				
University of Tennessee	Biological Sciences	47.074 / PO Y553515 MOD #4		79,080.86
Passed Through University of California				
University of Tennessee	Biological Sciences	47.074 / S-0000336 AMENDMENT3	$ (24,573.88)	
University of Tennessee	Biological Sciences	47.074 / S0184089	49,410.82	24,836.94
Passed Through University of California, Santa Barbara				
University of Tennessee	Biological Sciences	47.074 / KK1321		7,245.59
Passed Through University of Nebraska				
University of Tennessee	Biological Sciences	47.074 / 25-6235-0199-002		48,350.56
Passed Through University of South Carolina				
University of Tennessee	Biological Sciences	47.074 / SUB11-1890 PO#31834		75,610.33
Passed Through Carnegie Mellon University				
University of Memphis	Social, Behavioral, and Economic Sciences	47.075 / 1121361-298439		18,383.89
Tennessee Technological University	Education and Human Resources	47.076 / 1121770-294173 AMEND #1		25,294.17
Passed Through University of California, Irvine				
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / 2010-2420 AMEND #1		77,687.70
Passed Through Alignment Nashville				
Tennessee Technological	Education and Human Resources	47.076 / DRL-0833643 AMEND 2		5,745.57
Passed Through Illinois Institute of Technology				
University of Memphis	Education and Human Resources	47.076 / SA460-1201-7993		85,747.37
Passed Through Loyola Marymount University				
University of Memphis	Education and Human Resources	47.076 / 12-019		57,548.67
Passed Through North Carolina Central University				
University of Memphis	Education and Human Resources	47.076 / P0042123		19,774.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through San Diego State University Research Foundation				
Tennessee Technological University	Education and Human Resources	47.076 / DUE-1044172 SUBAWD 56825A-P1623-7803-211 AMEND #1		7,546.53
Passed Through Stark State College of Technology				
University of Tennessee	Education and Human Resources	47.076 / NSFFC-0802536-11-10		14,216.45
Passed Through University of Maryland				
Tennessee Technological University	Education and Human Resources	47.076 / PRIME AWARD DRL-1118755 SUBAWARD Z379202		12,372.65
Passed Through University of Notre Dame				
University of Memphis	Education and Human Resources	47.076 / 202002		38,404.56
Passed Through University of Wisconsin-Madison				
University of Memphis	Education and Human Resources	47.076 / DRL-0918409		199,785.91
Passed Through Columbia University				
University of Tennessee	Office of International and Integrative Activities	47.079 / 1(GG002739)		52,376.75
Passed Through Georgia Institute of Technology				
University of Tennessee	Office of Cyberinfrastructure	47.080 / RA241-G1		447,779.62
Passed Through Indiana University				
University of Tennessee	Office of Cyberinfrastructure	47.080 / BL-4812439-UTK		124,807.92
Passed Through State University of New York				
University of Tennessee	Office of Cyberinfrastructure	47.080 / R813071		35,739.34
Passed Through University of Chicago				
University of Tennessee	Office of Cyberinfrastructure	47.080 / 41994-E AMEND # 2		75,324.02
Passed Through University of Illinois				
University of Tennessee	Office of Cyberinfrastructure	47.080 / 2011-00318-04 AMEND 1	$ 3,230,081.51	
University of Tennessee	Office of Cyberinfrastructure	47.080 / SUB #2007-01077-12	426,355.81	
University of Tennessee	Office of Cyberinfrastructure	47.080 / SUB #2009-02232-02	163,019.96	3,819,457.28
Passed Through Claflin University				
University of Tennessee	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082 / 02-20-2678-6211-0003		26,843.84
Passed Through Clemson University				
University of Tennessee	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082 / 13292062087448 ARRA		2,764.61

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Dartmouth College			
University of Tennessee	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082 / SUBWARD NO. 969	30,711.52
Passed Through Louisiana State University			
University of Tennessee	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082 / SUBAWARD NO. 64512	26,594.56
Passed Through Purdue University			
University of Tennessee	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082 / 4101-31975 AMEND # 3	57,066.05
Passed Through University of Louisiana at Monroe			
University of Tennessee	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082 / P0006114/HYS008-UTC	43,774.24
Passed Through University of Minnesota			
Middle Tennessee State University	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082 / A001887402	97,139.97
Passed Through Washington University			
University of Tennessee	ARRA-Trans-NSF Recovery Act Reasearch Support	47.082 / WU-HT-10-51 AMEND #3	29,539.92
Passed Through The Ohio State University			
University of Tennessee	Ohio St Univ. Math/Biosci Inst.-Lenhart	47 / 616893	28,579.40
Subtotal Pass-Through Programs			$ 6,766,103.96
Subtotal National Science Foundation			$ 53,422,200.81
Securities and Exchange Commission			
Direct Programs			
University of Memphis	Intergovernmental Personnel Act Appointment with the Securities and Exchange Commission	58 / MOD3500 FY12 IPA6	$ 240,792.67
University of Memphis	One Year Visiting at the Securities and Exchange Commission (SEC) - Intergovernmental Personnel Act Appointment	58 / MOD3500-11-0006	28,182.84
Subtotal Securities and Exchange Commission			$ 268,975.51
Small Business Administration			
Direct Programs			
University of Memphis	8(a) Business Development Program	59.006	$ 288,494.61
Subtotal Small Business Administration			$ 288,494.61

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Environmental Protection Agency				
Office of Air and Radiation				
Direct Programs				
University of Tennessee	Air Pollution Control Program Support	66.001		$ 210,661.96
Subtotal Direct Programs				$ 210,661.96
Passed Through Shelby County Health Department				
University of Memphis	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034 / CA1315008		$ 20,301.52
Subtotal Pass-Through Programs				$ 20,301.52
Subtotal Office of Air and Radiation				$ 230,963.48
Office of Research and Development (ORD)				
Direct Programs				
University of Tennessee	P3 Award: National Student Design Competition for Sustainability	66.516		$ 11,281.25
Subtotal Office of Research and Development (ORD)				$ 11,281.25
Office of the Chief Financial Officer				
Passed Through Consortium for Plant Biotechnical Research, Incorporated				
University of Tennessee	Congressionally Mandated Projects	66.202 / EM83438801		$ 39,095.23
Subtotal Office of the Chief Financial Officer				$ 39,095.23
Office of Water				
Direct Programs				
Middle Tennessee State University	Regional Wetland Program Development Grants	66.461	$ 19,522.50	
Tennessee Technological University	Regional Wetland Program Development Grants	66.461	35,349.85	$ 54,872.35
Subtotal Direct Programs				$ 54,872.35
Passed Through Blount County Soil Conservation District				
University of Tennessee	Targeted Watersheds Grants	66.439 / DATED 07-16-2012	$ 18,707.00	
University of Tennessee	Targeted Watersheds Grants	66.439 / FIELD MONITORING	2,357.62	$ 21,064.62
Subtotal Pass-Through Programs				$ 21,064.62
Subtotal Office of Water				$ 75,936.97
Other Programs				

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Direct Programs			
University of Tennessee	EPA Reserve Program Land-Hellwinckel	66 / PR-ORD-12-03529	$ 19,369.34
Subtotal Direct Programs			$ 19,369.34
Passed Through Arizona State University			
University of Tennessee	Arizona State Univ-09-145 - Evans	66 / 09-145 AMENDMENT #3	$ 4,791.57
Subtotal Direct Programs			$ 4,791.57
Subtotal Other Programs			$ 24,160.91
Subtotal Environmental Protection Agency			$ 381,437.84
Nuclear Regulatory Commission			
Direct Programs			
University of Tennessee	U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006	$ 123,597.43
University of Tennessee	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	265,336.42
University of Tennessee	U.S. Nuclear Regulatory Commission Office of Research Financial Assistance Program	77.009	74,962.60
Subtotal Direct Programs			$ 463,896.45
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 Virginia Polytechnic Institute and State University			
University of Memphis	U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006 / 417005-19A62	18,880.00
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	20,465.33
Subtotal Pass-Through Programs			$ 32,607.86
Subtotal Nuclear Regulatory Commission			$ 496,504.31
Department of Energy			
Direct Programs			
Middle Tennessee State University	Office of Science Financial Assistance Program	81.049	$ 201,895.61
Tennessee Technological University	Office of Science Financial Assistance Program	81.049	103,669.34
University of Memphis	Office of Science Financial Assistance Program	81.049	63,140.02

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Office of Science Financial Assistance Program	81.049	5,654,515.01	
University of Tennessee	ARRA-Office of Science Financial Assistance Program	81.049	38,930.95	$ 6,062,150.93
University of Tennessee	University Coal Research	81.057		36,107.72
University of Tennessee	Conservation Research and Development	81.086		74,184.24
Education	ARRA-Renewable Energy Research and Development	81.087	$ 825,783.70	
University of Memphis	Renewable Energy Research and Development	81.087	166,869.20	992,652.90
Tennessee State University	Fossil Energy Research and Development	81.089	$ 112,322.26	
Tennessee Technological University	Fossil Energy Research and Development	81.089	87,238.04	
University of Tennessee	Fossil Energy Research and Development	81.089	441,916.92	641,477.22
University of Tennessee	Stewardship Science Grant Program	81.112		265,195.45
University of Tennessee	Defense Nuclear Nonproliferation Research	81.113		409,410.35
University of Tennessee	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117		499,034.82
University of Tennessee	Nuclear Energy Research, Development and Demonstration	81.121		255,299.49
Tennessee State University	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123		228,402.30
University of Tennessee	Advanced Research Projects Agency - Energy	81.135		194,246.94
University of Tennessee	B&W Y-12 SUBC 4300087819 J. JOHNSON	81 / 4300087819		43,906.72
University of Tennessee	DOE DE-FG05-91ER40627 Task T Siopsis	81 / DE-FG05-91ER40627-34		543,797.69
University of Tennessee	DOE Energy Crop Operating CRC-Jackson	81 / DE-EE0002993		524,191.67
University of Tennessee	DOE Foxtail Millet Biomass Prod CRC-Chen	81 / DE-FG02-08ER64667		10,505.00
University of Tennessee	NREL ZCO-0-40616-01 Zawodzinski 12	81 / ZCO-0-40616-01-MOD 1		64,524.09
University of Tennessee	Savannah River Nat Lab 102193 Miller	81 / 102193		2,663.21
University of Tennessee	Univ of CA LBNL Sub 7025764 Vonarnim	81 / SUBCONTRACT# 7025764		31,062.76
Subtotal Direct Programs				$ 10,878,813.50
Passed Through Georgia Institute of Technology				
University of Tennessee	Office of Science Financial Assistance Program	81.049 / RD537-S1	$ 16,966.84	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / RD059-S1	78,353.51	$ 95,320.35
Passed Through Louisiana State University				
University of Tennessee	Office of Science Financial Assistance Program	81.049 / 44159-4		78,213.98

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Oregon State University			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / F0760B-A	7,432.81
Passed Through Pennsylvania State University			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / 4230-UT-DOE-5267	79,529.38
University of Tennessee	Renewable Energy Research and Development	81.087 / 4502-UTK-NFCI-SUX1	2,066.18
Passed Through Princeton University			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / SUBAWARD # 00001871	459,043.21
Passed Through Purdue University			
University of Tennessee	ARRA-Office of Science Financial Assistance Program	81.049 / 4105-29625 MOD 3	358,816.30
Passed Through The Samuel Roberts Noble Foundation			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / 2012-961-002	23,622.89
Passed Through University Corporation for Atmospheric Research			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / Z12-93537	10,481.23
Passed Through University of California			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / 00007727 AMENDMENT 1	304,082.15
University of Tennessee	Univ of California-LBNL-6898750 - Liu	81 / 6898750	(155.65)
University of Tennessee	Lawrence Berkeley Natl Lab 6956606 Liu	81 / 6956606 MOD 1	71,880.81
Passed Through South Dakota State University			
University of Tennessee	Regional Biomass Energy Programs	81.079 / 3TA157	206,208.30
University of Tennessee	Renewable Energy Research and Development	81.087 / 3TB157	7,658.52
Passed Through Northeastern University			
University of Tennessee	Renewable Energy Research and Development	81.087 / 50301678052	173,248.82
Passed Through Wichita State University			
University of Tennessee	Renewable Energy Research and Development	81.087 / SUB110169-1	4,596.52
Passed Through University of Missouri			
Tennessee State University	Fossil Energy Research and Development	81.089 / DE-FE0005865	4,741.91

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Rutgers, The State University of New Jersey			
University of Tennessee	Stewardship Science Grant Program	81.112 / SUB #3538 PO #S1135633	267,120.33
Passed Through Southern Methodist University			
University of Tennessee	Defense Nuclear Nonproliferation Research	81.113 / SUBCONTRACT #20499-10	49,656.74
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	(2,056.34)
Passed Through Electric Power Research Institute			
University of Tennessee	Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122 / EP-P36560/C16585 A1	19,826.50
Passed Through Prairie View A&M University			
Tennessee State University	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123 / DE-NA0001861	34,332.37
Passed Through Ames Laboratory			
University of Tennessee	Ames Laboratory-SC-09-323 Zhu	81 / NO. SC-09-323 MOD #1	23,526.07
Passed Through Argonne National Laboratory			
University of Tennessee	Argonne Natl Lab-Sub1F-30501 - Dongarra	81 / 1F-30501	5,741.84
Passed Through Battelle Energy Alliance, Limited Liability Company			
University of Tennessee	Battelle Energy Alliance 00103759 Wirth Yr 1	81 / 103759	153,281.67
University of Tennessee	Battelle Energy Alliance 00105162 Wirth	81 / CONTRACT 00105162	580,735.35
University of Tennessee	Battelle Energy Alliance 001182894 Hines	81 / 118294	258,435.48
University of Tennessee	Battelle Energy Alliance 00119262 Liaw	81 / 119262	209,308.01
University of Tennessee	Battelle Energy Alliance 00120607 Wirth	81 / 120607	76,752.29
University of Tennessee	Battelle Energy Alliance 00120767 Upadhyaya	81 / 120767	221,571.86
University of Tennessee	Battelle Energy Alliance 00126625 Zhang	81 / 126625	108,996.86
University of Tennessee	Battelle Energy Alliance 00126749 Weber	81 / 126749	131,066.71
University of Tennessee	Battelle Energy Alliance 00132175 Sickafus	81 / 132175	143,874.23
University of Tennessee	Battelle Energy Alliance Khomami	81 / 91981	42,754.17
Passed Through Battelle Memorial Institute			
University of Tennessee	Battelle Memorial Inst PNNL 194994 Blalo	81 / 194994	82,088.35

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Battelle Memorial Inst PNNL 169906 Wirth	81 / 169906		62,764.95
Passed Through Fermi Research Alliance, Limited Liability Company				
University of Tennessee	Fermi Research Alliance, LLC - Spanier	81 / PO # 580849 REV #4		6,572.86
Passed Through Los Alamos National Laboratory				
University of Tennessee	Los Alamos National Lab 159500-1 Hall	81 / 159500-1		51,321.58
Passed Through North Carolina State University				
University of Tennessee	NCSU-2007-1694-03 - Sanders	81 / 2007-1694-03 MOD 5		13,087.50
University of Tennessee	NC State Univ-Sub2010-1691-01 Weber Yr1	81 / SUB2010-1691-01		57,377.87
Passed Through Rensselaer Polytechnic Institute				
University of Tennessee	Rensselaer Polytechni-A305260-Nazarewicz	81 / SUBCONTRACT #A30560		75,111.00
Passed Through Sandia National Laboratories				
University of Tennessee	Sandia National Lab PO1314356 Bosilca	81 / PO #1314356		28,906.81
University of Tennessee	Sandia National Lab Multisensor Abidi	81 / PO #1101746 REV #3		(3,825.13)
Passed Through University of Arizona				
University of Tennessee	Univ of Arizona PO #Y561966 Maldonado	81 / PO #Y561966-MOD #2		93,041.95
Passed Through University of Michigan				
University of Tennessee	Univ of Michigan Sub #3002412323 Wirth	81 / SUB #3002412323		9,444.89
Passed Through UT-Battelle, Limited Liability Company				
Middle Tennessee State University	IMAGINE Operations Support	81 / 4000115634		57,878.42
Middle Tennessee State University	Fly Ash Analysis	81 / 4000104962		23,275.04
Middle Tennessee State University	Development of Flowable Fill & Concrete Mixtures Using Wood Ash Research	81 / 40001177831		7,647.25
Tennessee Technological University	Environmental Remediation of Radioactive Waste and Chemical Process of Spent Nuclear Fuel	81 / 4000101346 MOD 7		62,913.78
Tennessee Technological University	Stonecipher Professor of Distinction Joint Faculty Agreement with ORNL	81 / 4000102091 MOD 5		121,859.25
Tennessee Technological University	Resiliency Techniques for Large-Scale and Heterogeneous Environments	81 / 4000112013 MOD 3		37,595.97
University of Tennessee	UT-Battelle	81 / B0199BTL	$ 21,326,322.91	
University of Tennessee	ARRA-UT-Battelle	81 / B0199BTL	269,582.26	21,595,905.17
Subtotal Pass-Through Programs				$ 26,594,679.36
Subtotal Department of Energy				$ 37,473,492.86

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Department of Education				
Institute of Education Sciences				
Direct Programs				
University of Memphis	Education Research, Development and Dissemination	84.305	$ 907,603.90	
University of Tennessee	Education Research, Development and Dissemination	84.305	360,832.20	$ 1,268,436.10
University of Tennessee	Research in Special Education	84.324		233,332.36
Subtotal Direct Programs				$ 1,501,768.46
Passed Through Georgia State University				
University of Memphis	Education Research, Development and Dissemination	84.305 / SP00010952-03		$ 272,724.00
Passed Through Northern Illinois University				
University of Memphis	Education Research, Development and Dissemination	84.305 / PO 89595		20,396.51
Passed Through Siskin Children's Institute				
Middle Tennessee State University	Research in Special Education	84.324 / R 324 B070003		(858.91)
Subtotal Pass-Through Programs				$ 292,261.60
Subtotal Institute of Education Sciences				$ 1,794,030.06
Office of Educational Research and Improvement				
Passed Through Virginia Department of Education				
University of Memphis	Twenty-First Century Community Learning Centers	84.287 / 780-86784-S287C100047	$ 15,640.88	
University of Memphis	Twenty-First Century Community Learning Centers	84.287 / 780-86788-S287C110047	46,037.17	$ 61,678.05
Subtotal Office of Educational Research and Improvement				$ 61,678.05
Office of Innovation and Improvement				
Passed Through Hardin County Schools				
University of Memphis	Fund for the Improvement of Education	84.215 / Q215E110461 Phase 2	$ 24,102.09	
University of Memphis	Fund for the Improvement of Education	84.215 / Q215E110461 Phase 3	21,437.78	$ 45,539.87
Subtotal Office of Innovation and Improvement				$ 45,539.87
Office of Postsecondary Education				
Direct Programs				
University of Memphis	Centers for International Business Education	84.220		$ 196,492.68

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	302,079.43
Subtotal Direct Programs			$ 498,572.11
Passed Through Smithsonian Institution			
University of Memphis	ARRA-Overseas Programs - Doctoral Dissertation Research Abroad	84.022 / 11-SUBC-440-0000220859	$ 1,034,830.67
Subtotal Pass-Through Programs			$ 1,034,830.67
Subtotal Office of Postsecondary Education			$ 1,533,402.78
Other Programs			
Direct Programs			
University of Memphis	Bilingual Education_Professional Development	84.195	$ 67,509.54
Subtotal Direct Programs			$ 67,509.54
Passed Through Battelle			
University of Memphis	ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 / 366844	$ 172,042.98
Passed Through Vanderbilt University			
University of Tennessee	ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 / 2039-012724	7,316.14
Subtotal Pass-Through Programs			$ 179,359.12
Subtotal Other Programs			$ 246,868.66
Subtotal Department of Education			$ 3,681,519.42
National Archives and Records Administration			
Direct Programs			
University of Tennessee	National Historical Publications and Records Grants	89.003	$ 179,636.49
Subtotal National Archives and Records Administration			$ 179,636.49
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	$ 22,788.07
Subtotal Administration for Children and Families			$ 22,788.07

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
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	$ (0.36)
Subtotal Administration for Community Living			$ (0.36)
Agency for Healthcare Research and Quality			
Direct Programs			
University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	93.226	$ 292,548.72
Subtotal Direct Programs			$ 292,548.72
Passed Through Olmsted Medical Center			
University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	93.226 / HS019408	$ 43,644.72
Subtotal Pass-Through Programs			$ 43,644.72
Subtotal Agency for Healthcare Research and Quality			$ 336,193.44
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	$ 2,302.51
Middle Tennessee State University	Assistance Programs for Chronic Disease Prevention and Control	93.945	87,184.09
Subtotal Direct Programs			$ 89,486.60
Passed Through Emory University			
University of Tennessee	Environmental Public Health and Emergency Response	93.070 / S712303	$ 20,862.17
Passed Through Georgia Institute of Technology			
East Tennessee State University	Environmental Public Health and Emergency Response	93.070 / RA153-G1	6,976.49
Passed Through University of Massachusetts-Worcester			
East Tennessee State University	Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135 / 6145605/RFS2013068	35,874.23
Passed Through Colorado State University			
University of Tennessee	Occupational Safety and Health Program	93.262 / G-4603-1	55,546.86

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through University of Kentucky Research Foundation			
East Tennessee State University	Occupational Safety and Health Program	93.262 / 3049024627-12-474	6,350.56
East Tennessee State University	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / 3048109333-13-067	8,609.15
Passed Through St. Jude Children's Research Hospital			
University of Tennessee	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / IP000489	213,009.34
Passed Through American College of Sports Medicine			
University of Tennessee	Assistance Programs for Chronic Disease Prevention and Control	93.945 / 5U58DP001132-05 CDC	6,372.05
Subtotal Pass-Through Programs			$ 353,600.85
Subtotal Centers for Disease Control and Prevention			$ 443,087.45
Centers for Medicare and Medicaid Services			
Direct Programs			
University of Tennessee	Health Care Innovation Awards (HCIA)	93.610	$ 549,902.28
Subtotal Centers for Medicare and Medicaid Services			$ 549,902.28
Food and Drug Administration			
Direct Programs			
University of Tennessee	Food and Drug Administration_ Research	93.103	$ (29,978.18)
Subtotal Food and Drug Administration			$ (29,978.18)
Health Resources and Services Administration			
Direct Programs			
University of Tennessee	Nursing Workforce Diversity	93.178	$ 283,491.02
University of Tennessee	Specially Selected Health Projects	93.888	14,848.74
Subtotal Direct Programs			$ 298,339.76
Passed Through Mountain States Health Alliance			
East Tennessee State University	Telehealth Programs	93.211 / 1H2AIT16637	$ 41,416.00
Passed Through University of Kentucky			
University of Tennessee	Public Health Training Centers Program	93.249 / 3048109820-13-081	38,625.55

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Methodist Le Bonheur Healthcare, Incorporated				
University of Memphis	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505 / 97212UMCHANG		17,531.15
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		48,516.97
Subtotal Pass-Through Programs				$ 146,089.67
Subtotal Health Resources and Services Administration				$ 444,429.43
National Institutes of Health				
Direct Programs				
East Tennessee State University	Environmental Health	93.113	$ 37,003.47	
University of Memphis	Environmental Health	93.113	359,320.65	
University of Tennessee	Environmental Health	93.113	165,617.33	$ 561,941.45
University of Tennessee	Oral Diseases and Disorders Research	93.121		80,261.59
University of Memphis	Research Related to Deafness and Communication Disorders	93.173	$ 740,929.00	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173	562,507.99	1,303,436.99
East Tennessee State University	Mental Health Research Grants	93.242	$ 406,501.51	
University of Tennessee	Mental Health Research Grants	93.242	847,774.54	1,254,276.05
University of Memphis	Alcohol Research Programs	93.273	$ 347,386.78	
University of Tennessee	Alcohol Research Programs	93.273	2,145,289.91	2,492,676.69
East Tennessee State University	Drug Abuse and Addiction Research Programs	93.279	$ 128,892.19	
University of Memphis	Drug Abuse and Addiction Research Programs	93.279	92,272.42	
University of Tennessee	Drug Abuse and Addiction Research Programs	93.279	307,156.99	528,321.60
University of Tennessee	Mental Health National Research Service Awards for Research Training	93.282		24,061.82
University of Tennessee	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		113,926.11
East Tennessee State University	Minority Health and Health Disparities Research	93.307		343,484.83
University of Tennessee	Research Infrastructure Programs	93.351		329,141.28
University of Tennessee	Nursing Research	93.361		46,942.36
University of Tennessee	National Center for Research Resources	93.389		268,159.30
East Tennessee State University	Cancer Cause and Prevention Research	93.393	$ 233,429.67	
Tennessee State University	Cancer Cause and Prevention Research	93.393	682,708.10	
University of Memphis	Cancer Cause and Prevention Research	93.393	18,074.95	
University of Tennessee	Cancer Cause and Prevention Research	93.393	1,175,965.95	2,110,178.67
East Tennessee State University	Cancer Detection and Diagnosis Research	93.394		748,520.58

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Cancer Treatment Research	93.395		1,211,269.01
University of Tennessee	Cancer Biology Research	93.396		857,671.28
University of Tennessee	Cancer Research Manpower	93.398		52,757.53
East Tennessee State University	ARRA-Trans-NIH Recovery Act Research Support	93.701	$ 118,494.09	
Middle Tennessee State University	ARRA-Trans-NIH Recovery Act Research Support	93.701	9,638.29	
University of Memphis	ARRA-Trans-NIH Recovery Act Research Support	93.701	39,845.33	
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701	317,032.83	485,010.54
East Tennessee State University	ARRA-National Center for Research Resources, Recovery Act Construction Support	93.702		6,095,439.94
East Tennessee State University	Cardiovascular Diseases Research	93.837	$ 882,300.28	
University of Tennessee	Cardiovascular Diseases Research	93.837	7,891,519.27	8,773,819.55
University of Tennessee	Lung Diseases Research	93.838		797,691.01
University of Tennessee	Blood Diseases and Resources Research	93.839		302,189.12
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846		1,226,850.06
East Tennessee State University	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	$ 299,018.62	
Tennessee State University	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	203,771.40	
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	3,420,624.04	3,923,414.06
University of Memphis	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	$ 214,142.76	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	3,818,726.94	4,032,869.70
East Tennessee State University	Allergy, Immunology and Transplantation Research	93.855	$ 406,742.92	
University of Memphis	Allergy, Immunology and Transplantation Research	93.855	11,757.03	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855	3,297,852.23	3,716,352.18
University of Tennessee	Microbiology and Infectious Diseases Research	93.856		302,320.92
East Tennessee State University	Biomedical Research and Research Training	93.859	$ 713,759.49	
Tennessee State University	Biomedical Research and Research Training	93.859	(5,756.00)	
University of Memphis	Biomedical Research and Research Training	93.859	12,826.27	
University of Tennessee	Biomedical Research and Research Training	93.859	1,655,092.93	2,375,922.69
East Tennessee State University	Child Health and Human Development Extramural Research	93.865	$ 3,788.00	
University of Memphis	Child Health and Human Development Extramural Research	93.865	2,524.67	
University of Tennessee	Child Health and Human Development Extramural Research	93.865	914,247.82	920,560.49
University of Tennessee	Aging Research	93.866		1,084,780.40
Middle Tennessee State University	Medical Library Assistance	93.879		43,084.37
Subtotal Direct Programs				$ 46,407,332.17

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through The Ohio State University Research Foundation				
University of Tennessee	Oral Diseases and Disorders Research	93.121 / 60025882		$ 137,563.17
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / RF01228833 PO		15,449.55
Passed Through Louisiana State University				
University of Tennessee	NIEHS Superfund Hazardous Substances_Basic Research and Education	93.143 / 5 P42 ES 013648-05		310.95
Passed Through University of North Carolina				
University of Tennessee	Human Genome Research	93.172 / SUB 5-30792		11,397.25
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI057157		28,206.40
Passed Through Duke University				
East Tennessee State University	Research Related to Deafness and Communication Disorders	93.173 / 12-NIH-1032		206,740.63
University of Tennessee	Cancer Cause and Prevention Research	93.393 / 203-0310 AMEND #2	$ 126,051.61	
University of Tennessee	Cancer Cause and Prevention Research	93.393 / SUBAWARD #303-3941	39,950.39	166,002.00
Passed Through University of Iowa				
East Tennessee State University	Research Related to Deafness and Communication Disorders	93.173 / UNKNOWN		2,558.79
Passed Through Emory University				
University of Tennessee	Research and Training in Complementary and Alternative Medicine	93.213 / S494529 AMEND #1		(1.99)
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS062778	$ 28,229.35	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS065701	41,850.16	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS067201	94,247.73	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS071867	91.98	164,419.22
Passed Through Massachusetts General Hospital				
University of Tennessee	Research and Training in Complementary and Alternative Medicine	93.213 / AT000613		(477.27)
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS052592		42,604.19

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Pennsylvania				
University of Tennessee	Research and Training in Complementary and Alternative Medicine	93.213 / AT007797		11,928.19
University of Memphis	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / 558624 AMEND 1		130,666.71
Passed Through New York University				
University of Tennessee	Mental Health Research Grants	93.242 / 12-01801 101567		257,907.59
Passed Through University of California, San Francisco				
University of Memphis	Mental Health Research Grants	93.242 / 6705SC AMEND 1		10,608.11
University of Tennessee	Lung Diseases Research	93.838 / HL094338		19,450.64
Passed Through University of Illinois at Chicago				
University of Tennessee	Mental Health Research Grants	93.242 / 491739 E5151	$ 44,313.37	
University of Tennessee	Mental Health Research Grants	93.242 / 5P20MH078458-05	32,902.49	77,215.86
Passed Through Vanderbilt University				
Middle Tennessee State University	Mental Health Research Grants	93.242 / 21357-S1	$ 17,526.25	
University of Tennessee	Mental Health Research Grants	93.242 / MH063232	19,624.56	37,150.81
University of Tennessee	Lung Diseases Research	93.838 / HL109977		405,949.53
Passed Through Jackson Laboratory				
University of Tennessee	Alcohol Research Programs	93.273 / PO 659700		85,875.31
Passed Through Florida International University				
University of Memphis	Drug Abuse and Addiction Research Programs	93.279 / 800001039-02	$ (70.80)	
University of Memphis	Drug Abuse and Addiction Research Programs	93.279 / 800001039-02 AMEND 01	25,127.93	25,057.13
Passed Through Pennsylvania State University				
University of Tennessee	Drug Abuse and Addiction Research Programs	93.279 / 4694 UT DHHS 1670		18,543.25
University of Tennessee	Cancer Cause and Prevention Research	93.393 / 4725-UTIA-DHHS-5576		46,668.98
Passed Through Health Research, Incorporated				
East Tennessee State University	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286 / 3687-01		47,810.50
Passed Through Meharry Medical College				
Tennessee State University	Minority Health and Health Disparities Research	93.307 / 5P20MD000516-07	$ 28.60	
Tennessee State University	Minority Health and Health Disparities Research	93.307 / 5P20MD000516-08	27,979.56	
Tennessee State University	Minority Health and Health Disparities Research	93.307 / 5P20MD000516-09	37,625.16	
University of Tennessee	Minority Health and Health Disparities Research	93.307 / 110804PJ158 02	94,379.75	160,013.07
Tennessee State University	Cancer Centers Support Grants	93.397 / 5P20CA144809-03		7,675.81

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee State University	Biomedical Research and Research Training	93.859 / 5U54CA091408-10		895.35
Passed Through University of Pittsburgh				
University of Tennessee	Nursing Research	93.361 / NR012459		114,354.39
University of Memphis	Cancer Cause and Prevention Research	93.393 / 0019106		122,729.29
University of Tennessee	Biomedical Research and Research Training	93.859 / 0029963 122388-3		25,166.35
Passed Through Miami University				
University of Memphis	Cancer Cause and Prevention Research	93.393 / 401966		3,102.00
Passed Through St. Jude Children's Research Hospital				
University of Tennessee	Cancer Cause and Prevention Research	93.393 / CA-157838		25,503.90
University of Tennessee	Cancer Treatment Research	93.395 / CA081457	$ 44,908.58	
University of Tennessee	Cancer Treatment Research	93.395 / CA132901	12,348.56	57,257.14
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / AI062415	$ (13,156.70)	
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / EY014867	(3,391.63)	(16,548.33)
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	$ 4,113.72	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI062415	122,799.67	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI069529	168,477.16	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI088729	37,805.02	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI090810	163,299.16	496,494.73
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / HD059292		0.04
Passed Through University of Rochester				
East Tennessee State University	Cancer Cause and Prevention Research	93.393 / 414462-G		8,176.52
University of Tennessee	Cancer Centers Support Grants	93.397 / 5P50CA130805-05		194,117.67
Passed Through Old Dominion University Research Foundation				
University of Memphis	Cancer Detection and Diagnosis Research	93.394 / 12-173-325121		20,060.60
Passed Through The Miriam Hospital				
University of Tennessee	Cancer Detection and Diagnosis Research	93.394 / 710-9801 AMENDMENT 3		957.35
University of Tennessee	Cardiovascular Diseases Research	93.837 / 710-9866		3,154.52
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / 710-9906		21,661.89

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Duke University Medical Center			
University of Tennessee	Cancer Treatment Research	93.395 / CA 112519	(10,632.74)
Passed Through University of Rhode Island			
East Tennessee State University	Cancer Biology Research	93.396 / 052912/0003156	49,200.39
Passed Through CTRC Research Foundation			
East Tennessee State University	Cancer Control	93.399 / CA37429	1,348.15
Passed Through Dana-Farber Cancer Institute			
University of Tennessee	Cancer Control	93.399 / CA148596	(42,539.02)
Passed Through Children's Mercy Hospital			
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / DK066143	194.52
Passed Through University of Florida			
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / AG033005	13,777.01
Passed Through University of Utah			
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / NS069066	(0.02)
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / HD047349-2309114-38	54,632.29
Passed Through Baylor College of Medicine			
University of Tennessee	Cardiovascular Diseases Research	93.837 / HL056865	0.01
Passed Through Ithaca College			
East Tennessee State University	Cardiovascular Diseases Research	93.837 / 1R01HL098589	62,439.72
Passed Through Northwestern University			
University of Tennessee	Cardiovascular Diseases Research	93.837 / HL106462	4,604.25
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS047085	208,385.96
Passed Through University of Michigan			
University of Tennessee	Cardiovascular Diseases Research	93.837 / HL094345	27,807.51
Passed Through University of Washington			
University of Tennessee	Cardiovascular Diseases Research	93.837 / HL077863	120,436.93
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / DK080840	14,936.35
Passed Through University of Alabama			
University of Tennessee	Lung Diseases Research	93.838 / 00420062-002	9,435.99

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Chicago				
University of Tennessee	Lung Diseases Research	93.838 / HL080417		0.01
Passed Through University of Alabama at Birmingham				
University of Tennessee	Blood Diseases and Resources Research	93.839 / HL095468		75,277.78
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / DK-082753		11,777.24
Passed Through University of South Florida				
Tennessee Technological University	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / 2107-1060-00-A MOD 1		14,262.02
Passed Through Beth Israel Deaconess Medical Center				
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / 5 R01 DK094040	$ 893.55	
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / DK094040	1,614.54	2,508.09
Passed Through Case Western Reserve University				
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / DK094157	$ 278,333.00	
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / N01-DK-6-2203	(153,752.28)	124,580.72
Passed Through George Washington University				
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / DK098246		137,445.93
Passed Through Los Angeles Biomedical Research Institute				
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / DK078106		31,087.52
Passed Through State University of New York				
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / PO#R635210 AMEND 02		22,845.01
Passed Through Tufts Medical Center				
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / DK091958		(0.07)
Passed Through University of Arkansas				
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / DK-056746		11,257.23
Passed Through Children's Hospital Research Foundation				
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS045911		6,894.72

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Mayo Clinic				
University of Memphis	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / P O 63172424		20,921.25
Passed Through Medical University of South Carolina				
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS058728		2,802.48
Passed Through Yale University				
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS053865		688.55
Passed Through Brentwood Biomedical Research Institute				
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI034431		143,355.12
Passed Through Seattle Children's Hospital				
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI071163		44,047.56
Passed Through University of South Carolina				
University of Memphis	Allergy, Immunology and Transplantation Research	93.855 / 13-2328 R21		9,745.17
Passed Through Stanford University				
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / 60017046-47273-C		24,605.62
Passed Through Minneapolis Medical Research Foundation				
University of Tennessee	Aging Research	93.866 / AG029824		17,903.53
Passed Through Wake Forest University				
University of Tennessee	Aging Research	93.866 / AG033087		25,955.09
Subtotal Pass-Through Programs				$ 4,430,624.05
Subtotal National Institutes of Health				$ 50,837,956.22
Office of the Secretary				
Passed Through Shelby County Government				
University of Memphis	Pregnancy Assistance Fund Program	93.500 / CA1314258	$ 101,193.11	
University of Memphis	Pregnancy Assistance Fund Program	93.500 / CA1314258-2 PO #S007344	8,649.15	
University of Memphis	Pregnancy Assistance Fund Program	93.500 / PO #S006102	47,395.48	
University of Memphis	Pregnancy Assistance Fund Program	93.500 / PO #S006172	735.18	$ 157,972.92
Passed Through Shelby County Office of Early Childhood and Youth				
University of Memphis	Pregnancy Assistance Fund Program	93.500 / CA-1314256	$ 111,373.63	
University of Memphis	Pregnancy Assistance Fund Program	93.500 / PO #S006101	248.44	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Memphis	Pregnancy Assistance Fund Program	93.500 / PO #S006103	3,979.13	
University of Memphis	Pregnancy Assistance Fund Program	93.500 / PO #S006170	31,236.80	
University of Memphis	Pregnancy Assistance Fund Program	93.500 / PO #S006171	51,731.28	198,569.28
Passed Through University of Washington				
University of Tennessee	ARRA-Strategic Health IT Advanced Research Projects (SHARP)	93.728 / 716217Z		62,610.68
Subtotal Office of the Secretary				$ 419,152.88
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		$ 67,034.78
Subtotal Direct Programs				$ 67,034.78
Passed Through Shelby County Government				
University of Memphis	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104 / CA1314098-1	$ 79,667.18	
University of Memphis	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104 / CA1314098-2	181,001.26	$ 260,668.44
Passed Through Case Management, Incorporated				
University of Memphis	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243 / BABYLOVE II		(99.83)
Subtotal Pass-Through Programs				$ 260,568.61
Subtotal Substance Abuse and Mental Health Services Administration				$ 327,603.39
Other Programs				
Direct Programs				
University of Tennessee	Digestive Diseases and Nutrition Research	93.848		$ 1,676,040.62
East Tennessee State University	Academic Research Enhancement Award	93 / 1R15HL091502		36,542.25
University of Memphis	Alzheimer's Disease and Social Networks	93 / HHSN268201100195P		(3,877.86)
University of Tennessee	NIH 2R01AI01436725A2 Replication-Brian	93 / 2R01AI01436725A2		277,901.68
University of Tennessee	NIH-NINR IPA Agmt-2256486-	93 / 2256486		13,471.34
Subtotal Direct Programs				$ 2,000,078.03

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Buffalo Valley, Incorporated			
University of Memphis	Consolidated Knowledge Development and Application (KD&A) Program	93.230 / T109006	$ 84,681.42
Passed Through Children's Mercy Hospital			
University of Tennessee	Kidney Diseases, Urology and Hematology Research	93.849 / DK066143	3,638.91
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	11,357.14
Passed Through University of Alabama at Birmingham			
University of Tennessee	Univ Alabama Residual Funds-Johnson	93 / HHSN268200900047C	61,759.69
University of Tennessee	ARRA-Univ Alabama HHSN268200900047C	93 / HHSN268200900047C	92,740.82
Passed Through University of Maryland			
University of Tennessee	Univ Maryland Sub HHSN276201100004	93 / HHS-N-276-2011-00004	3,449.30
Passed Through University of Texas			
University of Tennessee	Univ Texas HSC Subcont HL077863	93 / HL077863	201,255.81
Passed Through University of Toledo			
University of Tennessee	Univ Toledo Sub HHSN261200433000C	93 / HHSN261200433000C	236,674.34
Passed Through Urban Institute			
University of Memphis	Housing Assistance and Supportive Services in Memphis	93 / 08350-022-00-UOM-01	29,827.27
Subtotal Pass-Through Programs			$ 725,384.70
Subtotal Other Programs			$ 2,725,462.73
Subtotal Department of Health and Human Services			$ 56,076,597.35
Department of Homeland Security			
Direct Programs			
Tennessee State University	Scientific Leadership Awards	97.062	$ 222,299.17
University of Tennessee	Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection	97.077	684,558.49
Subtotal Direct Programs			$ 906,857.66

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Mississippi State University			
University of Tennessee	Mississippi State 061300-362972-01 JIn	97 / 061300-362972-01	$ 12,223.84
Passed Through Northeastern University			
University of Tennessee	Northeastern Univ 504996-78052 Gregor	97 / 504996-78052	48,074.06
Subtotal Pass-Through Programs			$ 60,297.90
Subtotal Department of Homeland Security			$ 967,155.56
Agency for International Development			
Direct Programs			
University of Tennessee	USAID Foreign Assistance for Programs Overseas	98.001	$ 1,281,494.27
Subtotal Direct Programs			$ 1,281,494.27
Passed Through University of California			
Tennessee State University	USAID Foreign Assistance for Programs Overseas	98.001 / EPP-A-00-09-00004	$ 12,658.74
Subtotal Pass-Through Programs			$ 12,658.74
Subtotal Agency for International Development			$ 1,294,153.01
Other Federal Assistance			
Tennessee Valley Authority			
Direct Programs			
University of Tennessee	TVA PO #335382 Yerka	62 / PO #335382	$ (170.92)
University of Tennessee	TVA PO #376141-2 Bray	62 / PO #376141-2	1,855.18
University of Tennessee	TVA PO #389909 DeCorse	62 / PO #389909	(1,950.02)
University of Tennessee	TVA PO #412490 Elec Trans. 11-12 Bailey	62 / PO #412490	8,110.49
University of Tennessee	TVA PO #435277 Murray 13	62 / PO #435277	115,895.55
University of Tennessee	TVA PO #448918 Cool Solar 12-13 Kazemersk	62 / PO #448918	1,218.33
University of Tennessee	TVA PO #471863 DeCorse	62 / PO #471863	14,533.04
University of Tennessee	TVA PO #471927 Flood Analysis 12 Swafford	62 / PO #471927	33,128.32
University of Tennessee	TVA PO #537394 Yerka	62 / PO #537394	7,852.02
University of Tennessee	TVA Reintroduction Pityopsls ruthii-Wadl	62 / PO #487312	983.63
University of Tennessee	TVA Solar Decathlon Stach Year 1	62 / PO #156617	5,219.66
Subtotal Direct Programs			$ 186,675.28
Passed Through The Nature Conservancy			
Tennessee Technological University	Development of Obed Watershed Water Resources Planning Tools and Monitoring Procedures to Assess Future Economic Growth	62 / THWI 07	$ 26,025.90

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Pass-Through Programs				$ 26,025.90
Subtotal Tennessee Valley Authority				$ 212,701.18
Subtotal Other Federal Assistance				$ 212,701.18
Total Research and Development Cluster				$ 207,598,754.31
Student Financial Assistance Cluster				
Department of Education				
Direct Programs				
Austin Peay State University	Federal Supplemental Educational Opportunity Grants	84.007	$ 284,213.00	
Chattanooga State Community College	Federal Supplemental Educational Opportunity Grants	84.007	295,022.00	
Cleveland State Community College	Federal Supplemental Educational Opportunity Grants	84.007	78,039.25	
Columbia State Community College	Federal Supplemental Educational Opportunity Grants	84.007	99,469.95	
Dyersburg State Community College	Federal Supplemental Educational Opportunity Grants	84.007	87,142.45	
East Tennessee State University	Federal Supplemental Educational Opportunity Grants	84.007	312,055.00	
Jackson State Community College	Federal Supplemental Educational Opportunity Grants	84.007	219,129.55	
Middle Tennessee State University	Federal Supplemental Educational Opportunity Grants	84.007	539,170.00	
Motlow State Community College	Federal Supplemental Educational Opportunity Grants	84.007	173,321.36	
Nashville State Community College	Federal Supplemental Educational Opportunity Grants	84.007	213,826.25	
Northeast State Community College	Federal Supplemental Educational Opportunity Grants	84.007	173,510.25	
Pellissippi State Community College	Federal Supplemental Educational Opportunity Grants	84.007	180,560.00	
Roane State Community College	Federal Supplemental Educational Opportunity Grants	84.007	170,682.00	
Southwest Tennessee Community College	Federal Supplemental Educational Opportunity Grants	84.007	486,171.00	
Tennessee State University	Federal Supplemental Educational Opportunity Grants	84.007	1,111,428.94	
Tennessee Technological University	Federal Supplemental Educational Opportunity Grants	84.007	182,344.05	
University of Memphis	Federal Supplemental Educational Opportunity Grants	84.007	499,404.00	
University of Tennessee	Federal Supplemental Educational Opportunity Grants	84.007	1,000,444.00	
Volunteer State Community College	Federal Supplemental Educational Opportunity Grants	84.007	194,434.00	
Walters State Community College	Federal Supplemental Educational Opportunity Grants	84.007	145,500.55	$ 6,445,867.60
Austin Peay State University	Federal Work-Study Program	84.033	$ 363,158.04	
Chattanooga State Community College	Federal Work-Study Program	84.033	231,445.25	
Cleveland State Community College	Federal Work-Study Program	84.033	66,388.07	
Columbia State Community College	Federal Work-Study Program	84.033	107,808.56	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Dyersburg State Community College	Federal Work-Study Program	84.033	84,875.62	
East Tennessee State University	Federal Work-Study Program	84.033	625,385.00	
Jackson State Community College	Federal Work-Study Program	84.033	124,813.22	
Middle Tennessee State University	Federal Work-Study Program	84.033	721,372.00	
Motlow State Community College	Federal Work-Study Program	84.033	95,152.12	
Nashville State Community College	Federal Work-Study Program	84.033	126,193.54	
Northeast State Community College	Federal Work-Study Program	84.033	163,864.54	
Pellissippi State Community College	Federal Work-Study Program	84.033	157,901.29	
Roane State Community College	Federal Work-Study Program	84.033	168,093.03	
Southwest Tennessee Community College	Federal Work-Study Program	84.033	535,589.68	
Tennessee State University	Federal Work-Study Program	84.033	1,124,054.25	
Tennessee Technological University	Federal Work-Study Program	84.033	421,335.51	
University of Memphis	Federal Work-Study Program	84.033	828,224.55	
University of Tennessee	Federal Work-Study Program	84.033	2,152,451.01	
Volunteer State Community College	Federal Work-Study Program	84.033	59,822.64	
Walters State Community College	Federal Work-Study Program	84.033	175,770.23	8,333,698.15
Austin Peay State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	$ 953,788.28	
East Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	6,351,617.71	
Jackson State Community College	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	180,408.87	
Middle Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	2,835,473.37	
Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	1,647,693.60	
Tennessee Technological University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	1,478,337.81	
University of Memphis	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	3,923,465.76	
University of Tennessee	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	28,919,265.27	46,290,050.67
Austin Peay State University	Federal Pell Grant Program	84.063	$ 22,333,320.33	
Chattanooga State Community College	Federal Pell Grant Program	84.063	23,129,082.00	
Cleveland State Community College	Federal Pell Grant Program	84.063	7,944,712.56	
Columbia State Community College	Federal Pell Grant Program	84.063	10,400,850.04	
Dyersburg State Community College	Federal Pell Grant Program	84.063	7,489,479.64	
East Tennessee State University	Federal Pell Grant Program	84.063	22,729,535.50	
Jackson State Community College	Federal Pell Grant Program	84.063	15,408,992.82	
Middle Tennessee State University	Federal Pell Grant Program	84.063	41,569,090.00	
Motlow State Community College	Federal Pell Grant Program	84.063	8,198,928.39	
Nashville State Community College	Federal Pell Grant Program	84.063	23,585,952.20	
Northeast State Community College	Federal Pell Grant Program	84.063	15,519,431.22	
Pellissippi State Community College	Federal Pell Grant Program	84.063	19,570,377.47	
Roane State Community College	Federal Pell Grant Program	84.063	15,630,514.85	
Southwest Tennessee Community College	Federal Pell Grant Program	84.063	29,389,028.06	
Tennessee State University	Federal Pell Grant Program	84.063	20,070,033.71	
Tennessee Technological University	Federal Pell Grant Program	84.063	15,329,889.00	
University of Memphis	Federal Pell Grant Program	84.063	36,099,316.00	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Federal Pell Grant Program	84.063	56,022,983.00	
Volunteer State Community College	Federal Pell Grant Program	84.063	14,104,893.51	
Walters State Community College	Federal Pell Grant Program	84.063	13,124,470.76	417,650,881.06
Austin Peay State University	Federal Direct Student Loans	84.268	$ 55,982,419.00	
Chattanooga State Community College	Federal Direct Student Loans	84.268	34,363,331.00	
Columbia State Community College	Federal Direct Student Loans	84.268	8,138,087.00	
Dyersburg State Community College	Federal Direct Student Loans	84.268	3,232,471.00	
East Tennessee State University	Federal Direct Student Loans	84.268	94,418,383.00	
Middle Tennessee State University	Federal Direct Student Loans	84.268	121,544,705.80	
Motlow State Community College	Federal Direct Student Loans	84.268	1,687,540.00	
Nashville State Community College	Federal Direct Student Loans	84.268	25,442,697.00	
Northeast State Community College	Federal Direct Student Loans	84.268	7,100,216.00	
Pellissippi State Community College	Federal Direct Student Loans	84.268	18,249,104.00	
Tennessee State University	Federal Direct Student Loans	84.268	70,976,321.00	
Tennessee Technological University	Federal Direct Student Loans	84.268	33,396,240.00	
University of Memphis	Federal Direct Student Loans	84.268	129,122,979.00	
University of Tennessee	Federal Direct Student Loans	84.268	282,151,992.00	
Volunteer State Community College	Federal Direct Student Loans	84.268	5,861,567.00	
Walters State Community College	Federal Direct Student Loans	84.268	3,720,715.00	895,388,767.80
Austin Peay State University	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	$ 189,920.00	
Chattanooga State Community College	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	4,000.00	
East Tennessee State University	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	37,760.00	
Middle Tennessee State University	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	171,644.00	
Tennessee State University	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	16,967.50	
Tennessee Technological University	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	295,680.00	
University of Memphis	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	53,880.00	
University of Tennessee	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	109,712.00	879,563.50
Middle Tennessee State University	Postsecondary Education Scholarships for Veteran's Dependents	84.408		5,550.00
Subtotal Department of Education				$ 1,374,994,378.78
Department of Health and Human Services				
Direct Programs				
East Tennessee State University	Nurse Faculty Loan Program (NFLP)	93.264	$ 179,159.26	
University of Tennessee	Nurse Faculty Loan Program (NFLP)	93.264	548,006.29	$ 727,165.55

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342		1,552,874.66
University of Tennessee	Nursing Student Loans	93.364		96,102.52
University of Tennessee	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		640,490.00
Subtotal Department of Health and Human Services				$ 3,016,632.73
Total Student Financial Assistance Cluster				$ 1,378,011,011.51
SNAP Cluster				
Department of Agriculture				
Direct Programs				
Human Services	Supplemental Nutrition Assistance Program	10.551		$ 2,112,832,520.99
Human Services	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	$ 58,352,136.46	
Labor and Workforce Development	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	3,705,286.73	62,057,423.19
Subtotal Department of Agriculture				$ 2,174,889,944.18
Total SNAP Cluster				$ 2,174,889,944.18
Child Nutrition Cluster				
Department of Agriculture				
Direct Programs				
Education	School Breakfast Program	10.553		$ 89,764,338.91
Agriculture	National School Lunch Program (Noncash Award)	10.555	$ 27,316,023.00	
Education	National School Lunch Program	10.555	238,493,985.87	265,810,008.87
Education	Special Milk Program for Children	10.556		25,810.33
Human Services	Summer Food Service Program for Children	10.559		7,688,355.67
Subtotal Department of Agriculture				$ 363,288,513.78
Total Child Nutrition Cluster				$ 363,288,513.78
Food Distribution Cluster				
Department of Agriculture				
Direct Programs				
Health	Commodity Supplemental Food Program	10.565	$ 917,572.37	
Health	Commodity Supplemental Food Program (Noncash Award)	10.565	3,729,710.00	$ 4,647,282.37
Agriculture	Emergency Food Assistance Program (Administrative Costs)	10.568		1,627,645.06

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Agriculture	Emergency Food Assistance Program (Food Commodities) (Noncash Award)	10.569	11,253,540.00
Subtotal Department of Agriculture			$ 17,528,467.43
Total Food Distribution Cluster			$ 17,528,467.43
Forest Service Schools and Roads Cluster			
Department of Agriculture			
Direct Programs			
Revenue	Schools and Roads - Grants to States	10.665	$ 1,149,581.97
Subtotal Department of Agriculture			$ 1,149,581.97
Total Forest Service Schools and Roads Cluster			$ 1,149,581.97
Economic Development Cluster			
Department of Commerce			
Direct Programs			
Roane State Community College	Economic Adjustment Assistance	11.307	$ 47,133.89
Subtotal Department of Commerce			$ 47,133.89
Total Economic Development Cluster			$ 47,133.89
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	$ 154,694,103.08
Subtotal Department of Housing and Urban Development			$ 154,694,103.08
Total Section 8 Project-Based Cluster			$ 154,694,103.08
CDBG - Entitlement Grants Cluster			
Department of Housing and Urban Development			
Passed Through Knox County			
University of Tennessee	Community Development Block Grants/Entitlement Grants	14.218 / FY13 KNOX CO CDBG MA	$ 9,969.74
Subtotal Department of Housing and Urban Development			$ 9,969.74
Total CDBG - Entitlement Grants Cluster			$ 9,969.74

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
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	$ 39,349,361.79	
Tennessee Housing Development Agency	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	7,076,084.07	$ 46,425,445.86
Subtotal Department of Housing and Urban Development				$ 46,425,445.86
Total CDBG - State-Administered CDBG Cluster				$ 46,425,445.86
Housing Voucher Cluster				
Department of Housing and Urban Development				
Direct Programs				
Tennessee Housing Development Agency	Section 8 Housing Choice Vouchers	14.871		$ 36,923,952.13
Subtotal Department of Housing and Urban Development				$ 36,923,952.13
Total Housing Voucher Cluster				$ 36,923,952.13
Fish and Wildlife Cluster				
Department of the Interior				
Direct Programs				
Tennessee Wildlife Resources Agency	Sport Fish Restoration Program	15.605		$ 7,935,241.82
Tennessee Wildlife Resources Agency	Wildlife Restoration and Basic Hunter Education	15.611		9,644,035.55
Subtotal Department of the Interior				$ 17,579,277.37
Total Fish and Wildlife Cluster				$ 17,579,277.37
JAG Program Cluster				
Department of Justice				
Direct Programs				
Finance and Administration	Edward Byrne Memorial Justice Assistance Grant Program	16.738	$ 6,428,987.90	
Middle Tennessee State University	Edward Byrne Memorial Justice Assistance Grant Program	16.738	97,759.52	$ 6,526,747.42
Finance and Administration	ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803		4,912.30

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Direct Programs				$ 6,531,659.72
Passed Through City of Memphis Police Department				
University of Tennessee	Edward Byrne Memorial Justice Assistance Grant Program	16.738 / 2011-DJ-BX-3445		$ 35,337.63
University of Tennessee	ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803 / 26577		(5,661.14)
Passed Through Knoxville Police Department				
University of Tennessee	Edward Byrne Memorial Justice Assistance Grant Program	16.738 / C-13-0146		5,106.37
Subtotal Pass-Through Programs				$ 34,782.86
Subtotal Department of Justice				$ 6,566,442.58
Total JAG Program Cluster				$ 6,566,442.58
Employment Service Cluster				
Department of Labor				
Direct Programs				
Labor and Workforce Development	Employment Service/Wagner-Peyser Funded Activities	17.207	$ 13,979,396.46	
Labor and Workforce Development	ARRA-Employment Service/Wagner-Peyser Funded Activities	17.207	2,378.33	$ 13,981,774.79
Labor and Workforce Development	Disabled Veterans' Outreach Program (DVOP)	17.801		1,155,252.74
Labor and Workforce Development	Local Veterans' Employment Representative Program	17.804		1,861,670.58
Subtotal Department of Labor				$ 16,998,698.11
Total Employment Service Cluster				$ 16,998,698.11
WIA Cluster				
Department of Labor				
Direct Programs				
Labor and Workforce Development	WIA Adult Program	17.258		$ 16,236,661.02
Labor and Workforce Development	WIA Youth Activities	17.259	$ 14,345,065.20	
Labor and Workforce Development	ARRA-WIA Youth Activities	17.259	(3,527.95)	14,341,537.25
Labor and Workforce Development	WIA Dislocated Worker Formula Grants	17.278		18,416,380.23
Subtotal Department of Labor				$ 48,994,578.50
Total WIA Cluster				$ 48,994,578.50
Highway Planning and Construction Cluster				
Department of Transportation				

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Direct Programs				
Environment and Conservation	Highway Planning and Construction	20.205	$ 51,304.84	
Transportation	Highway Planning and Construction	20.205	963,192,742.45	
Transportation	ARRA-Highway Planning and Construction	20.205	19,047,986.02	$ 982,292,033.31
Environment and Conservation	Recreational Trails Program	20.219		1,709,605.93
Subtotal Direct Programs				$ 984,001,639.24
Passed Through City of Memphis				
University of Memphis	Highway Planning and Construction	20.205 / 27727		$ 13,533.01
Passed Through Shelby County Government				
University of Memphis	Highway Planning and Construction	20.205 / CA-1315359		37,370.59
Subtotal Pass-Through Programs				$ 50,903.60
Subtotal Department of Transportation				$ 984,052,542.84
Total Highway Planning and Construction Cluster				$ 984,052,542.84
Federal Transit Cluster				
Department of Transportation				
Direct Programs				
Transportation	Federal Transit_Capital Investment Grants	20.500		$ 1,982,066.96
Subtotal Department of Transportation				$ 1,982,066.96
Total Federal Transit Cluster				$ 1,982,066.96
Transit Services Programs Cluster				
Department of Transportation				
Direct Programs				
Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		$ 1,013,749.47
Transportation	Job Access And Reverse Commute Program	20.516		1,278,544.46
Transportation	New Freedom Program	20.521		1,124,688.03
Subtotal Department of Transportation				$ 3,416,981.96
Total Transit Services Programs Cluster				$ 3,416,981.96
Highway Safety Cluster				
Department of Transportation				
Direct Programs				
Transportation	State and Community Highway Safety	20.600		$ 3,922,713.94

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Transportation	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	2,811,744.87
Transportation	Safety Belt Performance Grants	20.609	35,232.99
Transportation	State Traffic Safety Information System Improvement Grants	20.610	198,958.53
Transportation	Incentive Grant Program to Increase Motorcyclist Safety	20.612	91,195.93
Transportation	Child Safety and Child Booster Seats Incentive Grants	20.613	166,847.88
Subtotal Direct Programs			$ 7,226,694.14
Passed Through Georgia Governor's Office of Highway Safety			
Tennessee Technological University	State and Community Highway Safety	20.600 / PO 46600-027-0000087997	$ 15,000.00
Subtotal Pass-Through Programs			$ 15,000.00
Subtotal Department of Transportation			$ 7,241,694.14
Total Highway Safety Cluster			$ 7,241,694.14
Title I, Part A Cluster			
Department of Education			
Direct Programs			
Education	Title I Grants to Local Educational Agencies	84.010	$ 285,422,131.81
Education	ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	4,913.39
Subtotal Direct Programs			$ 285,427,045.20
Passed Through Alabama Department of Education			
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / C2U0637	$ 759.83
Passed Through Hamilton County Department of Education			
Chattanooga State Community College	Title I Grants to Local Educational Agencies	84.010 / P34481	132,673.54
Passed Through Illinois Board of Education			
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / MY10624	166,585.98
Passed Through Virginia Department of Education			
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / S010A110046	26,721.85
Subtotal Pass-Through Programs			$ 326,741.20
Subtotal Department of Education			$ 285,753,786.40
Total Title I, Part A Cluster			$ 285,753,786.40

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Special Education Cluster (IDEA)				
Department of Education				
Direct Programs				
Education	Special Education_Grants to States	84.027		$ 239,854,702.61
Education	Special Education_Preschool Grants	84.173		6,880,130.50
Subtotal Department of Education				$ 246,734,833.11
Total Special Education Cluster (IDEA)				$ 246,734,833.11
TRIO Cluster				
Department of Education				
Direct Programs				
Austin Peay State University	TRIO_Student Support Services	84.042	$ 248,412.86	
Columbia State Community College	TRIO_Student Support Services	84.042	220,752.19	
East Tennessee State University	TRIO_Student Support Services	84.042	298,676.80	
Middle Tennessee State University	TRIO_Student Support Services	84.042	258,632.92	
Northeast State Community College	TRIO_Student Support Services	84.042	293,479.65	
Pellissippi State Community College	TRIO_Student Support Services	84.042	234,030.48	
Tennessee State University	TRIO_Student Support Services	84.042	(594.00)	
University of Memphis	TRIO_Student Support Services	84.042	256,915.65	
University of Tennessee	TRIO_Student Support Services	84.042	602,441.96	
Volunteer State Community College	TRIO_Student Support Services	84.042	222,068.83	$ 2,634,817.34
East Tennessee State University	TRIO_Talent Search	84.044	$ 260,527.12	
Middle Tennessee State University	TRIO_Talent Search	84.044	218,534.64	
Tennessee State University	TRIO_Talent Search	84.044	329,390.10	
University of Tennessee	TRIO_Talent Search	84.044	238,339.45	1,046,791.31
Austin Peay State University	TRIO_Upward Bound	84.047	$ 575,112.77	
Dyersburg State Community College	TRIO_Upward Bound	84.047	303,350.37	
East Tennessee State University	TRIO_Upward Bound	84.047	1,210,930.62	
Southwest Tennessee Community College	TRIO_Upward Bound	84.047	368,713.26	
Tennessee State University	TRIO_Upward Bound	84.047	245,667.35	
University of Tennessee	TRIO_Upward Bound	84.047	1,602,086.08	4,305,860.45
Austin Peay State University	TRIO_Educational Opportunity Centers	84.066	$ 380,914.96	
East Tennessee State University	TRIO_Educational Opportunity Centers	84.066	229,691.78	
University of Tennessee	TRIO_Educational Opportunity Centers	84.066	708,538.24	1,319,144.98
East Tennessee State University	TRIO_McNair Post-Baccalaureate Achievement	84.217	$ 221,959.79	
Middle Tennessee State University	TRIO_McNair Post-Baccalaureate Achievement	84.217	97,467.03	319,426.82
Subtotal Department of Education				$ 9,626,040.90
Total TRIO Cluster				$ 9,626,040.90

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Educational Technology State Grants Cluster			
Department of Education			
Direct Programs			
Education	Educational Technology State Grants	84.318	$ 407,808.45
Education	ARRA-Education Technology State Grants, Recovery Act	84.386	62,501.81
Subtotal Department of Education			$ 470,310.26
Total Educational Technology State Grants Cluster			$ 470,310.26
School Improvement Grants Cluster			
Department of Education			
Direct Programs			
Education	School Improvement Grants	84.377	$ 1,582,567.89
Education	ARRA-School Improvement Grants, Recovery Act	84.388	17,561,024.58
Subtotal Department of Education			$ 19,143,592.47
Total School Improvement Grants Cluster			$ 19,143,592.47
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	$ 7,713,891.00
Commission on Aging and Disability	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	11,838,169.07
Commission on Aging and Disability	Nutrition Services Incentive Program	93.053	1,628,000.00
Subtotal Department of Health and Human Services			$ 21,180,060.07
Total Aging Cluster			$ 21,180,060.07
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, and Public Housing Primary Care)	93.224	$ 1,318,662.71

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Health	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	793,876.47	$ 2,112,539.18
Subtotal Department of Health and Human Services				$ 2,112,539.18
Total Health Centers Cluster				$ 2,112,539.18
TANF Cluster				
Department of Health and Human Services				
Direct Programs				
Human Services	Temporary Assistance for Needy Families	93.558		$ 142,687,967.82
Subtotal Department of Health and Human Services				$ 142,687,967.82
Total TANF Cluster				$ 142,687,967.82
CCDF Cluster				
Department of Health and Human Services				
Direct Programs				
Human Services	Child Care and Development Block Grant	93.575		$ 100,619,929.90
Human Services	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		65,710,396.06
Subtotal Direct Programs				$ 166,330,325.96
Passed Through Signal Centers, Incorporated				
Tennessee Technological University	Child Care and Development Block Grant	93.575 / GR-13-39573	$ 224,348.97	
University of Tennessee	Child Care and Development Block Grant	93.575 / GR-12-35623	0.01	$ 224,348.98
Subtotal Pass-Through Programs				$ 224,348.98
Subtotal Department of Health and Human Services				$ 166,554,674.94
Total CCDF Cluster				$ 166,554,674.94
Medicaid Cluster				
Department of Health and Human Services				
Direct Programs				
Tennessee Bureau of Investigation	State Medicaid Fraud Control Units	93.775		$ 2,824,380.62
Health	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		6,513,306.91

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Finance and Administration	Medical Assistance Program	93.778	$ 6,020,996,302.58	
Finance and Administration	ARRA-Medical Assistance Program	93.778	62,595,629.07	6,083,591,931.65
Subtotal Direct Programs				$ 6,092,929,619.18
Passed Through Shelby County Office of Early Childhood and Youth				
University of Memphis	Medical Assistance Program	93.778 / CA1211350 Year 2	$ 3,249.40	
University of Memphis	Medical Assistance Program	93.778 / CA1211350 Year 3	57,538.06	
University of Memphis	Medical Assistance Program	93.778 / USDHHS-STATE OF TN-COUNTY	986.73	$ 61,774.19
Passed Through University Health System, Incorporated				
University of Tennessee	Medical Assistance Program	93.778 / GMEP		32,147,429.75
Subtotal Pass-Through Programs				$ 32,209,203.94
Subtotal Department of Health and Human Services				$ 6,125,138,823.12
Total Medicaid Cluster				$ 6,125,138,823.12
Disability Insurance/SSI Cluster				
Social Security Administration				
Direct Programs				
Human Services	Social Security_Disability Insurance	96.001		$ 60,107,685.08
Subtotal Social Security Administration				$ 60,107,685.08
Total Disability Insurance/SSI Cluster				$ 60,107,685.08
Teacher Incentive Fund Cluster				
Department of Education				
Direct Programs				
Education	Teacher Incentive Fund	84.374		$ 7,084,211.12
Subtotal Department of Education				$ 7,084,211.12
Total Teacher Incentive Fund Cluster				$ 7,084,211.12
Grand Total Federal Assistance				$ 15,065,377,488.83

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, 2013, 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 $446,556,816.81 and $341,544,197.10, 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	$46,290,050.67
Nurse Faculty Loan Program (NFLP)	93.264	$567,201.55
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	$1,552,874.66
Nursing Student Loans	93.364	$96,102.52

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, 2013, the insured loans outstanding totaled $3,067,617,925.60.

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.