TENNESSEE

Single Audit Report
For the Year Ended June 30, 2000

Comptroller of the Treasury
Department of Audit
Division of State Audit

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

March 30, 2001

The Honorable Don Sundquist, Governor
and
Members of the General Assembly of Tennessee
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

We are pleased to submit the seventeenth *Single Audit Report* for the State of Tennessee. This report covers the year ended June 30, 2000. 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 awards of $6.3 billion. This report includes reportable conditions and material weaknesses relating to major federal programs and those instances of noncompliance, including several that we believe constitute material non-compliance, that meet the criteria of OMB Circular A-133.

The *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 2000, has been issued under a separate cover. In accordance with *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. We noted reportable conditions, including four that we believe constitute material weaknesses. We noted two instances of noncompliance related to the general-purpose financial statements. The reportable conditions and instances of noncompliance arising from our audit are described in 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,

John G. Morgan
Comptroller of the Treasury

State of Tennessee
Single Audit Report
For the Year Ended June 30, 2000

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 Section	7
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General-Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*	9
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs	
Section I - Summary of Auditor's Results	15
Section II - Financial Statement Findings	17
Section III - Federal Awards Findings and Questioned Costs	115
Auditee's Section	309
Schedule of Expenditures of Federal Awards	311
Notes to the Schedule of Expenditures of Federal Awards	371

Selected Statistical Data

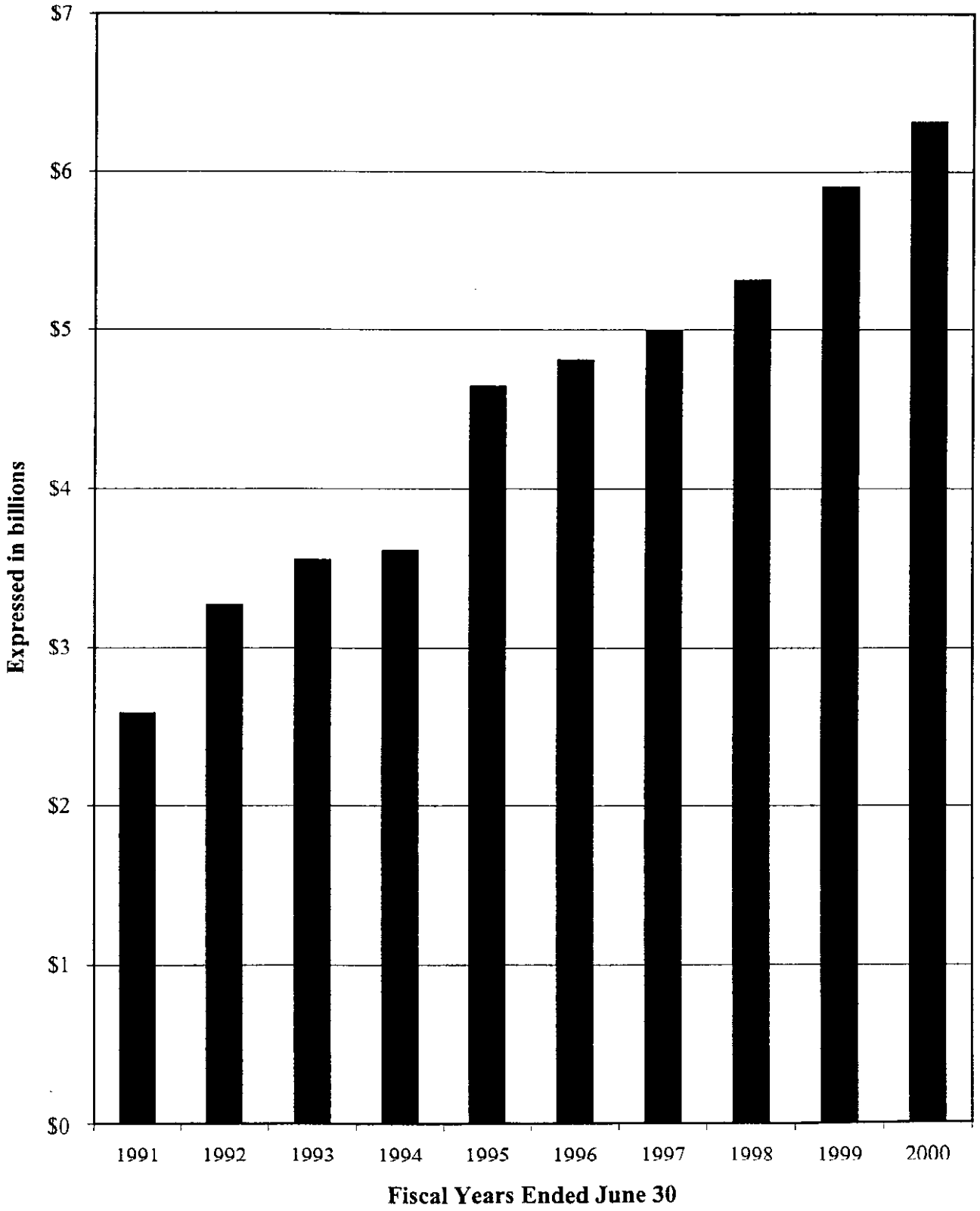
Total Federal Expenditures – Ten Year Summary

Expenditures by Awarding Agency

Number of Type A and Type B Programs

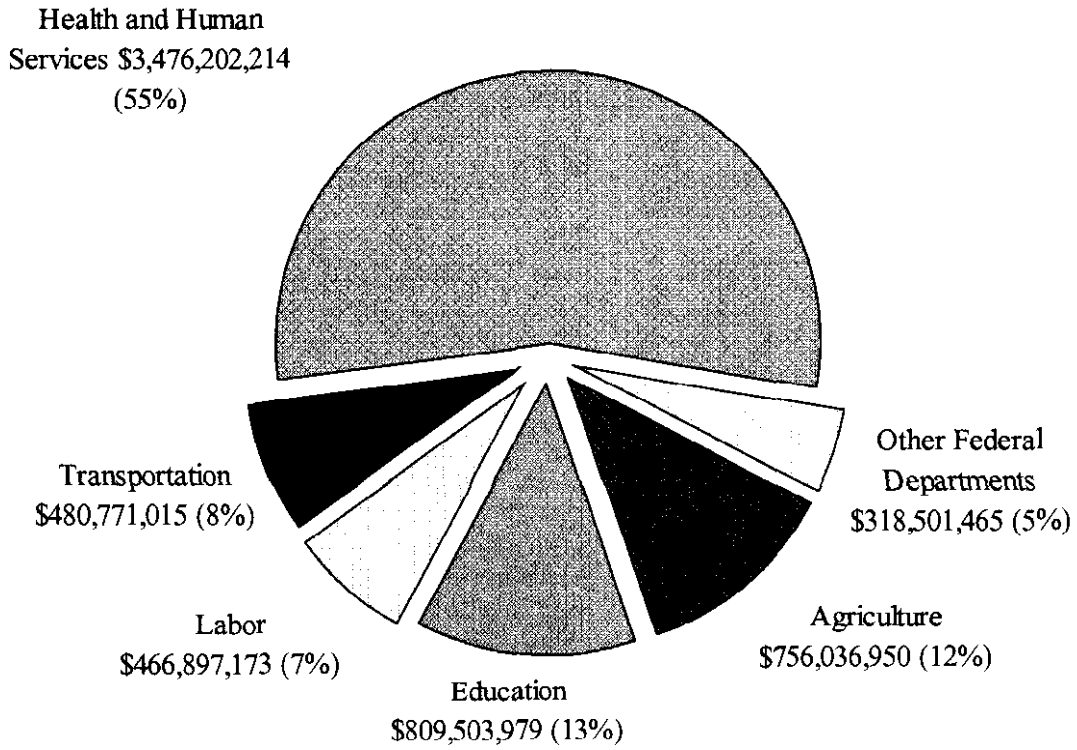
Type A and Type B Program Expenditures

Total Federal Expenditures - Ten Year Summary

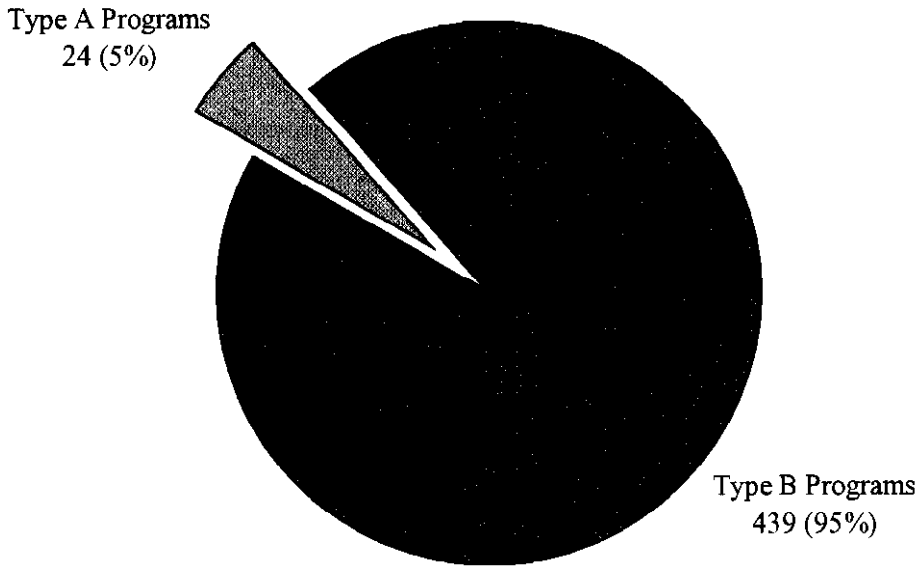


Expenditures by Awarding Agency

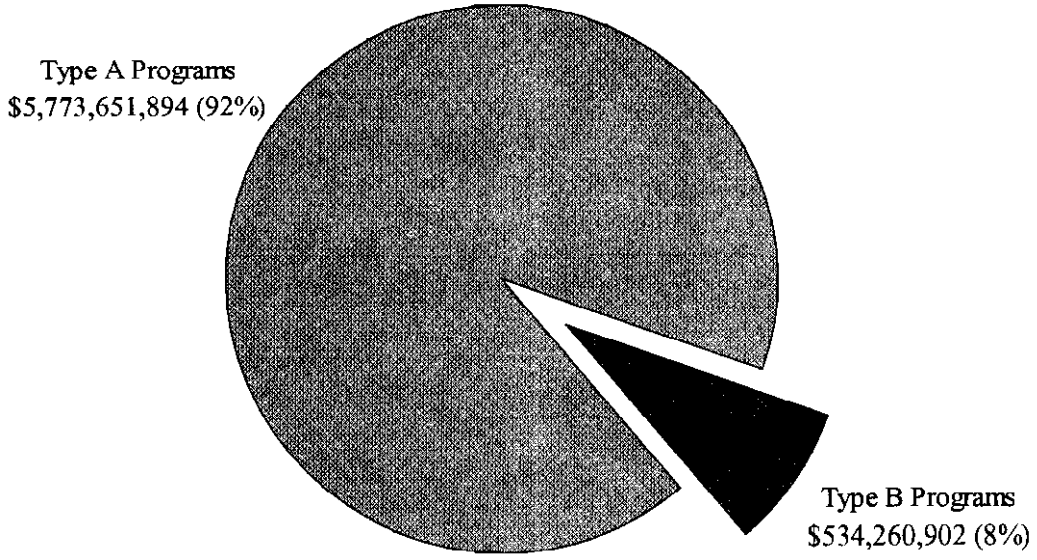
July 1, 1999 through June 30, 2000



Number of Type A and Type B Programs



Type A and Type B Program Expenditures



Type A programs are those federal programs with expenditures that exceed three-tenths of one percent (.003) of total federal awards expended. For the fiscal year ended June 30, 2000, the Type A program threshold for the State of Tennessee was $18,923,738. Those federal programs with expenditures below the Type A threshold are labeled Type B programs.

Auditor's Section

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General-Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

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
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*

November 29, 2000

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the general-purpose financial statements of the State of Tennessee as of and for the year ended June 30, 2000, and have issued our report thereon dated November 29, 2000. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the State of Tennessee's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 00-DFA-03 and 00-DFA-04. We also noted certain immaterial instances of noncompliance, which we have reported to management in separate letters.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Tennessee's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 00-CAFR-01, 00-DCS-01 through 00-DCS-04, 00-DCS-06, 00-DCS-07, 00-DFA-01 through 00-DFA-07, 00-DFA-09, 00-DFA-15, 00-DFA-25 through 00-DFA-29, 00-DFA-31, and 00-TDH-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, we would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 00-DFA-01 through 00-DFA-04 to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management in separate letters.

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

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/ra

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COMPTROLLER OF THE TREASURY
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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

March 7, 2001
except for the Schedule of Expenditures of Federal Awards,
as to which the date is November 29, 2000

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

Compliance

We have audited the compliance of the State of Tennessee with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The State of Tennessee's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Tennessee's management. Our responsibility is to express an opinion on the State of Tennessee's compliance based on our audit.

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

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

As described in items 00-DFA-04 through 00-DFA-06, 00-DFA-10, 00-DFA-11, 00-DFA-13, 00-DFA-14, and 00-DFA-30 through 00-DFA-34, in the accompanying Schedule of Findings and Questioned Costs, the State of Tennessee did not comply with requirements regarding Activities Allowed or Unallowed, Eligibility, and Special Tests and Provisions that are applicable to its Medical Assistance Program. Compliance with such requirements is necessary, in our opinion, for the State of Tennessee to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 00-APS-02, 00-APS-03, 00-DCS-01, 00-DCS-02, 00-DCS-04, 00-DFA-03 through 00-DFA-20, 00-DFA-23 through 00-DFA-25, 00-DFA-29 through 00-DFA-34, 00-TDH-01, 00-TDH-03 through 00-TDH-05, 00-DHS-01 through 00-DHS-03, 00-LWD-01, 00-TSU-01, 00-UTK-01, 00-UTS-01, and 00-UTS-02.

Internal Control Over Compliance

The management of the State of Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Tennessee's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the State of Tennessee's ability to administer a major federal program in accordance

with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 00-APS-01, 00-CAFR-01, 00-DCS-01, 00-DCS-02, 00-DCS-04 through 00-DCS-06, 00-DFA-01 through 00-DFA-22, 00-DFA-24, 00-DFA-25, 00-DFA-27 through 00-DFA-35, 00-LWD-01, 00-TDH-01 through 00-TDH-05, 00-TSU-01, and 00-UTS-02.

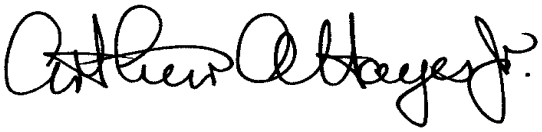
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 00-DCS-01, 00-DCS-02, 00-DCS-04, 00-DCS-06, 00-DFA-01 through 00-DFA-09, 00-DFA-11 through 00-DFA-13, 00-DFA-15, 00-DFA-30, 00-DFA-31, and 00-TDH-02 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the State of Tennessee as of and for the year ended June 30, 2000, and have issued our report thereon dated November 29, 2000. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Sincerely,



Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/ra

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2000

Section I – Summary of Auditor's Results

Financial Statements

- We issued an unqualified opinion on the general-purpose financial statements.
- We identified reportable conditions and material weaknesses in internal control.
- We noted two instances of noncompliance material to the general-purpose financial statements.

Federal Awards

- We identified reportable conditions and material weaknesses in internal control.
- We issued a qualified opinion on the state's compliance with requirements applicable to its 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 State of Tennessee does not qualify as a low-risk auditee under OMB Circular A-133, Section 530.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed in OMB Circular A-133, Section 520(b), was $18,923,738.

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2000
(continued)

Section I – Summary of Auditor's Results

CFDA Number	Name of Major Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
10.558	Child and Adult Care Food Program
17.225	Unemployment Insurance
17.245	Trade Adjustment Assistance – Workers
66.458	Capitalization Grants for State Revolving Funds
83.544	Public Assistance Grants
84.010	Title I Grants to Local Educational Agencies
84.032	Federal Family Education Loan Program (FFEL) – Guaranty Agencies
84.048	Vocational Education – Basic Grants to States
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.959	Block Grants for Prevention and Treatment of Substance Abuse
-	Research and Development Cluster
-	Student Financial Assistance Cluster
-	Food Stamp Cluster
-	Child Nutrition Cluster
-	Section 8 Tenant-Based Cluster
-	Employment Services Cluster
-	JTPA Cluster
-	Highway Planning and Construction Cluster
-	Special Education Cluster
-	Child Care Cluster
-	Medicaid Cluster
-	Disability Insurance/SSI Cluster

Section II – Financial Statement Findings

Finding Number	00-DCS-03
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Children's Services
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

Since 1993 Children's Services has not collected overpayments; uncollected overpayments totaling at least $1,255,660 are due from foster care and adoption assistance parents

Finding

As noted in the six previous audits, from July 1, 1993, to June 30, 1999, Children's Services still has uncollected overpayments due from foster care and adoption assistance parents. Management concurred with the prior audit finding and stated,

> Remittance notices are sent to every vendor with an overpayment indicated after each pay-run showing the balance due and requesting reimbursement to the department. An accounts receivable is set up prior to this notice in ChipFins. The department will continue its current efforts of collecting overpayments for accounts where no child remains in the home. The department will explore additional options for collecting these overpayments.

However, as of June 2000, the department's records indicated an outstanding accounts receivable balance for these parents totaling $1,255,660, an increase of $59,915 since June 1999. In addition, Children's Services continued to overpay foster care and adoption assistance parents during the audit period.

When a child is removed from a foster home, the Department of Children's Services' case manager is supposed to enter this status change directly into the Children's

Plan Financial Information System (ChipFins). If the information is not entered, payments will continue until the case manager enters new foster home placement information. Therefore, if a child is removed from a foster home and placed into a residential facility, the foster parents in the original placement will continue to receive semimonthly foster care payments until the department is notified by the foster parent or case manager of the overpayment. Once an overpayment is detected, the department adjusts subsequent requests for federal funds in order to eliminate federal participation in the amount overpaid. However, as noted in finding 10, status changes for foster children are not entered into ChipFins promptly, resulting in overpayments.

It is the department's policy to notify foster care and adoption assistance parents by letter when it has been determined that an overpayment has been made and a receivable is established. In addition, subsequent payments to the parent are reduced up to 50% until the amount due from that individual foster parent is indicated to be zero. However, the department is not actively pursuing recovery of funds from foster care or adoption assistance parents who received overpayments but are no longer keeping children.

Recommendation

In order to prevent or minimize future overpayments, it is imperative that case managers record status changes for foster children promptly and accurately in the ChipFins system. The Assistant Commissioner of Program Operations should ensure that case managers fulfill this responsibility. Furthermore, the Assistant Commissioner of Fiscal and Administrative Services and the Director of Fiscal Services should take the appropriate steps to ensure collection of existing and future overpayments. These steps should include such collection efforts as collection letters, telephone calls, collection agencies, and litigation.

Management's Comment

We concur. It should be noted that the Department of Children's Services did not exist in 1993, but has only been in operation since July 1, 1996. Prior to July 1, 1996, all payments were done through the Children's Plan under the Department of Finance and Administration. The department promulgated policies for collection of foster care and adoption assistance overpayments on April 1, 1998. As part of the policy, once an overpayment is discovered a letter is sent to the foster care or adoption assistance parent who has been overpaid. In addition, each month a remittance advice is sent to the overpaid parent noting the balance due to the state. This remittance advice includes information about how to contact the state concerning questions or remit payment to the state. As noted in the finding, departmental policy is to withhold up to 50% of future payments for current foster care or adoption assistance parents until their overpayment is recovered. This policy has been strictly followed.

The department has collected some of the overpayments from the foster care and adoption assistance parents. In addition to the overpayments collected through the withholding of 50% of payments from current foster care and adoption assistance parents in fiscal year 2000, the department collected $55,703.71 and $7,686.53 from foster care and adoption assistance parents, respectively. In fiscal year 1999, the department collected $106,713.64 and $2,790.10 from foster care and adoption assistance parents, respectively, in addition to the overpayments collected through the withholding of 50% of payments from current foster care and adoption assistance parents.

The department has also had discussions with the Department of Finance and Administration concerning the State's ability to contract with a collection agency to address the issue of overpayments to parents that are no longer receiving any foster care or adoption assistance payments. At this time, the department believes that it will be able to contract with a collection agency through the state request for proposal policy, but is unsure at this time whether this would be cost-effective. In addition, the department is consulting with its legal division to determine whether legal action would be cost beneficial. The department's solution to future problems of this nature is to prevent (as indicated in actions described in finding 10) overpayments and be able to identify one, if it should occur, in a timely manner so recovery can be immediate.

Finding Number	00-DCS-07
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Children's Services
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The department should improve control procedures for the cash receipting process

Finding

The department should improve controls related to the cash receipting process. Our review indicated that the following procedures were in place during the audit period. A Clerk 2 opens the mail and prepares a mail log, using a computerized spreadsheet, of all of the funds received. The funds are then transferred to an Accountant 2, who verifies that the cash receipts actually belong to the Department of Children's Services (DCS). Any funds determined not to belong to DCS are forwarded to the appropriate state agency, and the remaining funds are transferred to an Account Tech 1, who restrictively endorses all checks and writes cash receipts. The funds are then transferred to an Account Clerk, who prepares the deposit slip. Once the deposit slip has been prepared, the funds are given to another Account Tech 1, who deposits the funds in the bank and posts the transactions in the accounting records.

The following weaknesses were noted:

- All persons in the cash receipting process have inappropriate access to the mail log that is prepared as the mail is opened. After the mail log is prepared, it is saved to a server, where the remaining four persons who handle the cash prior to its deposit have access to alter the log in any manner. This log was designed to document what funds were received by the department and be used as a control to ensure proper accounting for all funds received. However, since the log can be altered without detection, it does not meet these objectives.

- Restrictive endorsements serve to minimize the inappropriate deposit of funds. Checks are not restrictively endorsed "for deposit only" until forwarded to the third person who handles the funds.

- A reconciliation between the mail log, cash receipt records, and the deposit is not performed. Such a reconciliation would ensure that all funds received were deposited intact. However, in order for this reconciliation to be useful, it is imperative that the mail log cannot be altered after it is initially prepared.

- Inadequate segregation of duties exists. The Account Tech 1 who posts cash receipts to the accounting records also deposits the funds at the bank. If these duties are not adequately segregated, errors or irregularities may occur and not be detected.

- Five persons handle the funds from the time the mail is opened until the deposit is made. There are no controls in place to document the amount of money that is transferred from one person to another in each process. Should errors or irregularities occur, it would be difficult to determine the person(s) responsible.

Recommendation

The Assistant Commissioner of Fiscal and Administrative Services and the Director of Fiscal Services should immediately ensure that controls are strengthened relating to cash receipting procedures. Once prepared, the mail log should not be subject to alteration. Checks should be restrictively endorsed immediately after they are determined to belong to DCS. Reconciliations between the mail log, cash receipts, the deposit slip, and the accounting records should be prepared by an individual, who does not handle cash, and maintained to show that funds received were deposited intact. Accountability for the amount of funds should be established at each transfer, and the person who posts cash receipts to the accounting records should not have access to the funds.

Management's Comment

We concur. The department has implemented additional controls for the cash receipting process and has adequately segregated duties. As stated in the finding, the department did not have adequate control over the mail log. The mail log is completed in the mailroom and hard copies are forwarded to appropriate individuals. The mail log is no longer kept on a server that can be accessed by others in the cash receipting process. The finding also noted that checks are not restrictively endorsed in a timely manner "for deposit only." The checks are now endorsed "for deposit only" as soon as they are determined to belong to the department. The finding also stated that there was no reconciliation process between the mail log, cash receipts, deposit slip, and the accounting records. The department has now assigned a person to perform reconciliations between the above mentioned documentation. The department has assigned duties to individuals in such a way that ensures an adequate segregation of duties and the amount of money transferred from one person to another in each process. Management worked with the auditors while they were in the field to ensure that these controls were adequate. In addition, management requested that the department's internal audit division perform a review on the newly established cash receipting

procedures. This review has been completed and the procedures appear to be working as intended.

Finding Number	00-CAFR-01
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of General Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Improved controls over program changes in the Tennessee On-line Purchasing System are needed

Finding

As noted in the two prior audits, controls over program changes pertaining to the Tennessee On-line Purchasing System (TOPS) are not adequate. A backlog of program changes still exists. Also, changes are still being made directly to the TOPS database through the Order Fix program instead of using properly authorized program changes. Order Fix is a program used to make changes directly to the TOPS database to correct transactions. Management concurred with these problems in the prior audit finding and stated:

> In response to State Audit's discussion of inappropriate use of the Order Fix program to repair data in TOPS, the resolution of this problem is an on-going effort. Because of the complexity of the TOPS system programs, daily production priorities and the long training curve associated with getting analyst staff to a productive testing level, the process of fixing and testing problems is slow and only so many problems can be addressed within a given timeframe. . . .
>
> Most recently, the order fix has been used primarily for two types of corrections: to change the agency number on existing contracts following state reorganization, and to correct a contract document type error. TOPS has had no provision for renumbering agencies once a contract is in place. . . . Similarly, the Purchasing division undertook a long overdue clean up of multi-year statewide contracts because the buyers used an improper term award code instead of the multi-year award code on TOPS. . . . In an on-going effort to reduce the numbers of data fixes which are legitimately related to program errors, the Information Systems Division has been working closely with the Purchasing Division to raise the priority of any open problem reports related to erroneous data. . . .
>
> IS Management continues to monitor the problem report situation to ensure there are problem reports written for any program problems

> causing data errors, and their resolution is given high priority. In general, the backlog of open reports is now on the decrease. . . .

Although the cleanup of multi-year statewide contracts did occur, the other problems still exist.

Program changes are not being made in a timely manner by General Services' personnel. The TOPS "Tracking Open Reports By Priority" report lists all open program change requests by priority on a scale of A to E with A being the highest priority. As of June 12, 2000, the report consisted of 167 open program change requests, 57 A requests, 68 B requests, 32 C requests, 9 D requests, and 1 E request. Seventy-eight of the 167 open program change requests (47%) have remained incomplete for at least two years. This backlog, caused by volume of requests and time constraints, increases the risk that vital requests will not be given appropriate consideration because they are being pushed down in priority. This large number of outstanding program changes indicates that many areas in the TOPS application are not working properly. Although in many cases compensating controls exist to ensure proper recording in TOPS, the system should be designed to operate effectively.

In addition, problems that are occurring within the TOPS application are being corrected using Order Fix. Instead of using program changes to correct existing programming problems within the system, Office for Information Resources (OIR) programmers are allowed access to fix the data directly in the database with Order Fix. Corrections to system data outside normal system controls should not be made as a normal course of daily business as this opens up the data to a greater risk of loss or misuse. Any system will have occasional problems that require the use of utilities, but the use of Order Fix circumvents the controls that the system is designed to provide. If the system was designed and functioning properly, use of the Order Fix program would not be necessary. Making changes directly to a database instead of correcting errors through properly authorized program changes circumvents system controls.

Recommendation

The Director of Information Systems should ensure proper controls over the TOPS program and should ensure that design changes are implemented and followed. The backlog of program change requests should be reviewed, and these requests should be completed as soon as possible. Future program change requests should also be completed timely on the basis of priority.

As the system problems are corrected, the use of Order Fix should be limited to rare instances. As problems arise in the future, causes of the problems should be identified quickly and TOPS should be corrected through program changes or other appropriate means which leave an audit trail.

Management's Comment

We concur. Our responses to the CAFR findings for FYE June 30, 2000 are essentially the same as they were in our prior audit finding, with some further improvements noted:

In response to State Audit's discussion of inappropriate use of the Order Fix program to repair data in TOPS, the resolution of this problem is an on-going effort. Because of the complexity of the TOPS system programs, daily production priorities and the long training curve associated with getting analyst staff to a productive testing level, the process of fixing and testing problems is slow and only so many problems can be addressed within a given time period.

In early FY 2000, the order fix was used primarily for two types of corrections: to change the agency number on existing contracts following state reorganization, and to correct a contract document type error. TOPS had no provision for renumbering agencies once a contract was in place. The Purchasing Division submitted a design change request to address this in June 1999. That request has been on hold since September 1999 pending resolution of interface issues with STARS. Also in early FY 2000, the Purchasing Division undertook a one-time long overdue clean up of multi-year statewide contracts because the buyers had used an improper term award code instead of the multi-year award code on TOPS.

In an on-going effort to reduce the numbers of data fixes that are legitimately related to program errors, the Information Systems Division has been working closely with the Purchasing Division to raise the priority of any open problem reports related to erroneous data. The result is that in the second quarter of FY 2001, the order fix was required 50 percent less often than in the second quarter of FY 2000, a significant improvement.

Information Systems Management continues to monitor the problem report situation to ensure there are problem reports written for any program problems causing data errors, and their resolution is given high priority. The backlog of open problem reports has been significantly decreased, with more closed and cancelled in FY 2000 than in the prior two years combined. TOPS as a business application is dynamic and design changes to address policy or procedure changes or improve the operation of the system continue to be made to it. Each such design change introduces the possibility of new problem reports.

Finding Number	00-TDH-02
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency	Department of Agriculture
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The department did not have adequate controls to detect dual participation in the WIC and CSFP programs

Finding

As noted in the prior audit, the Department of Health does not have adequate controls to ensure that dual participation between the Special Supplemental Food Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Food Program (CSFP) will be detected. In response to the prior finding, management stated that all four local agencies would be connected to the Patient Tracking and Billing Management Information System (PTBMIS) by July 2000. As of November 3, 2000, one of the four local agencies was still not connected to PTBMIS. In fact, this one local agency is still keeping track of the participants it is serving manually. Management's prior response also stated that by March 2000 the Central Office would be able to compare WIC and CSFP populations to detect dual participation between local agencies. From February of 1998 through July of 2000, no dual participation reports between local agencies had been generated. The populations compared in August of 2000 did not include the participants of the one local agency mentioned above because the participant information is maintained manually. Because the one local agency is not connected to PTBMIS and the dual participation reports are not generated each month, participants may improperly receive benefits from both WIC and CSFP programs.

According to the *Code of Federal Regulations*, Title 7, Part 246, Section 7(l)(1)(i), the state agency "shall be responsible for . . . the prevention and detection of dual participation within each local agency and between local agencies."

Recommendation

The Director of the Bureau of Information Resources and the Supplemental Nutrition Program Director should ensure that the one local agency without access to PTBMIS obtains access and that the dual participation reports are generated. They should also monitor operations to ensure that the corrective action is taken when problems occur.

Management's Comment

We concur. The Telecommunications Department of Memphis/Shelby County is awaiting a quote for the frame relay and cabling necessary to connect MAP South to PTBMIS. Once received, the installation should take no longer than two weeks to complete. Staff will then install the computer equipment to complete the connection to our PTBMIS and we anticipate MAP South will be fully connected by February 28, 2001. This will allow the Department to identify any dual participation in the WIC and CSFP program.

Finding Number	00-DCS-04
CFDA Number	93.658
Program Name	Foster Care – Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9601TN1401 through 0001TN1401
Finding Type	Reportable Condition
Questioned Costs	None

Status changes for foster children are still not processed promptly; overpayments totaling at least $545,083 were made to foster parents

Finding

As noted in the six previous audits, which covered the period July 1, 1993, to June 30, 1999, status changes for foster children are not processed promptly. In addition, controls that related to the Children's Plan Financial Information System (ChipFins) disbursements remain weak in that the system does not require preapproval of payments. As a result, overpayments to foster care and adoption assistance parents occurred and were not detected in a timely manner.

According to management, the ChipFins database should be updated by the case managers when a child's foster care placement changes. Until case managers enter these placement changes, payments are automatically made to the foster parents of record in the ChipFins database. In order to correct overpayments and underpayments, case managers must submit change-in-status adjustment forms to the central office. There is still a problem with case managers not entering status changes on ChipFins timely.

Until the implementation of the prepayment authorization program in June of 2000, the data in ChipFins resulted in the automatic issuance of foster care and adoption assistance payments. Neither case managers nor other knowledgeable parties were required to verify that services were provided to children before these payments were made. Until case managers updated a change in the child's status, payments continued to be made to the parents. For 48 of 60 Title IV-E foster care expenditures tested (80%) and 40 of 40 Title IV-E adoption assistance expenditures tested (100%), the receipt of services was not verified. All of the exceptions noted above were payments generated by the ChipFins system.

In an effort to reduce the amount of overpayments, the department began preparing monthly reports that show the adjustment forms received and the number of changes by case manager. Starting in March 1998, the Fiscal Division started tracking the number of status changes submitted to that office from field staff. The report from the Fiscal Division has been provided to the Director of Regional Services and Internal Audit monthly. The Director of Regional Services has distributed this report to the

Regional Administrators for follow-up action to address why the changes are not being made timely by the case managers. Management concurred with the prior audit finding and stated,

> The department has made progress in identifying problem areas concerning untimely status changes in ChipFins. Reports continue to be provided to Regional Administrators and disciplinary actions are taken when staff habitually miss cut off dates or when staff habitually fail to change the status of a child when they leave a foster home. . . . The department is anticipating the development of two systems, the Prepayment Authorization System and the phone-in system for foster and adoption assistance parents, which should resolve the ChipFins overpayment issue. . . . Once these systems are operating in conjunction, the department will know before a payment is made that a status change was not entered timely. These new systems will allow the department to immediately identify case managers who are not entering status changes timely, as opposed to the current system, which may detect status change errors months after they have been made. This knowledge will allow the department to better determine the reasons for the untimely status changes and take appropriate action.

As previously mentioned, the prepayment authorization program, which is designed to require case manager approval of ChipFins payments before they are made, was not implemented until June of 2000. The phone-in system was not implemented during the audit period. Since these systems were not operating in conjunction during the year, their effectiveness in preventing or detecting overpayments cannot be evaluated.

However, the procedures in effect during the year that consisted of preparing, distributing, and reviewing the monthly reports do not indicate that the problem was corrected. Adjustment forms for the time period July 1999 through June 2000 show that 1,525 adjustments were made, totaling $545,083 in overpayments and $89,458 in underpayments. Comparable amounts for the 1,036 adjustments made during the period July 1998 through June 1999 were $422,636 and $44,294, respectively. The department subsequently paid the foster parents who had been underpaid. However, Children's Services could not determine the amount of collections it had received for the overpayments. Had the department properly accounted for these collections, this information would have been readily available. In response to this portion of the prior audit finding, management stated, "The department plans to address this issue in the financial phase of TNKIDS development." However, the scheduled implementation of the financial phase of TNKIDS is December of 2002.

Recommendation

The Assistant Commissioner for Program Operations should enforce the department's procedures to ensure that case managers enter child placement information

in ChipFins timely. These procedures should include a requirement that case managers' immediate supervisors examine case files regularly to ensure that placement data are being entered into ChipFins accurately and timely. Management should follow up on these reviews to ensure that they are being performed and take disciplinary action against case managers who fail to comply.

Management should monitor the results of the prepayment authorization program and the phone-in system, once implemented, to determine their effectiveness in preventing overpayments made to foster care and adoption assistance parents. Additionally, management should review case manager compliance with the prepayment authorization system to ensure that case managers are verifying that services were provided to children prior to approving payments.

In addition, management should properly account for collections made against overpayments as a part of effective accounts receivable procedures.

Management's Comment

We concur. However, significant improvement has already taken place during fiscal year 2001, and that changes anticipated by July 2001 should virtually correct this finding. The department implemented the prepayment authorization system in June 2000, as noted in the finding. This has reduced the number of adjustments and the dollar amounts of total adjustments per month. A report is requested monthly that lists all children in the ChipFins system that have not had their payment confirmed during each pay period. This report is sent to field staff for research to determine the reason for the non-confirmation. During this review, field staff makes corrections to the ChipFins system. The number of non-confirmed on the report has dropped over the last several months.

The phone-in foster parent system is scheduled to be operational in the first region April 1, 2001. The department will roll out the system across the State in four phases with all regions operational in July 2001. The department has identified the business requirements for the system, and the system is currently in development. Foster parents who will be performing the testing phase of this project have been identified. Training must be provided to all foster parents prior to each phased roll out. The department has implemented the initial training development process, including preparation of training material and scheduling of this process. DCS stands by the projection that this system in conjunction with the case manager pre-authorization of payments should virtually correct the overpayment situation.

Finding Number	00-DCS-06
CFDA Number	93.658
Program Name	Foster Care – Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9601TN1401 through 0001TN1401
Finding Type	Reportable Condition
Questioned Costs	None

The TNKIDS system currently in place and the CORS system it replaced do not ensure data integrity and user accountability

Finding

As noted in the five previous audits covering the period July 1, 1994, to June 30, 1999, the Client Operation and Review System (CORS), in use until November of 1999, which recorded the profiles of children in state custody and matched these with the facilities providing care, did not ensure data integrity and user accountability. The CORS system was replaced by the Tennessee Kids Information Delivery System (TNKIDS). The TNKIDS system, which is designed to serve as the automated network for recording the intake of all children in the care of the department and maintaining information about the children, their families, and the services delivered by and through the department, also lacks sufficient controls to ensure data integrity and user accountability. Management concurred with the prior audit findings.

The scheduled implementation date for TNKIDS Release 2.1 (the first phase in the development of the system) was March 1999. However, phase one of TNKIDS was not implemented until June 1999, and that was only in the Southeast Region. Subsequent to management not meeting its initial projection and due to the CORS system not being year 2000 compliant, management was forced to develop a TNKIDS Y2K Contingency Plan, which was implemented in all 12 regions by November of 1999. According to this plan, each region had a central site for TNKIDS data entry, which prevented individual case managers from updating information in the system. The site personnel entered data for each region based on information supplied by case managers. This method of data entry will be used in all regions until full hardware implementation and TNKIDS training are achieved. This implementation and training is being completed region by region with the last region expected to be completed by December 2000. At that time, all case managers will be fully trained and will enter their own information into TNKIDS. However, during the audit period, since case managers did not enter information directly into the TNKIDS system and were unable to access and review data in the system for accuracy, there was a high risk that errors and untimely input could have occurred and not been detected.

The prior audit noted that the TNKIDS system does not track all of the changes that are made to a given record. Rather than tracking all changes to records, the system only documents the last date and user that changed a particular record. Therefore, an inappropriate entry may be made to a record, and a subsequent entry to that record would remove evidence as to who entered any previous information. This system control does not provide an adequate audit trail to trace all changes to a particular child's record in TNKIDS. Management's response to the prior audit finding stated, "The department recognizes that this tracking system is not adequate and . . . has formed a work group to develop a system log for pertinent data in TNKIDS." Based on the auditors' review, a more comprehensive audit trail was implemented in TNKIDS on June 19, 2000. This audit trail tracks all changes and deletions made to a record as well as the date and person making the change. However, for the majority of the fiscal year, these changes were not being recorded. The fact that these system controls were not incorporated in the TNKIDS system until the last month of the audit period resulted in a severe lack of accountability since any user with update access could add, change, or delete client information across the state without any record of the change.

Management's response to the prior finding also stated that this phase of TNKIDS would include a search function that would be invoked before new records are created or information is added to an established record to minimize duplication. However, our review of this phase of TNKIDS revealed that the search function is not required prior to creating a new record or adding information to an existing record. The ability to bypass the search function increases the risk of creating duplicate records and updating incorrect records in TNKIDS.

These weaknesses lessen the department's assurance concerning data integrity and user accountability. Effective system management controls require procedures to prevent duplication of data and to reduce the risk of incorrect or invalid data. In addition, these management controls require an audit trail of changes to client information.

Recommendation

The Assistant Commissioner for Support Services, in conjunction with the Director of Information Systems, should ensure that all necessary controls are built into the TNKIDS system to prevent duplication of data and to reduce the risk of incorrect or invalid data. All case managers should enter their own information directly into the TNKIDS system and should be able to access and review data in the system for accuracy. The audit trail implemented in TNKIDS should be monitored to ensure that all changes to pertinent data in the system are logged and are accessible for management inquiry. The search function in TNKIDS should be made mandatory before a new child is entered into the system in order to minimize the risk of creating duplicate records.

Management's Comment

We concur. However, the department has since developed processes that help to ensure data integrity, which are discussed further in the response. As stated in the audit, the department had to develop a TNKIDS Y2K Contingency Plan in order to minimize Y2K concerns. As of December 11, 2000, all case managers and team leaders have had the proper TNKIDS training and access to the system.

As stated in the audit, the department has developed and implemented a more comprehensive audit trail system in TNKIDS. The audit trail was implemented on June 19, 2000. This audit trail tracks all changes and deletions made to a record as well as the date and person making the change. Internal Audit will perform a review on the audit trail system to ensure it is working appropriately. Management does not feel further corrective action is warranted at this time.

The search function is the first screen to appear on the user's screen during the client intake process. A case manager would have to deliberately cancel out of the search screen to avoid a search. All staff were trained and expected to utilize the search function prior to adding any new persons to the database except in some rare instances where adoption assistance intakes were being created to reduce the risk of error with sensitive information. The department will disable the cancel function for the search screen. This will be accomplished in the next TNKIDS build scheduled for June 2001.

The finding indicates a concern that there are duplicate records in the system due to the search function not being mandatory before an intake is performed. The department has taken proactive steps to ensure that any duplicate records are merged into one record. The "Possible Duplicate Children Report" was created as a tool to facilitate cleanup of duplicate child data in the TNKIDS database, which may have been converted from CORS, and to bring TNKIDS data to the highest integrity possible. The word "Possible" is chosen as the heading of this report because some of the entries indicated as duplicates may not be real duplicates. This is the reason why this report requires a manual review by the Field System Administrators (FSA) and case managers, in order to examine each suggested duplicate entry from the report. If the manual review finds that a child is duplicated in the system, the FSA will merge this child's information into one electronic case file. If it is not duplicated, then it will be noted that these children's case files are appropriately separate and do not need to be merged. The FSA's have had extensive training on this process to ensure that appropriately separate case files are not merged into one file.

In order to ensure that the department is in compliance with Adoption and Foster Care Analysis and Reporting System (AFCARS) requirements, the department's Data Quality Unit runs a monthly AFCARS report and sends the results to top management in the department, as well as, the regional administrators. The AFCARS report tells management about the completeness of the data for the AFCARS requirements. If a data element is not in TNKIDS, it will show up as an error on the AFCARS report. This gives management an idea on where improvement is needed. In addition, the department has a

data workgroup that addresses issues with the data in TNKIDS. This workgroup is comprised of individuals from different areas in the department. The goal of this group is to identify problems with data in TNKIDS and to find solutions to correct these problems.

Finding Number	00-DCS-04
CFDA Number	93.659
Program Name	Adoption Assistance
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9701TN1407 through 0001TN1407
Finding Type	Reportable Condition
Questioned Costs	None

Status changes for foster children are still not processed promptly; overpayments totaling at least $545,083 were made to foster parents

Finding

As noted in the six previous audits, which covered the period July 1, 1993, to June 30, 1999, status changes for foster children are not processed promptly. In addition, controls that related to the Children's Plan Financial Information System (ChipFins) disbursements remain weak in that the system does not require preapproval of payments. As a result, overpayments to foster care and adoption assistance parents occurred and were not detected in a timely manner.

According to management, the ChipFins database should be updated by the case managers when a child's foster care placement changes. Until case managers enter these placement changes, payments are automatically made to the foster parents of record in the ChipFins database. In order to correct overpayments and underpayments, case managers must submit change-in-status adjustment forms to the central office. There is still a problem with case managers not entering status changes on ChipFins timely.

Until the implementation of the prepayment authorization program in June of 2000, the data in ChipFins resulted in the automatic issuance of foster care and adoption assistance payments. Neither case managers nor other knowledgeable parties were required to verify that services were provided to children before these payments were made. Until case managers updated a change in the child's status, payments continued to be made to the parents. For 48 of 60 Title IV-E foster care expenditures tested (80%) and 40 of 40 Title IV-E adoption assistance expenditures tested (100%), the receipt of services was not verified. All of the exceptions noted above were payments generated by the ChipFins system.

In an effort to reduce the amount of overpayments, the department began preparing monthly reports that show the adjustment forms received and the number of changes by case manager. Starting in March 1998, the Fiscal Division started tracking the number of status changes submitted to that office from field staff. The report from the Fiscal Division has been provided to the Director of Regional Services and Internal Audit monthly. The Director of Regional Services has distributed this report to the

Regional Administrators for follow-up action to address why the changes are not being made timely by the case managers. Management concurred with the prior audit finding and stated,

> The department has made progress in identifying problem areas concerning untimely status changes in ChipFins. Reports continue to be provided to Regional Administrators and disciplinary actions are taken when staff habitually miss cut off dates or when staff habitually fail to change the status of a child when they leave a foster home. . . . The department is anticipating the development of two systems, the Prepayment Authorization System and the phone-in system for foster and adoption assistance parents, which should resolve the ChipFins overpayment issue. . . . Once these systems are operating in conjunction, the department will know before a payment is made that a status change was not entered timely. These new systems will allow the department to immediately identify case managers who are not entering status changes timely, as opposed to the current system, which may detect status change errors months after they have been made. This knowledge will allow the department to better determine the reasons for the untimely status changes and take appropriate action.

As previously mentioned, the prepayment authorization program, which is designed to require case manager approval of ChipFins payments before they are made, was not implemented until June of 2000. The phone-in system was not implemented during the audit period. Since these systems were not operating in conjunction during the year, their effectiveness in preventing or detecting overpayments cannot be evaluated.

However, the procedures in effect during the year that consisted of preparing, distributing, and reviewing the monthly reports do not indicate that the problem was corrected. Adjustment forms for the time period July 1999 through June 2000 show that 1,525 adjustments were made, totaling $545,083 in overpayments and $89,458 in underpayments. Comparable amounts for the 1,036 adjustments made during the period July 1998 through June 1999 were $422,636 and $44,294, respectively. The department subsequently paid the foster parents who had been underpaid. However, Children's Services could not determine the amount of collections it had received for the overpayments. Had the department properly accounted for these collections, this information would have been readily available. In response to this portion of the prior audit finding, management stated, "The department plans to address this issue in the financial phase of TNKIDS development." However, the scheduled implementation of the financial phase of TNKIDS is December of 2002.

Recommendation

The Assistant Commissioner for Program Operations should enforce the department's procedures to ensure that case managers enter child placement information

in ChipFins timely. These procedures should include a requirement that case managers' immediate supervisors examine case files regularly to ensure that placement data are being entered into ChipFins accurately and timely. Management should follow up on these reviews to ensure that they are being performed and take disciplinary action against case managers who fail to comply.

Management should monitor the results of the prepayment authorization program and the phone-in system, once implemented, to determine their effectiveness in preventing overpayments made to foster care and adoption assistance parents. Additionally, management should review case manager compliance with the prepayment authorization system to ensure that case managers are verifying that services were provided to children prior to approving payments.

In addition, management should properly account for collections made against overpayments as a part of effective accounts receivable procedures.

Management's Comment

We concur. However, significant improvement has already taken place during fiscal year 2001, and that changes anticipated by July 2001 should virtually correct this finding. The department implemented the prepayment authorization system in June 2000, as noted in the finding. This has reduced the number of adjustments and the dollar amounts of total adjustments per month. A report is requested monthly that lists all children in the ChipFins system that have not had their payment confirmed during each pay period. This report is sent to field staff for research to determine the reason for the non-confirmation. During this review, field staff makes corrections to the ChipFins system. The number of non-confirmed on the report has dropped over the last several months.

The phone-in foster parent system is scheduled to be operational in the first region April 1, 2001. The department will roll out the system across the State in four phases with all regions operational in July 2001. The department has identified the business requirements for the system, and the system is currently in development. Foster parents who will be performing the testing phase of this project have been identified. Training must be provided to all foster parents prior to each phased roll out. The department has implemented the initial training development process, including preparation of training material and scheduling of this process. DCS stands by the projection that this system in conjunction with the case manager pre-authorization of payments should virtually correct the overpayment situation.

Finding Number	00-DCS-06
CFDA Number	93.659
Program Name	Adoption Assistance
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9701TN1407 through 0001TN1407
Finding Type	Reportable Condition
Questioned Costs	None

The TNKIDS system currently in place and the CORS system it replaced do not ensure data integrity and user accountability

Finding

As noted in the five previous audits covering the period July 1, 1994, to June 30, 1999, the Client Operation and Review System (CORS), in use until November of 1999, which recorded the profiles of children in state custody and matched these with the facilities providing care, did not ensure data integrity and user accountability. The CORS system was replaced by the Tennessee Kids Information Delivery System (TNKIDS). The TNKIDS system, which is designed to serve as the automated network for recording the intake of all children in the care of the department and maintaining information about the children, their families, and the services delivered by and through the department, also lacks sufficient controls to ensure data integrity and user accountability. Management concurred with the prior audit findings.

The scheduled implementation date for TNKIDS Release 2.1 (the first phase in the development of the system) was March 1999. However, phase one of TNKIDS was not implemented until June 1999, and that was only in the Southeast Region. Subsequent to management not meeting its initial projection and due to the CORS system not being year 2000 compliant, management was forced to develop a TNKIDS Y2K Contingency Plan, which was implemented in all 12 regions by November of 1999. According to this plan, each region had a central site for TNKIDS data entry, which prevented individual case managers from updating information in the system. The site personnel entered data for each region based on information supplied by case managers. This method of data entry will be used in all regions until full hardware implementation and TNKIDS training are achieved. This implementation and training is being completed region by region with the last region expected to be completed by December 2000. At that time, all case managers will be fully trained and will enter their own information into TNKIDS. However, during the audit period, since case managers did not enter information directly into the TNKIDS system and were unable to access and review data in the system for accuracy, there was a high risk that errors and untimely input could have occurred and not been detected.

The prior audit noted that the TNKIDS system does not track all of the changes that are made to a given record. Rather than tracking all changes to records, the system only documents the last date and user that changed a particular record. Therefore, an inappropriate entry may be made to a record, and a subsequent entry to that record would remove evidence as to who entered any previous information. This system control does not provide an adequate audit trail to trace all changes to a particular child's record in TNKIDS. Management's response to the prior audit finding stated, "The department recognizes that this tracking system is not adequate and . . . has formed a work group to develop a system log for pertinent data in TNKIDS." Based on the auditors' review, a more comprehensive audit trail was implemented in TNKIDS on June 19, 2000. This audit trail tracks all changes and deletions made to a record as well as the date and person making the change. However, for the majority of the fiscal year, these changes were not being recorded. The fact that these system controls were not incorporated in the TNKIDS system until the last month of the audit period resulted in a severe lack of accountability since any user with update access could add, change, or delete client information across the state without any record of the change.

Management's response to the prior finding also stated that this phase of TNKIDS would include a search function that would be invoked before new records are created or information is added to an established record to minimize duplication. However, our review of this phase of TNKIDS revealed that the search function is not required prior to creating a new record or adding information to an existing record. The ability to bypass the search function increases the risk of creating duplicate records and updating incorrect records in TNKIDS.

These weaknesses lessen the department's assurance concerning data integrity and user accountability. Effective system management controls require procedures to prevent duplication of data and to reduce the risk of incorrect or invalid data. In addition, these management controls require an audit trail of changes to client information.

Recommendation

The Assistant Commissioner for Support Services, in conjunction with the Director of Information Systems, should ensure that all necessary controls are built into the TNKIDS system to prevent duplication of data and to reduce the risk of incorrect or invalid data. All case managers should enter their own information directly into the TNKIDS system and should be able to access and review data in the system for accuracy. The audit trail implemented in TNKIDS should be monitored to ensure that all changes to pertinent data in the system are logged and are accessible for management inquiry. The search function in TNKIDS should be made mandatory before a new child is entered into the system in order to minimize the risk of creating duplicate records.

Management's Comment

We concur. However, the department has since developed processes that help to ensure data integrity, which are discussed further in the response. As stated in the audit, the department had to develop a TNKIDS Y2K Contingency Plan in order to minimize Y2K concerns. As of December 11, 2000, all case managers and team leaders have had the proper TNKIDS training and access to the system.

As stated in the audit, the department has developed and implemented a more comprehensive audit trail system in TNKIDS. The audit trail was implemented on June 19, 2000. This audit trail tracks all changes and deletions made to a record as well as the date and person making the change. Internal Audit will perform a review on the audit trail system to ensure it is working appropriately. Management does not feel further corrective action is warranted at this time.

The search function is the first screen to appear on the user's screen during the client intake process. A case manager would have to deliberately cancel out of the search screen to avoid a search. All staff were trained and expected to utilize the search function prior to adding any new persons to the database except in some rare instances where adoption assistance intakes were being created to reduce the risk of error with sensitive information. The department will disable the cancel function for the search screen. This will be accomplished in the next TNKIDS build scheduled for June 2001.

The finding indicates a concern that there are duplicate records in the system due to the search function not being mandatory before an intake is performed. The department has taken proactive steps to ensure that any duplicate records are merged into one record. The "Possible Duplicate Children Report" was created as a tool to facilitate cleanup of duplicate child data in the TNKIDS database, which may have been converted from CORS, and to bring TNKIDS data to the highest integrity possible. The word "Possible" is chosen as the heading of this report because some of the entries indicated as duplicates may not be real duplicates. This is the reason why this report requires a manual review by the Field System Administrators (FSA) and case managers, in order to examine each suggested duplicate entry from the report. If the manual review finds that a child is duplicated in the system, the FSA will merge this child's information into one electronic case file. If it is not duplicated, then it will be noted that these children's case files are appropriately separate and do not need to be merged. The FSA's have had extensive training on this process to ensure that appropriately separate case files are not merged into one file.

In order to ensure that the department is in compliance with Adoption and Foster Care Analysis and Reporting System (AFCARS) requirements, the department's Data Quality Unit runs a monthly AFCARS report and sends the results to top management in the department, as well as, the regional administrators. The AFCARS report tells management about the completeness of the data for the AFCARS requirements. If a data element is not in TNKIDS, it will show up as an error on the AFCARS report. This gives management an idea on where improvement is needed. In addition, the department has a

data workgroup that addresses issues with the data in TNKIDS. This workgroup is comprised of individuals from different areas in the department. The goal of this group is to identify problems with data in TNKIDS and to find solutions to correct these problems.

Finding Number	00-DCS-01
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
Pass Through Agency	Department of Finance and Administration
State Agency	Department of Children's Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Children's Services inappropriately requested and received reimbursement from TennCare for children not eligible for TennCare services

Finding

The Department of Children's Services (DCS) has requested and received reimbursement from TennCare for services provided outside the scope of its agreement with the Bureau of TennCare, the TennCare waiver, and the State Plan during the year ended June 30, 2000.

This is a repeat finding that was addressed by the U.S. Department of Health and Human Services (HHS) in a letter to the Commissioner of the Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999. In the letter, HHS stated:

> This is a material instance of noncompliance and a material weakness. We recommend procedures be implemented to ensure federal funds are not used to pay for 1) health care costs of children who are in youth development or detention centers, not in State custody, on runaway status, or in the Hometies program, or individuals over 21 years of age, 2) behavioral health services for children under the age of three, and 3) unsupported medical treatment.

Payments for Incarcerated Youth

As noted in the prior three audits, and despite management's concurrence with the findings, Children's Services continued to request and receive reimbursement from TennCare for medical expenditures on behalf of children who were not eligible for TennCare because they were in locked facilities. Under federal regulations (Code of Federal Regulations, Title 42, Part 435, Sections 1008 and 1009), delinquent children who are placed in correctional facilities operated primarily to detain children who have been found delinquent are considered to be inmates in a public institution and thus are not eligible for Medicaid (TennCare) benefits. The state, not the federal government, is responsible for the health care costs of juvenile and adult inmates.

In response to the prior audit finding, management stated that it began developing a financial funding system in October 1999, which would be integrated into the TNKIDS system upon completion. Until this is completed and integrated into TNKIDS, the department would develop a process which would result in the department receiving weekly reports from all Youth Development Centers that would be used to eliminate children in locked facilities from the monthly billings to TennCare. Although this new process was implemented, using computer-assisted audit techniques, a search by the auditors of TennCare's paid claims records revealed that TennCare was inappropriately billed for and made payments totaling at least $813,270 from July 1, 1999, through June 30, 2000, for juveniles in youth development centers and detention centers.

Children Not in State Custody

As noted in the prior audit, Children's Services inappropriately billed and received payment from TennCare for children not in state custody. Management did not concur with this portion of the prior finding and attributed the problem to delays in court proceedings when children are removed from a home by Child Protective Services. Management stated that several days might pass before the department receives a written court order. In our rebuttal, we stated that only 2% of the amount questioned could have been attributed to such short delays. The majority of the cases involved months, not days, between the dates of services and the dates of custody, and for some, there was no evidence that the child was ever in custody.

TennCare contracts with DCS to provide the necessary TennCare enhanced behavioral health services for children in state custody. All behavioral services for children not in state custody should be provided through the TennCare Behavioral Health Organizations (BHOs). Using computer-assisted audit techniques, auditors performed a data match comparing payment data on the Bureau of TennCare's system to custody records from DCS's Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that DCS had improperly billed TennCare $3,512,975 from July 1, 1999, through June 30, 2000, for services to children who were not in the state's custody.

Hometies Program

As noted in the prior audit, Children's Services inappropriately billed and received payment from TennCare for services rendered to the Hometies program, which exists to prevent children from entering state custody. Management did not concur with this portion of the prior finding. Instead, they stated, "TennCare has appropriately paid these expenditures and the grant agreement is being modified to reflect this policy." However, the grant agreement (contract between TennCare and DCS) was not modified. TennCare contracts with two BHOs to provide behavioral health services to its recipients. The BHOs are contractually responsible to provide all services rendered to prevent children from entering state custody. Using computer-assisted audit techniques, auditors performed a data match comparing payment data from the Bureau of TennCare to records from DCS's TNKIDS system. The results of the data match indicated that DCS had improperly billed TennCare $729,117 from July 1, 1999, through June 30, 2000, for

Hometies services. Because the agreement between the two departments was not amended to include Hometies services, DCS sent a request to TennCare in a memo dated June 20, 2000, to void all Hometies transactions. As of November 28, 2000, TennCare had not processed this request.

Children on Runaway Status

As noted in the prior audit, Children's Services inappropriately billed and received payment for children who are in the state's custody but are on runaway status. Since TennCare is permitted to pay only for actual treatment costs, TennCare should not be billed for services that were not provided while children were on runaway status.

In response to the prior audit finding, management stated that the department will terminate all billing to TennCare for youth in runaway status. Management further stated that a waiver from the Health Care Financing Administration (HCFA) that would allow DCS to bill for these children had been discussed with TennCare. However, for the year ended June 30, 2000, a waiver for runaway children had not been granted by HCFA. Using computer-assisted audit techniques, auditors performed a data match comparing payment data from the Bureau of TennCare to runaway records from DCS's TNKIDS system. The results of the data match indicated that DCS had improperly billed TennCare $827,010 from July 1, 1999, through June 30, 2000, for services to children on runaway status despite management's assertion that the department would not bill for this population unless a waiver was granted.

Payments for Individuals 21 and Over

As noted in the prior audit, Children's Services inappropriately billed and received payment for individuals 21 and over. In accordance with the TennCare waiver and the State Plan, Children's Services should bill and receive reimbursement from TennCare only for Medicaid services provided to recipients in its care who are under 21 years of age.

In response to the prior audit finding, management stated that all individuals 21 and over in its care have been certified as having severe mental retardation and have been put into the permanent custody of the state. The department attempts to transition these individuals to the Division of Mental Retardation (DMR); however, there is a waiting list for these services. Management stated that it will request language in future contracts with TennCare which would allow the department to continue serving this population until services are available at DMR. However, the current contract does not contain this language. Using computer-assisted audit techniques, auditors performed a data match comparing payment data from the Bureau of TennCare to date of birth records from DCS's TNKIDS system. The results of the match indicated that DCS had improperly billed TennCare $206,124 from July 1, 1999, through June 30, 2000, for services to individuals who were 21 and over.

Payments for Services Provided to Children Under Three Years

As noted in the prior audit, the department has inappropriately billed and received payment from TennCare for behavioral health services provided to children under the age of three. In accordance with the TennCare waiver and the State Plan, Children's Services should bill and receive reimbursement from TennCare only for children who receive Medicaid services. Management did not concur with this portion of the prior audit finding, stating that services provided to these children fall in the enhanced services category and the age of the child should not exclude this coverage. In our rebuttal, we noted that management of the Children's Services' providers stated that children of this age only receive medical treatment, not physiological treatment, and this medical treatment should be provided by the Managed Care Organizations (MCOs).

Using computer-assisted audit techniques, auditors performed a data match comparing payment data from the Bureau of TennCare to date of birth records from DCS's TNKIDS system. The results of the data match indicated that DCS had improperly billed TennCare $1,746,512 from July 1, 1999, through June 30, 2000, for behavioral services for children under the age of three.

Unsupported Treatment

As noted in the prior audit, testwork performed during the audit of the Department of Finance and Administration, Bureau of TennCare, found that vendors were unable to provide documentation indicating the child received therapeutic treatment. Errors totaling $2,925 were noted in 6 of 60 DCS billings tested. Office of Management and Budget Circular A-87 requires all costs to be adequately documented.

Hospitalized Children

Children's Services inappropriately billed and received payment for children who are in the state's custody but had been placed in a medical hospital. The MCOs are responsible for costs incurred while the child is placed in a hospital. Children's Services' provider policy manual allows service providers to bill Children's Services for seven days if the provider plans to take the child back after hospitalization. If the provider has written approval from the Regional Administrator, the provider may bill DCS for up to 21 days while the child is in the hospital, but Children's Services cannot bill TennCare for those days. Using computer-assisted audit techniques, auditors performed a data match comparing TennCare's payment data to medical records from the MCOs. The results of the data match indicated that DCS had improperly billed TennCare $1,999,313 from July 1, 1999, through June 30, 2000, for children while they were in hospitals.

Alcohol and Drug Treatment

Children's Services incorrectly billed and received payment from TennCare for alcohol and drug treatment provided to children in state custody. BHOs are contractually responsible for the first $30,000 of such expenditures per child. Neither Children's Services nor TennCare has a mechanism for identifying children that have already received $30,000 of these services provided by the BHOs. Children's Services billed TennCare $3,722,966 from July 1, 1999, through June 30, 2000, for these services.

Questioned costs are reported in the Department of Finance and Administration's audit report and in the TennCare findings in the Tennessee Single Audit report for the year ended June 30, 2000.

Recommendation

The Commissioner should determine why Children's Services has not developed and implemented the procedures necessary to ensure that TennCare is not billed for inappropriate expenses related to children in youth development and detention centers, not in state custody, in the Hometies program, on runaway status, placed in hospitals, the age of 21 and over, under the age of three, or for children that have not received $30,000 of drug and alcohol services provided by the BHOs. Effective internal control requires that management have systems in place to adequately monitor operations, particularly relating to such compliance issues. Management could develop the information necessary to detect these discrepancies by using the types of computer analyses auditors have used to identify these problems. The Commissioner should see that corrective measures are immediately implemented. Management should make it a priority to bill TennCare only for allowable services provided to eligible children.

Management's Comment

We concur in part.

Payments for Incarcerated Youth

During our analysis of the data, it became apparent that some of this questioned cost should not have been questioned. It appears that the auditors questioned the date that the child transitioned from the detention center to a residential treatment facility. The department allows the residential treatment facility to bill for the first day that the child enters the facility, but not the day the child leaves the facility. It appears that the auditors questioned the day that the child entered the facility. The placement history on TNKIDS shows the child leaving the detention center and entering the residential treatment facility on the same day.

For services that were incorrectly billed to TennCare, the department will examine its control structure and make changes as necessary to prevent future billings of this manner.

Children Not in State Custody

The department did bill TennCare for children who were not in state custody in a particular circumstance, but has corrected that problem and has refunded all of these TennCare payments back to TennCare. TennCare has not yet processed these refunds, however. This particular circumstance resulted from our misunderstanding regarding TennCare coverage related to the Non-Residential Network. This network was a pilot

program in the eastern part of the state, which is now no longer offered and has been replaced with Family Support Services. Family Support Services are not funded with TennCare dollars.

As to the auditors' listing of other children who they believe were not in custody, the department submits that the majority of these children were in fact in custody. When a child is removed from his/her home in an emergency, there is to be a hearing within 72 hours. Tenn. Code Ann. §§37-1-113 and 37-1-114 make clear that a child is in legal custody when a social worker from DCS or a law enforcement officer removes the child from the home, even before a court has issued an order. Section 37-1-115 further provides that a child may be taken into custody, but then returned to the parent(s), guardian or other custodian pending the hearing. Moreover, there are circumstances when a child is taken into custody, but the court finds that continued custody is not warranted, resulting in no court action ordering custody even though the child was in fact in legal custody. See §§37-1-11 and 37-1-129(a).

This misunderstanding as to when a child is actually in custody appears to be related to limitations in and language used in the old CORS database. The old CORS system, the predecessor of TNKIDS, did not have a "physical custody" field, and the only custody date was labeled "legal custody," which is the date the court ruled on the matter. This date represents the date of the court order, not the date that the child came into the department's physical custody, which is no less "legal" than custody after the court issues an order. TNKIDS has a field for physical custody date, which should eliminate this misunderstanding, but for the billings audited, the CORS system was mainly in place. TennCare reimburses DCS for services to children in "legal" and "physical" custody as both are legal and legitimate forms of custody.

The auditors noted that in most cases, there was a delay of months or days between the dates of services and the date the child was ordered into custody, and that in some cases, there was no evidence that the child was ever in custody. The department believes that the finding that some children were never in custody is attributable to those cases where the court declines to order the child into custody even though the child was in fact in custody pending the hearing, as discussed above.

The delays of days and even months between the date of services and the date a court orders the child into custody occur routinely for legitimate reasons. Most of the courts adhere to the 72 hour requirement, but if the docket is full, the hearing may be delayed for some time. The department has no control over when the court schedules the hearing. In addition, after the hearing, several days may pass before a written order is received by the department. Moreover, courts grant continuances liberally to parents or children who wish to obtain counsel but have not yet done so. See Tenn. Code Ann. §37-1-126. Finally, to the extent that audited records revealed delays that were within the department's control, the department anticipates that this problem will be vastly reduced if not eliminated as a result of the increase in legal staff added to the department during the audit period.

Hometies Program

As stated in the finding, the department worked toward modifying the contract with TennCare to make Hometies services billable to TennCare. The contract negotiations between TennCare and DCS were finalized several months into fiscal year 2000. Once it became apparent that these services were not going to be included in the contract, the department sent a request to TennCare to void all Hometies transactions, thereby refunding all Hometies expenditures. As of February 7, 2001, this void had not been processed by TennCare. The department has completed its side of this refund transaction. The department has taken all steps to correct processing its side of the transaction. Management does not feel that any further corrective action is warranted at this time concerning the Hometies Program.

Children on Runaway Status

The department put controls in place to eliminate billing TennCare for children on runaway status on April 28, 2000. The department recognizes that before the control was implemented, some children on runaway status were inappropriately billed to TennCare. Management will continue to evaluate whether the controls in place will remedy the situation or whether additional controls are needed.

Payments for Individuals Over 21

As stated in the finding, this population of individuals has been certified as mentally retarded and has been placed into the permanent custody of the state. The department will continue to attempt transition of these individuals to the Department of Mental Heath and Development Disabilities (DMHDD), which is the state agency that serves the mentally retarded population. Due to the limited availability of supported living placements available through DMHDD, DCS has no other alternative but to provide services for this population. These individuals cannot function independently and have no support system but the state. DCS will continue to work towards resolution by providing all available information on these individuals to DMHDD. The department will also continue to request language in future contracts that allows for the department to bill for individuals over 21 years of age until the transition to DMHDD can take place. Until that time, the department will not bill TennCare for individuals over 21 years of age but will instead use state funding only for this population.

Payments for Services Provided to Children Under Three Years

The department still does not concur that children under three years of age cannot receive behavioral health services. Information provided by Public Consulting Group indicate that this population can and do receive behavioral services, which are funded by HCFA, in other states. DCS will examine the process available to appeal this finding with HCFA through TennCare. Until a ruling can be determined by that process, the department will make modifications to the accounting system to disallow billing children under 3 to TennCare. This population will be served by using state funding until an approval from HCFA is received.

Unsupported Treatment

The department contracts with the Department of Finance and Administration to perform monitoring on the residential treatment facilities. Whenever a problem is detected in case notation, the department requests a corrective action plan from the vendor. The department will continue to address case notation at the vendors when a problem is found either by the auditors or through the monitoring process.

Hospitalized Children

The department will discontinue billing TennCare for hospitalized children until further investigation into the matter can be performed.

Alcohol and Drug Treatment

Since TennCare does not have a mechanism to monitor and provide notification to DCS the dollar amount of alcohol and drug treatment, the department will request that the current restrictive language in the contract be amended to clarify that the BHO provides all acute inpatient services, and DCS provides all residential treatment services.

Auditor's Comment

Payments for Incarcerated Youth

Although it is possible that that some of the costs questioned included payments for the first day of treatment, management did not provide any information to support specific charges that were questioned. Management should continue to investigate this matter, obtain documentation, and provide the grantor with such data during the resolution process.

Children Not in State Custody

Although it is possible that that some of the costs questioned included payments for children in protective custody and short delays in court proceedings, management did not provide any information to support specific charges that were questioned. Management should continue to investigate this matter, obtain documentation, and provide the grantor with such data during the resolution process. The custody field in TNKIDS should help clarify the status of children covered by TennCare. However, the department should also maintain documentation to support the entries in TNKIDS.

Hometies Program

Per management of the Bureau of TennCare, the Department of Children's Services has not provided the necessary information for each individual Hometies recipient to allow the Bureau of TennCare to process the refund transaction.

Payments for Services Provided to Children Under Three Years

As previously stated, the U.S. Department of Health and Human Services' response to the prior Single Audit of the State of Tennessee confirmed that federal funds should not be used to pay for behavioral health services for children under the age of three.

Finding Number	00-DCS-02
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
Pass Through Agency	Department of Finance and Administration
State Agency	Department of Children's Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Because Children's Services does not have a reasonable system to determine medical treatment costs associated with providing services to children in the state's care, the state may have overbilled the TennCare program for treatment and failed to maximize federal dollars for room and board costs in the Title IV-E program

Finding

As noted in the prior two audits covering the period July 1, 1997, through June 30, 1999, the Department of Children's Services (DCS) does not have a reasonable system to determine medical treatment costs associated with providing services to children in the state's care. Children's Services purchases goods and services (such as room and board, treatment, and education) for eligible children. The department's current procedure for billing the TennCare program does not provide for a standard treatment rate for each level of care for the children in state custody. According to Medicaid/TennCare regulations, TennCare reimbursements must be based on actual costs. If the department has not determined billing rates based on actual costs, the TennCare program may be overbilled, and other federal revenue (Title IV-E) may not have been maximized for room and board costs.

In 1991-92, a cost analysis study of all the treatment facilities providing services to DCS was performed by an independent contractor. As a result of this study, a percentage rate, which supposedly represented the treatment portion of the service, was determined for each individual facility. According to management of the department, they questioned the validity of the cost study but decided to use these percentages to bill TennCare for the treatment portion. If a treatment facility was not included in the 1991-92 cost study, the department arbitrarily set a rate of 50% for the treatment portion of service. However, the percentage rates being used may not accurately reflect the portion of the total charge that is related to treatment. In performing the testwork on the billing procedures, we found that DCS is not following its own arbitrary guidelines. In 6 of the 25 billings tested (20%), the department had charged TennCare a larger percentage of the total amount paid to the provider than set by DCS's guidelines. DCS could not substantiate the rates being used. In many instances, the department was billing TennCare 70% to 100% of the total amount paid to the provider. However, the amount

paid to the provider included room and board and education costs that should not be billed to TennCare. Management concurred with the prior audit finding and stated that:

> For almost a year, the Department of Children's Services has been collecting information from vendors providing treatment services which are billed to TennCare. This information would allow the department to develop treatment rates that would be based on time and cost studies as well as audited financial information provided by the vendors. . . . DCS staff worked closely with TennCare in reviewing the process used to collect the information and the methodology for establishing the new rates. Now that the required information has been received, TennCare will submit the methodology and results to HCFA for approval. If approved by HCFA, the methodology will become the basis for establishing treatment rates not only for existing programs, but also new programs.

According to management, DCS completed a new time and cost study in January of 2000. At that time, the department began its analysis to determine the new rates based on the completed time and cost study. On May 10, 2000, the department sent the methodology and results of the time and cost study to TennCare. Clarifications and revisions were requested by TennCare on September 6, 2000, and were made by DCS and returned to TennCare on September 7, 2000. TennCare forwarded the request to HCFA on September 22, 2000, and DCS is awaiting HCFA's approval; therefore, the department has yet to implement the study and bill TennCare based on the new rates.

Without a reliable system in place to identify medical treatment and room and board costs, the state may have overbilled the TennCare program for treatment and failed to maximize federal dollars for room and board costs in the Title IV-E program.

Recommendation

As stated in the prior audit, the Department of Children's Services needs to implement a system for billing TennCare that includes a standard rate based on the level of care being provided. The rate should fairly represent the actual treatment portion of the care allowable according to TennCare regulations.

Management's Comment

We concur. DCS in fact developed a reasonable system, and has obtained TennCare approval of the system, but must await HCFA approval before implementing the system. The Department of Children's Services (DCS) completed a Time and Cost Study as of May 10, 2000, to ensure a valid method of setting of rates for reimbursement for the cost of medical treatment and other services associated with children in the care of the department. DCS submitted the study to TennCare for approval, and TennCare approved the methodology as presented after clarifications. Since TennCare is the

cognizant agency for setting reimbursement rates with HCFA, it is responsible for presenting the methodology developed by DCS to the federal government for approval. Based on the foregoing, all of which is acknowledged in the audit finding, DCS has performed every function under its oversight associated with correcting this finding.

The department continues to wait for other agencies, both state and federal, to perform their individual functions to put this process in operation. The department's Time and Cost Study is currently in Washington, DC awaiting review by HCFA. A conversation has been held directly with the federal bureau reviewing the information submitted by TennCare, and that bureau indicates that its projected time frame for responding to the information is in excess of one year. DCS has done and continues to do everything in its power to speed this process along, but with little success as of the date of this report.

Finding Number	00-DFA-01
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness
Questioned Costs	None

Top management must address the TennCare program's numerous and serious administrative and programmatic deficiencies

Finding

Most of the findings in this report are the result of TennCare's numerous administrative and programmatic deficiencies. Well-publicized events concerning the ability of the program to continue in its present form have contributed to the perception that the program is in crisis. Management concurred with the prior-year audit finding and stated,

> In addition to the major priorities of ensuring the integrity of the program, ensuring consistency in the process of the program with written policies and procedures and ensuring the existence of an emergency plan should a managed care organization fail, the following additional actions have now occurred or are in process: 1) A new Director of Operations has been hired, 2) Enhancements to the eligibility/reverification process are being implemented, 3) An RFP is in process to review current and future system needs, 4) Continuing to search for new director, as well as other critical vacancies in the Program, 5) New Medical Director and a Quality Improvement Director have been hired, 6) In the process of filling 95 new positions that were authorized by the legislature for FY2000.

However, written polices and procedures have not been created for all areas of the TennCare program.

The auditors are responsible for reporting on the department's internal control and management's compliance with laws and regulations material to the program. However, top management, not the auditors, is responsible for establishing an effective control environment, which is the foundation for all other components of internal control: risk assessment, control activities, information and communication, and monitoring. Under generally accepted auditing standards, control environment factors include assignment of authority and responsibility; commitment to competence; integrity and ethical values; management's philosophy and operating style; and organization structure.

Our evaluation of the control environment and the other components of internal control revealed several continuing overall, structural deficiencies that have caused or exacerbated many of the program's problems. These deficiencies are discussed below.

TennCare Lacks Stable Leadership

The TennCare program has continued to lack stable leadership. Since the beginning of the program in January 1994, and through December 2000, the program has had five directors and two acting directors. In addition, during the same time, there has been significant turnover in the top positions of the program's various divisions, including the Division of Operations, the Division of Budget and Finance, the Division of Quality Improvement, the Division of Policy and Intergovernmental Relations, and the Division of Contract Development and Compliance. During the year ended June 30, 2000, the Director of TennCare, the Director of Operations, the Director of Long-Term Care, and an Assistant Commissioner for Health Related Services resigned.

Inadequate System and Staff Resources

As discussed further in finding 00-DFA-02, the TennCare program still does not have an adequate information system. The program is still dependent upon a large and complex computer system, the TennCare Management Information System (TCMIS), that is outdated and inflexible.

According to management, the TennCare program is understaffed. The auditors also noted what appears to be a dramatic imbalance in the allocation of staff resources, which appears to reflect top management's priorities as well as the distribution of work. Although the Division of Programs is responsible for numerous programmatic functions, including the provision of special services to children and seriously mentally ill individuals, this division consists of only one employee. In contrast, during the year ended June 30, 2000, there were 37 positions in the Division of Information Services (I/S Division). While it is possible that all of the I/S positions are necessary, it appears that the Division of Programs may lack the resources it needs to adequately perform its duties and responsibilities.

In addition, when obtaining information on the rules and regulations for Medicare cross-over claims, the auditors learned that still no one has been assigned the responsibility for 1) being knowledgeable about the rules and regulations for these types of claims or 2) ensuring that these claims are being paid correctly. See finding 00-DFA-19 in Section III for more information about the processing and payment of these claims.

Inadequate Written Operating Policies and Procedures

Despite its size and complexity, TennCare still does not have adequate written operating policies and procedures. As previously noted, the lack of written, comprehensive operating policies and procedures increases the risk that errors or inconsistencies may occur in the TennCare program.

As noted in finding 00-DFA-04, inadequate written policies and procedures is of particular concern for the eligibility function at TennCare. Although TennCare has several adverse court orders which make it more difficult for TennCare to follow TennCare's rules and federal regulations, the Bureau has not developed written policies and procedures which dictate to all the divisions involved with the eligibility process the procedures that are to be used. During audit fieldwork, the auditors noted staff's hesitance to disenroll SSI (Supplemental Security Income) individuals from TennCare although there was significant evidence that the individuals' eligibility for the program would be questionable according to TennCare's rules as well as federal regulations, such as eligibility for incarcerated individuals. Written policies and procedures could assist staff in determining the correct course of action to take in circumstances when court orders conflict with TennCare rules. In many cases, when a conflict does exist, staff could perform additional procedures that would allow them to disenroll the individuals and still remain in compliance with court orders.

For example, TennCare could take action regarding enrollees affected by the *Daniel Clusters vs. Commissioner of Department of Health* case that prohibits the Bureau from disenrolling Supplemental Security Income (SSI) recipients who lose their SSI benefits without making a new determination of TennCare eligibility independent of a determination of SSI by the Social Security Administration. When this situation occurs, to be in compliance with this court order, TennCare should make a new determination of eligibility independent of a determination of SSI by the Social Security Administration.

Inadequate Monitoring

As previously noted, the Bureau of TennCare still does not have an on-site internal audit unit, and the Office of Audit and Investigations once again did not adequately monitor the internal operations of the Bureau. A strong and sizable internal audit presence is critically important, given the nature, size, and complexity of the program, and the number of internal control problems that exist.

In addition, as noted in the prior audit, in its August 9-12, 1999, site visit report, the Federal Health Care Financing Administration stated,

> Although we have brought this to the attention of State officials on multiple occasions, we found that Tennessee has not developed a comprehensive plan for monitoring the TennCare program. Tennessee does have some activities in place for monitoring; however, Tennessee needs a plan that incorporates these activities and any other activities that the State may develop for long-term monitoring for the life of the project (i.e., TennCare). This plan should incorporate the monitoring of the TennCare Partners program.

Recommendation

For the TennCare program to improve and succeed over the long term, the Director of TennCare and his staff must address the long existing problems within and external to the program's administrative structure.

The Director should also develop a plan to address the program's personnel requirements. The plan might include cross training, employee development, emphasizing employee career-paths, staff reassignment, and workload redistribution. In addition, the Director should continue to pursue acquisition/development of a new TennCare information system.

The Director should ensure that written and comprehensive operating policies and procedures are developed for all areas of the TennCare program. The policies and procedures should be clearly communicated to all program employees, and responsibility for updating the policies and procedures, as well as distributing the updates, should be assigned to the appropriate staff.

Finally, as previously noted the Director should develop and implement the comprehensive monitoring plan requested by the grantor. The Director should use the internal auditors to review and monitor the internal operations of the program, particularly the program's extensive and complex automated processes. The internal auditors also could be used to help to implement the monitoring plan or to ensure that the plan is being implemented properly by others.

Management's Comment

We concur. Top management has been working aggressively to address administrative and programmatic deficiencies in the TennCare Program. It must be recognized that major improvements in such a large and complex program cannot be accomplished in just a few months, and it must also be recognized that work on program improvements is made even more challenging by the constantly changing landscape of TennCare--health plans coming into and out of the program, court actions, provider concerns, etc. We believe the activities of the past year have helped us move forward in reaching our goal of a smoothly operating, well integrated, effective and efficient program.

We did not have a TennCare Director at the time of the last audit. Our new Deputy Director, formerly Acting Director of the MassHealth Program in Massachusetts, has been on the job since June 2000. Our Chief of Operations, who is also Deputy Director of TennCare, has been on the job since February 2000. Both of them have initiated a number of changes to improve employee communications and workflow, to build teams for accomplishing various tasks, and to bring in consultants where necessary to assist in the many complex operations involved in administering and planning changes in the TennCare program.

We have a new TennCare Partners Program Operations Director, who has been on the job since August 2000 and who is moving rapidly to make improvements in that program. We now have a Manager of Personnel, which we have never had before at TennCare. A new Director of the Solutions Unit has recently been hired; she is a person with a vast wealth of experience in both state government and the day-to-day operations of a managed care plan. A staff reorganization is in the final planning stages, and recruiting is underway for additional positions that will head up both MCO operations and Member Services. Reorganization, function assignments and departmental personnel resource allocation is underway for the entire Bureau. Although we do not concur with the stated resource allocation discrepancies, there will be changes made in some operational areas based on operational needs, unit function and departmental statewide responsibilities.

Another significant organizational change that has occurred in the past year has been the establishment of the Office of Health Services, headed by the Deputy Commissioner. This office includes persons with expertise in legislation, budget and accounting, health policy, and children's services and has a wealth of expertise to offer to the TennCare staff. Audit and Investigation and the Program Integrity Unit with direct responsibility for TennCare are located in the Office of Health Services.

Our responses to the other findings contained in this report are provided below.

a. Written policies and procedures. We have made good progress during the past year on this front. At the direction of the Deputy Director of TennCare, written policies and procedures have been developed for the following units: Administrative Appeals, TennCare Information Line, Provider Services, Legislative Response. In addition, we have begun the development of a TennCare Operational Protocol, which has been submitted to HCFA and which will address many of the items mentioned throughout this audit. We have also initiated a contract with a vendor to help us evaluate our system needs and plan for a new information system that will more adequately meet those needs.

b. SSI terminations. The new eligibility redetermination process suggested would be a function of the Department of Human Services, which to date has stated that they lack the staff resources to conduct such a process. We could not initiate such an activity without submitting a new plan to the court and receiving court approval for that plan. Unfortunately, all of the other court actions with which TennCare is dealing have consumed all available legal and staff resources.

c. Establishment of an on-site internal audit site. The Office of Audit and Investigations under the Department of Finance and Administration, Office of Health Services currently has a staff of 24 auditors. This office is responsible for performing internal audits of the Bureau of TennCare,

the Division of Mental Retardation, the Department of Health and the Department of Mental Health and Developmental Disabilities. Audit and Investigations are currently taking an active role in performing audits of the Bureau's operations.

d. Medicare crossover claims. A staff person has been identified in the Policy Unit to work with the Information Systems staff to oversee these concerns.

e. TennCare Monitoring Plan. We are reviewing this plan and taking steps to determine whether there should be changes before we implement.

Finding Number	00-DFA-02
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness
Questioned Costs	None

TennCare Management Information System lacks the necessary flexibility and internal control

Finding

As noted in the prior two audits, management of the Bureau of TennCare has not adequately addressed critical information system internal control issues. In addition, the TennCare Management Information System (TCMIS) lacks the flexibility it needs to ensure that the State of Tennessee can continue to run the state's $4 billion federal/state health care reform program effectively and efficiently. Management concurred with the prior finding and indicated they would begin the process of identifying the requirements for the new system and perform strategic planning. Management, in its three-year information system plan submitted to the Office of Information and Resources in the Department of Finance and Administration, submitted a proposal for a TCMIS renovation. The project's objective is to analyze current TennCare operations and make recommendations of the most effective way to update or renovate the current TCMIS system. According to the plan the implementation of a new TCMIS is to occur in 2002.

Because of the system's complexity, frequent modifications of the system, and because this system was developed in the 1970s for processing Medicaid claims, TennCare staff and Electronic Data Services (EDS) (the contractor hired to operate and maintain the TCMIS) primarily focus on the critical demands of processing payments to the managed care organizations, behavioral health organizations, and the state's nursing homes rather than developing and enhancing internal control of the system. This has contributed to a number of other findings in this report. These findings indicate that the TennCare Bureau

- has not ensured adequate system security controls related to access were in place (finding 00-DFA-21);
- has not made payments to certain providers in accordance with the rules (finding 00-DFA-19);
- has not strengthened system controls for Medicare cross-over claims (finding 00-DFA-19);

- made capitation payments for individuals who were not eligible for TennCare (findings 00-DFA-04, 00-DFA-05, 00-DFA-16, 00-DFA-17, and 00-DFA-18);

- incorrectly made payments to the Department of Children's Services for services that should have been provided by behavioral health organizations (finding 00-DFA-06);

- made payments to the Department of Children's Services for individuals over 21 years old (finding 00-DFA-05); and

- made payments to the Department of Children's Services for behavioral health services provided to children under the age of three. (finding 00-DFA-06).

Recommendation

The TennCare Bureau should address internal control issues and pursue the acquisition of a system designed for the managed care environment. Until a new system is acquired, the Bureau should continue to strengthen the systems controls to prevent or recover erroneous payments. The TennCare Bureau should follow the three-year information system plan and ensure that an updated system is implemented timely that more effectively supports TennCare's operations.

Management's Comment

We concur in part. We have begun preparations for implementing a new TennCare Management Information System early in 2002. The new TCMIS will be a Medicaid HIPAA (Health Information Portability and Accountability Act) Compliant Concept Model.

A contractor has been chosen to assist with the new TCMIS strategic analysis and procurement process. The work has been organized into two phases:

Phase I—Strategic Planning
- Task 1—Conduct TCMIS Requirements Analysis
- Task 2—Identify and Document TCMIS Alternatives
- Task 3—Develop Cost/Benefit Analysis
- Task 4—Recommend TCMIS Alternatives
- Task 5—Develop Advance Planning Document (APD)

Phase II—Procurement
- Task 1—Develop New TCMIS Request for Proposal (RFP)
- Task 2—Proposal Evaluation

Information about new TCMIS requirements will be collected through a process called Joint Application Design (JAD), which will bring together key staff persons in a

structured, creative planning process. An initial meeting has already been held, with the more in-depth follow up meetings scheduled for later in February 2001.

The work schedule calls for development of a new RFP by September 2001. This is a top project for the Bureau of TennCare, and completion of this project will address many of the issues identified throughout this audit.

Some of the issues stated in the finding are related to policy directed by management and not a limitation of TCMIS. Management comments related to each finding referenced are found with those findings.

Finding Number	00-DFA-03
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Eligibility
Questioned Costs	$27,226.28

Internal control over TennCare eligibility is not adequate

Finding

The five prior audits of the Bureau of TennCare noted that in many cases, the eligibility of TennCare participants who are classified as uninsured or uninsurable had not been verified and/or reverified. Management concurred with the prior audit finding stating that a task force was appointed to identify deficiencies, improve the reverification process, and address the audit finding. While changes were made toward the end of the audit period, problems still existed for the audit period.

For the uninsured and uninsurable population, which makes up approximately 41% of all TennCare enrollees, responsibility for initial eligibility determination is divided between the county health offices in the Department of Health and the eligibility unit in the Bureau of TennCare. For the Medicaid population, the Department of Human Services has the responsibility for eligibility determinations. The Department of Children Services is responsible for eligibility determinations of children in state custody.

No Policies and Procedures Manual

Even though the program has been operating for over seven years, TennCare still did not have a written policies and procedure manual to ensure that TennCare recipients were appropriately and consistently determined to be eligible for TennCare. The county health offices, the TennCare Hotline, the Division of Information Services in the Bureau of TennCare, and the Eligibility Unit in TennCare all are involved in the eligibility process for the uninsured and uninsurable population. The different divisions have not been provided with a uniform written policies and procedures manual that would help to ensure appropriate and consistent eligibility criteria. See finding 00-DFA-04 for more details.

Inadequate Staff to Verify Information on Uninsurable Applications

The unit that reviews the uninsurable population is understaffed. The Bureau receives approximately 1,000 uninsurable applications weekly. During the audit period, there were two individuals who initially reviewed the applications to verify the

information for completeness and accuracy. As a result of the unit being understaffed, not all the information on uninsurable applications (e.g., income, access to insurance, and social security numbers) is verified for accuracy. Not verifying information on these applications increases the risk that inaccurate information is used in determining eligibility.

Inadequate Monitoring of SSI Recipients

Testwork revealed that the Bureau of TennCare is not adequately monitoring SSI recipients. The *Rules of the Tennessee Department of Health*, Section 1200-13-12-.02 1 (c), states, "the Social Security Administration (SSA) determines eligibility for the Supplemental Security Income (SSI) program. In Tennessee, SSI recipients are automatically eligible for Medicaid. All SSI recipients are therefore TennCare eligible." The Bureau of TennCare has chosen not to select SSI recipients for the reverification process because according to management the Bureau is accountable only for eligibility and reverification of the waiver population. An SSI recipient is reverified by the Department of Human Services if the individual receives other benefits (e.g., food stamps and Families First). However, individuals who are receiving only SSI are not reverified by either the Department of Human Services or TennCare. The Bureau relies on referrals from the managed care organizations (MCOs), the Department of Health, the TennCare Hotline, or the Regional Mental Health Institute to monitor the SSI recipients. The Bureau has access to the Social Security Administration State On Line Query screen to monitor the SSI recipients. However, the Bureau does not proactively monitor SSI recipients who are not receiving other benefits.

Improvement Needed for Reverification of Enrollees

TennCare's reverification project began in June 1998 and established face-to-face interviews for eligibility updates of enrollees. This project was intended to reverify the eligibility of one-twelfth (1/12) of the entire uninsured and uninsurable population each month. TennCare also relied heavily on updates to the TennCare Management Information System (TCMIS) for reverifying eligibility through data matches and information received from various sources. According to waiver requirements (Special Terms and Condition #24), the state must continue to assure that its eligibility determinations are accurate. As noted in the prior five audits, these reverification procedures, however, still did not adequately ensure that all TennCare participants were eligible. According to reports from TennCare management, TennCare mailed approximately 8,000 notices a month from July 1999 to March 2000. For the other three months, TennCare mailed approximately 100,000 reverification notices. These mailings totaled approximately 172,000 enrollees representing a small percentage of the over 500,000 uninsured and uninsurable enrollees.

Also, the Bureau does not verify information contained on a Medicaid extend application. "Medicaid extends" are individuals who are losing Medicaid eligibility but have eligibility for TennCare as an uninsured. The applications are entered on the TennCare Management Information System and processed without verification of

information contained on the application. Medicaid extends are eligible for 12 months after the loss of Medicaid eligibility as an uninsured. However, not verifying Medicaid extend applications can result in inaccurate premium amounts based upon the unverified and possibly inaccurate income amounts reported by the recipient.

Testwork revealed that 5 of 60 recipients selected for review (8%) were not eligible on the date of service and 31 of 60 TennCare recipients (52%) that may or may not have been eligible on the dates of service had not had their eligibility information adequately verifed or reverified within a year of the date of service. Seven of the 60 tested were added to the program within a year of the date of service, which required initial verification of the information on the application. Initial verification includes verifying the applicant's income, social security number, and access to insurance. Of the seven files requiring initial verification, five (71%) had not been verified properly. TennCare could not provide documentation that the enrollees' income and access to health insurance indicated on the application were verified.

The remaining 53 recipients were enrollees who were in the program for more than one year, which required reverification of the enrollees' information. Reverification includes obtaining current information about the enrollees' income and access to insurance. For 26 of 53 enrollees (49%), the enrollee's information had not been adequately reverified within a year prior to the date of service. Sixteen of the 26 enrollees (62%) had not been selected for reverification according to TCMIS. For those not selected, some applicants had been enrolled in the TennCare program as early as 1994. Also, testwork revealed that three of eight enrollees (38%) classified as uninsurable did not have a denial letter attached to verify their uninsurability.

The total amount of capitation improperly paid for the errors noted above was $4,700, out of a total of $7,550 tested. Federal questioned costs totaled $2,966. The remaining $1,734 was state matching funds. We believe likely questioned costs exceed $10,000.

Adequate verification procedures are needed to ensure that only those eligible are enrolled in TennCare. According to Office of Management and Budget Circular A-133, payments are allowed only for individuals who are eligible for the TennCare/Medicaid program. For the year ended June 30, 2000, the Bureau paid capitation payments totaling approximately $2.1 billion to MCOs and over $355 million to behavioral health organizations for TennCare enrollees.

Annual reverification is also necessary to obtain current, accurate information about family size, income, Tennessee residency, and access to other insurance. This information is needed to determine whether participants previously considered eligible have become ineligible because of changes in their family or personal circumstances. Also, this information is used to determine the correct premium and deductible amounts paid by participants.

Psuedo Social Security Numbers Again Discovered

As in past years, using computer-assisted audit techniques to search the TennCare Management Information System (TCMIS), testwork revealed that 119 TennCare participants had "pseudo social security numbers," that began with 8 or all zeros in one field. According to TennCare personnel, some applicants who do not have their social security cards and/or newborns who have not yet been issued social security numbers are assigned these "pseudo" numbers.

Testwork revealed that 73 of 119 individuals (61%) found with "pseudo" social security numbers had not had a correct social security number entered on TCMIS, although they were enrolled more than a year. Some of these TennCare participants had been enrolled in the Medicaid program as early as 1979. Also, while it is not always possible to obtain social security information for newborns (0-3 months), auditors noted that several individuals with pseudo social security numbers were over one year old. The total amount improperly paid for the errors noted above was $38,449. Federal questioned costs totaled $24,260. The remaining $14,189 was state matching funds.

According to the *Code of Federal Regulations*, Title 42, Part 435, Section 910, the state agency must require, as a condition of eligibility, that those requesting services (including children) provide social security numbers. Additionally, Section 3(g) of the code states that the agency "must verify each social security number of each applicant and recipient with the Social Security Administration, as prescribed by the Commissioner, to ensure that each social security number furnished was issued to that individual, and to determine whether any others were issued."

Recommendation

The Director of TennCare should promptly develop and implement adequate uniform procedures to ensure that the eligibility status of all TennCare recipients is determined properly, consistently, and timely. The Director should oversee the development of a written policies and procedures manual and ensure that all divisions involved in the enrollment process of the uninsured and uninsurable population are provided with the manual to ensure that eligibility criteria are applied to the TennCare recipients consistently and accurately. The Director should ensure that adequate staff is assigned to verify information on uninsurable applications. Enrollees' information should be verified and reverified appropriately and in a timely manner, including SSIs that are not receiving other benefits. Social security numbers for all individuals should be obtained in a timely manner.

Management's Comment

We concur in part, although we believe the findings need clarification. We must correct the misstatement that there are no written policies and procedures regarding

eligibility. Eligibility policies and procedures have been developed and reviewed by the Office of General Counsel and the Attorney General's Office. These policies and procedures are being used by the Information Line; the Eligibility, Enrollment, and Reverification Unit; and the Administrative Appeals Unit. A companion document is being developed for health departments.

Our responses to other findings in this report are as follows:

1. Staffing concerns. In order to resolve these issues, we are organizing a new Member Services Unit which will handle all member communications, as well as oversight of eligibility, enrollment, reverification, and administrative appeals. This will be addressed in the Bureau reorganization covered in Management responses to the previous findings.

2. SSI recipients. The State is prohibited by court order from disenrolling persons who have been enrolled in TennCare as SSI recipients at any time since November 1987, unless these persons die or move out of state and indicate a wish to be transferred to the Medicaid program in their new state. These individuals are carried on the TennCare rolls as Medicaid eligibles, which means that they have no copayment obligations. Until such time as the State can terminate the TennCare eligibility of former SSI enrollees, we believe it makes more sense to focus our reverification efforts on those enrollees who could actually be disenrolled from the program.

3. Accuracy of eligibility determinations. In response to the criticism that TennCare accepts self-declaration of income in many instances, subject to reverification, it is important to recognize that this was a policy decision made early in the program. It was considered important to avoid any delays in provision of services to eligible individuals, and the plan was to perform more detailed checks on the information they provided after they were enrolled. We have been interested to note that in recent years other states, in implementing their Child Health Insurance (CHIP) Programs, have also adopted this policy. We believe that the accuracy of eligibility determinations will be improved with our new Member Services Unit and proposed rules and policies already discussed.

4. Pseudo Social Security Numbers. It is our intent to address this issue as part of our planning for the new TCMIS.

Auditor's Comment

Based upon subsequent discussions with management the policies and procedures described in management's response were completed on September 26, 2000, after the end of the audit period. We will review these policies and procedures as a part of our next audit of the department.

Finding Number	00-DFA-04
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Eligibility
Questioned Costs	$37,807,272.77

TennCare should develop written procedures to reflect the eligibility procedures used

Finding

The Bureau of TennCare has not developed written policies and procedures that reflect the eligibility procedures that are currently in place. The Bureau has several adverse court orders, which hinder TennCare from adhering to the previously established TennCare Rules and from adhering to Federal Regulations. Although TennCare has changed its informal policies and procedures in response to court orders, the Bureau has not developed written procedures to reflect the policies and procedures used. A written policy and procedure manual is necessary to ensure that eligibility criteria is consistently and appropriately applied.

Testwork revealed that the court ruling of *Rosen vs. the Commissioner of Health* prohibits the Bureau from disenrolling or terminating individuals from the TennCare program "unless and until they have first been afforded notice and an opportunity for a hearing, in compliance with 42 CFR Part 431, Subpart E." The temporary restraining order, starting May 2000, against TennCare is a result of the Rosen Case. TennCare has unwritten procedures in place, which are intended to ensure that TennCare is in compliance with this court order. One of the unwritten procedures is to not disenroll individuals who have moved out of Tennessee unless the enrollee requests disenrollment in writing. However, one of the technical requirements of TennCare eligibility listed in the *Rules of the Department of Health*, 1200-13-12-.02(3)(b)(2), states that the non-Medicaid eligible applicant "must be a resident of the State of Tennessee." The *Rules of the Tennessee Department of Human Services*, 1240-3-3-.02(6), states for a Medicaid eligible enrollee, "an individual must be a resident of the State of Tennessee, as defined by federal regulations at 42 CFR 435.403." Executive Order No. 23 transferred the TennCare program from the Department of Health to the Department of Finance and Administration with an effective date of October 19, 1999. Although TennCare is now a part of the Department of Finance and Administration, the rules are still applicable per *Tennessee Code Annotated* 4-5-226(b)(2). Due to the recent transfer and the administrative details required to changed the rules, TennCare's rules have not been moved under Department of Finance and Administration as of November 2000. Therefore, throughout the audit report TennCare rules will be cited as *Rules of the*

Tennessee Department Health. According to TennCare's Deputy Director, TennCare considers enrollees in the military, enrollees temporarily working out of the state, and other enrollees who may plan to return to Tennessee at a future date as state residents. However, TennCare has not developed a written definition or a policy of who would be classified as a resident of the State of Tennessee.

Using computer-assisted audit techniques to search the TennCare recipient file located on the TennCare Management Information System (TCMIS), we found over 24,000 enrollees who have a non-Tennessee address. Some of the enrollees have addresses in other countries. Although the Bureau is attempting to comply with the court rulings, it has not developed written procedures to clearly define residency requirements and thus has not limited federal participation to residents of the State of Tennessee. The total amount paid on behalf of these enrollees was $59,918,812. While some portion of the over 24,000 enrollees may be appropriately considered residents of Tennessee, the absence of written policies makes that determination very difficult. Therefore, $37,807,272 is considered federal questioned costs. The remaining $22,111,540 is state matching funds.

In addition, we found over 145,000 enrollees who have P.O. boxes listed as their address. Auditor inquiry revealed that TennCare does not prohibit enrollees from submitting a P.O. box address when enrolling in the program. Allowing enrollees to use P.O. box addresses makes it very difficult to ensure compliance with the rules cited earlier that require residency in the State of Tennessee. Management stated that in certain cases TennCare felt that P.O. box addresses were necessary such as in cases of domestic violence or homeless individuals. However, testwork revealed that TennCare has not established a written policy that describes the instances where the use of P.O. boxes would be allowable. Furthermore, TennCare has not developed a way of identifying these individuals who would be in these categories. The amount paid on behalf of these individuals was over $442 million.

Another court order is the *Daniel Clusters vs. Commissioner of Department of Health* case that prohibits the Bureau from disenrolling Supplemental Security Income (SSI) recipients who lose their SSI benefits without making a new determination of TennCare eligibility independent of a determination of SSI by the Social Security Administration. The *Rules of the Tennessee Department of Health*, 1200-13-12-.02 1(c), states that all SSI-eligible enrollees are eligible for Medicaid. To attempt to comply with this court ruling, TennCare has chosen not to disenroll SSI enrollees that have lost their SSI benefits unless the individual dies or requests disenrollment in writing. See finding 00-DFA-03 for more details. However, to properly determine eligibility, TennCare must redetermine eligibility for the individuals determined to no longer be SSI eligible.

Recommendation

The Director of TennCare should ensure that the Bureau develops written policies and procedures to reflect the eligibility procedures that are used. These policies and

procedures should also include a definition of who is a resident of the State of Tennessee and situations where use of a P.O. box would be allowable. The Director should ensure that enrollees who are on TennCare because of a court order can be identified to assist the Bureau in monitoring for compliance with federal regulations and court orders. The Director of TennCare should make it a priority to ensure long-term compliance with rules and regulations through effective and comprehensive policies and procedures as well as controls that ensure compliance with rules and regulations.

Management's Comment

We concur in part. The Division of Member Services, which includes the Information Line, the Eligibility, Enrollment and Reverification Unit, and the Administrative Appeals Unit have developed policy and procedures that outline eligibility criteria. These policies and procedures have been developed and reviewed by the Office of General Counsel and the Attorney General's office. Work has started on policy and procedure manuals for the local Health Departments.

Definition of Tennessee residency is a part of the on-going lawsuit negotiation. Once resolved, the definition will be used by the Bureau.

Reverification determination processes and procedures are being re-evaluated; application and reverfication procedures will mirror each other. These changes will take twelve to eighteen months to complete.

Auditor's Comment

Based upon subsequent discussions with management the policies and procedures described in management's response were completed on September 26, 2000, after the end of the audit period. We will review these policies and procedures as a part of our next audit of the department.

Finding Number	00-DFA-05
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	$4,357,292.46

Because communication between TennCare and Children's Services has been inadequate, TennCare incorrectly reimbursed the Department of Children's Services for services that were unallowable, inadequately documented, or not performed, resulting in federal questioned costs of $4,357,292

Finding

As noted in the prior audit, TennCare has paid the Department of Children's Services (Children's Services) for services that were unallowable, inadequately documented, or not performed. In accordance with its agreement with TennCare, Children's Services contracts separately with various practitioners and entities (service providers) to provide Medicaid services not covered by the managed care organizations (MCOs) and the behavioral health organizations (BHOs) that are also under contract with TennCare. Children's Services pays these service providers for Medicaid services (enhanced behavioral health services) and non-Medicaid services (housing, meals, and education) directly. Children's Services then should bill TennCare for the reimbursement of only the Medicaid services. During the year ended June 30, 2000, TennCare paid approximately $103 million in fee-for-service reimbursement claims to Children's Services.

TennCare has not adequately defined and communicated the specific Medicaid/TennCare services it is requesting from Children's Services. Management concurred with the prior audit finding and stated that TennCare would continue to work with DCS to determine the cause and resolution necessary to resolve problems addressed with this program. However, TennCare has still not completely determined the cause of the numerous problems addressed with this program.

In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Department of Finance and Administration (F&A) regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> This is a material instance of noncompliance and a material weakness. We recommend procedures be implemented to ensure Federal funds are not used to pay for 1) health care costs of children who are in youth

> development or detention centers, . . . on runaway status, . . . or individuals over 21 years of age, (2) behavioral health services for children under the age of three, and (3) unsupported medical treatment.

In addition, TennCare has not communicated the specific laws and regulations that Children's Services must follow. Testwork revealed the following deficiencies:

Payments for Incarcerated Youth

As noted in the prior three audits, TennCare has not identified incarcerated youth enrolled in the program and has paid for the health care costs of youth in the state's youth development centers and detention centers. Under federal regulations (*Code of Federal Regulations*, Title 42, Part 435, Sections 1008 and 1009), delinquent children who are placed in correctional facilities operated primarily to detain children who have been found delinquent are considered to be inmates of a public institution and thus are not eligible for Medicaid (TennCare) benefits.

Although TennCare's management has entered into a Memorandum of Understanding (MOU) with F&A Division of Resource Development and Support (RDS) to examine this area, TennCare still does not have adequate controls and procedures in place to prevent these types of payments.

Using computer-assisted audit techniques (CAATs), a search by the auditors of TennCare's paid claims records revealed that TennCare made payments totaling $2,309,625 for the year ended June 30, 2000, for juveniles in the youth development centers and detention centers. Of this amount, $1,310,492 was paid to MCOs, $185,862 was paid to BHOs, and $813,271, to Children's Services. Federal questioned costs totaled $1,340,041. An additional $783,722 was state matching funds, and as explained below, the $185,862 paid to the BHOs is not questioned.

BHOs are not to be reimbursed for costs associated with incarcerated youth. The total payments to the two BHOs are based on a predetermined budget for mental health services approved by the Health Care Financing Administration (HCFA). These payments are allocated between the BHOs based on the number of eligible clients. Eligibility includes not being incarcerated. When a BHO has included ineligible clients in its population of TennCare-eligible clients, the portion of the money budgeted for that BHO should be reduced to that extent and awarded to the other BHO. The total amount paid to the BHOs is not affected. Thus, the total amount paid to the BHOs is not a questioned cost in this audit.

Although the total amount paid to the BHOs is not affected, future funding might be affected. When ineligible individuals are included in the population, the population is skewed and could affect assumptions made when determining the amount of the global budget paid to the BHOs in the future.

The payments to the MCOs were monthly capitation payments—payments to managed care organizations to cover TennCare enrollees in their plans. Since the Bureau

was not aware of the ineligible status of the children in the youth development and detention centers, TennCare incorrectly made capitation payments to the MCOs on their behalf.

Payments for Children on Leave Status

TennCare has paid for enhanced behavioral health services for children who are in the state's custody but are on runaway status or placed in a medical hospital. No services were performed for these children because they have run away from the service providers or have been placed in a medical hospital. According to Office of Management and Budget (OMB) Circular A-133, to be allowable, Medicaid costs for services must be for an allowable service that was actually provided. *Code of Federal Regulations*, Title 42, Part 1003, Section 102, prohibits billing for services not rendered.

It is the responsibility of Children's Services to notify TennCare when children run away from service providers or are hospitalized in a medical hospital. Testwork revealed that Children's Services does not notify TennCare when children are on runaway status or are placed in a medical hospital. The Children's Services' provider policy manual allows service providers to bill Children's Services for up to 10 days for children on runaway status, but Children's Services cannot bill TennCare for those days. The Children's Services' provider policy manual also allows service providers to bill Children's Services for seven days if the provider plans to take the child back after hospitalization. If the provider has written approval from the Children's Services Regional Administrator, the provider may bill for up to 21 days while the child is in the hospital, but Children's Services cannot bill TennCare for any hospital leave days. Since the Bureau still has no routine procedures, such as data matching, to check for such an eventuality, it was again unaware Children's Services was reimbursed for particular treatment costs that were not incurred by the service providers. However, based on the prior finding, TennCare should have been aware of the possibility of such costs and should have taken appropriate action to identify such situations.

Using CAATs, we performed a data match comparing TennCare's payment data to runaway records from Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that TennCare had improperly paid $827,010 for the year ended June 30, 2000, to Children's Services for children on runaway status. Federal questioned costs totaled $521,823. The remaining $305,187 was state matching funds.

In addition, using CAATs, we performed a data match comparing TennCare's payment data to medical records from the MCOs. The results of the data match indicated that TennCare had improperly paid $1,999,313 for the year ended June 30, 2000, to Children's Services for children while they were in hospitals. Federal questioned costs totaled $1,261,517. The remaining $737,796 was state matching funds.

Payments for Individuals 21 and Over

As noted in the prior audit, TennCare still does not have procedures to identify the TennCare-eligible individuals who have reached the age of 21; therefore, TennCare did not stop payments to Children's Services for Medicaid services provided to these

individuals who had reached the age of 21. In accordance with the TennCare waiver, Children's Services should bill and receive reimbursement from TennCare only for Medicaid services provided to recipients in its care who are under 21 years of age.

TennCare contracts with Children's Services to determine the eligibility of children under its care and should notify TennCare when an individual reaches the age of 21. However, Children's Services does not notify TennCare when an individual reaches the age of 21. Since the Bureau still has no routine procedures to check for such an eventuality, it once again was unaware that Children's Services billed for recipients who were 21 years and older. However, TennCare could have known that Children's Services has billed TennCare for children 21 years and older by using system edits that compare the date of birth to the dates of service. When the recipient is 21 years or older, the recipient may receive TennCare services through the MCOs, BHOs, or other departments, but not through Children's Services.

Using CAATs, a search of TennCare's paid claims records revealed that TennCare improperly paid a total of $206,124 for the year ended June 30, 2000, for individuals 21 and over. Federal questioned costs totaled $130,059. The remaining $76,065 was state matching funds.

Payments for Services Provided to Children Under Three Years

Despite HHS' recommendation discussed above, TennCare failed to take corrective action and again paid Children's Services for behavioral health services provided to children under the age of three. Using CAATs, a search of TennCare's paid claims records revealed that TennCare improperly paid a total of $1,746,512 for the year ended June 30, 2000, for children under the age of three. Federal questioned costs totaled $1,102,006. The remaining $644,506 was state matching funds.

Payments to Children's Services for Claims That Were Not Adequately Supported

As noted in the prior audit, vendors were still unable to provide documentation indicating the child received therapeutic treatment. For six of 60 claims tested (10%), TennCare inappropriately reimbursed Children's Services for billings when there was inadequate evidence that the child received the service. OMB Circular A-87 requires all costs to be adequately documented.

A total of $2,925 was paid for these services. Federal questioned costs totaled $1,846. The remaining $1,079 was state matching funds. We believe that likely federal questioned costs associated with this condition could exceed $10,000.

A review of our CAATs associated with custody (see finding 00-DFA-06), runaways, incarcerated youth, individuals over 20, vendor billings, children under the age of three, children who were placed in medical hospitals, children who received alcohol and drug treatment (see finding 00-DFA-06), and children in the Hometies program (see finding 00-DFA-06) revealed that our results sometimes duplicated questioned costs. We estimate the amount of duplicated questioned costs to be approximately $750,000. The

estimated federal amount of the duplicated questioned cost is approximately $473,194. The state matching funds are estimated to be approximately $276,806.

In total, $5,595,157 was improperly paid to Children's Services, $1,310,492 to the MCOs, and $185,862 to the BHOs. As discussed earlier, the amounts paid to the BHOs will not be questioned. A total of $4,357,292 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $2,548,357 was state matching funds.

Recommendation

The Director of TennCare should recognize the probability of such improper payments continuing in the absence of effective controls. He should ensure that at least computer-assisted monitoring techniques are developed by the Bureau to prevent or detect payments for incarcerated youth, children on runaway status, individuals 21 and older, children placed in medical hospitals, and children under the age of three. The Director of TennCare should ensure that Children's Services bills only for recipients who receive services and are eligible to receive services. Management should also consider whether any action is necessary regarding the monthly allocation of funds between the BHOs. An accurate population of eligible BHO clients should be determined for purposes of future monitoring. In addition, the Director of TennCare should immediately follow up with HCFA to comply with HHS's recommendation. The Director of TennCare should also ensure that Children's Services is immediately notified of all relevant laws and regulations. He should seek assistance from the Governor in assigning responsibility for ensuring that these improper payments are detected and prevented. Also, the Director of TennCare should ensure that TennCare's management communicates effectively with Children's Services to ensure timely resolution of the numerous problems noted.

Management's Comment

We concur in part, and we believe portions of the findings need clarification.

1. Definition of Services. It is not accurate to say that "TennCare has not adequately defined and communicated the specific Medicaid/TennCare services it is requesting from Children's Services." The current interdepartmental agreement between TennCare and DCS lists the services precisely and includes attachments that describe each one in detail. The attachments are the same as those used in the BHO contract to define covered services. (The services which TennCare contracts with DCS to provide are identical to services otherwise covered by the BHO.) TennCare has specifically identified to DCS which costs are allowable and which are not.

2. Payments for Incarcerated Youth. We will request that F&A Office of Program Accountability Review (PAR) strengthen its efforts to better identify these payments.

3. Payments for Children on Leave Status. TennCare has instructed DCS not to bill TennCare for services not provided to children on leave status. TennCare is developing a DCS Policies and Procedures Manual and will confirm this understanding in that manual. In addition, TennCare will request that F&A PAR strengthen its efforts to assure that inappropriate payments are better detected in the future.

4. Payments for Individuals 21 and Over. The individuals 21 and over who are being served by DCS are generally individuals with mental retardation who are waiting for an adult placement. TennCare is aware that this situation exists and we do not believe it is inappropriate to provide services to these persons. We have met with DCS and the Division of Mental Retardation Services to discuss ways in which these individuals can be moved into the adult mental retardation service system more quickly, but the fact remains that the State is responsible for them and should be able to use TennCare dollars to contribute to the cost of their care.

5. Payments for Services Provided to Children Under Three Years. We disagreed last year with the opinion of the auditors that DCS should not be paid for behavioral health services provided to children under 3, and we disagree again this year. The belief that children under 3 cannot benefit from mental health services is not supported by any clinical research of which we are aware. Mental health treatment for young children is certainly different from that provided to older individuals. It tends to focus on milieu therapy (which is the primary service DCS is providing) rather than formal counseling sessions, but it is still very important. Federal EPSDT law requires that any Medicaid coverable service be made available to any eligible child under the age of 21 when such a service is medically necessary. To arbitrarily deny a Medicaid coverable service to children simply because they are in a particular age group is, we believe, discriminatory and in violation of federal Medicaid law.

6. Payments to DCS for Claims That Were Not Adequately Supported. TennCare will request that F & A PAR include procedures in their reviews to detect payments that may not be adequately supported. In addition to the above efforts, TennCare is considering performing retrospective reviews and cost settlements at year-end to determine any over-billings by DCS. This is intended as a temporary measure until such time as any system changes can be made.

Auditor's Comment

Definition of Services

TennCare operated for a majority of the fiscal year without a contract with the Department of Children's Services. Thus, for a majority of the fiscal year there was no authoritative guidance describing the services to be provided.

Payments for Individuals 21 and Over

We agree that it seems that the state should be able to use TennCare dollars to provide services to individuals 21 and over. However, the current TennCare waiver does not permit the Department of Children's Services to bill and receive reimbursement from TennCare for services provided to recipients in its care who are 21 or older. As stated in the finding, the U.S. Department of Health and Human Services indicated in its response to the prior audit finding that payments for individuals 21 and over should not be made in the current manner. If TennCare wishes to continue paying Children's Services for the individuals, an amendment to the TennCare waiver should be obtained.

Payments for Services Provided to Children Under Three Years

Management fully concurred with this finding in last year's audit report. HHS has also confirmed that TennCare should not pay for behavioral health services for children under the age of three. As stated in the finding HHS has requested that TennCare implement procedures to ensure Federal funds are not used to pay for behavioral health services for children under the age of three. Management has not produced clinical research that would indicate that children under three could benefit from mental health services. Since management disagrees with this ruling from the grantor we recommend that management contact the grantor for further clarification.

Finding Number	00-DFA-06
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	$8,295,479.15

TennCare incorrectly reimbursed the Department of Children's Services over $13 million for services that are covered by and should be provided by the behavioral health organizations

Finding

As noted in the prior audit, TennCare has incorrectly reimbursed the Department of Children's Services (Children's Services) for services that are covered by and should be provided by the behavioral health organizations (BHOs). When TennCare began (January 1, 1994), TennCare contracted with Children's Services to provide all behavioral treatment for children in state custody or at risk of state custody. On July 1, 1996, TennCare contracted with the BHOs to provide some behavioral health treatment for children in state custody or at risk of state custody. However, the TennCare waiver was not amended to define the responsibilities of Children's Services.

Management concurred with the prior audit finding and stated that "TennCare would review the services provided by the BHOs in relation to those services provided by Children's Services and would work with Children's Services to ensure their knowledge of those services that can be billed to TennCare and those that must be billed to the BHOs." In addition, management stated that TennCare would "address monitoring techniques that may be available to help detect or prevent unauthorized payments for children in state custody or at risk of coming to state custody." Although TennCare management concurred with the prior audit finding, TennCare still has not ensured that Children's Services was aware of those services that were covered by the BHOs. This is evidenced by the contract between TennCare and Children's Services which does not sufficiently describe the services that Children's Services should provide and which services should be provided by the BHOs. In addition, TennCare has not implemented any monitoring techniques to detect or prevent unauthorized payments for children not in state custody because TennCare has chosen to rely solely upon Children's Services to bill TennCare only for children in state custody.

In accordance with its agreement with TennCare, Children's Services contracts separately with various practitioners and entities (service providers) to provide Medicaid services not covered by the BHOs that are also under contract with TennCare. Children's

Services pays these service providers for Medicaid services (enhanced behavioral health services) and non-Medicaid services (housing, meals, and education) directly. Children's Services then should bill TennCare for the reimbursement of only the Medicaid services. During the year ended June 30, 2000, TennCare paid approximately $103 million in fee-for-service reimbursement claims to Children's Services.

TennCare contracts with the BHOs to provide the basic and enhanced behavioral health services for children not in state custody as well as basic behavioral health services for children in state custody. TennCare has also contracted with the BHOs to provide all services to prevent children from entering state custody (Hometies) for children at risk of state custody. In addition, TennCare has contracted with the BHOs to provide the first $30,000 worth of alcohol and drug treatment for children in state custody. All behavioral services for children not in state custody should be provided through the TennCare BHOs. Enhanced behavioral health services for children in state custody should be provided by Children's Services. In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> We recommend procedures be implemented to ensure federal funds are not used to pay for health care cost of children who are . . . not in state custody . . . or in the Hometies Program.

Since TennCare still does not have procedures to identify services covered by the BHOs for children not in state custody or at risk of state custody as noted in the table below and discussed in subsequent paragraphs, TennCare has again paid both the BHOs and Children's Services for children not in state custody.

	Federal Share	State Share	Total
Hometies Services	$460,055	$269,062	$729,117
Continuum Services	3,269,726	1,912,295	5,182,021
Other Services	2,216,599	1,296,376	3,512,975
Total Costs	$5,946,380	$3,477,733	$9,424,113

TennCare has made payments to Children's Services for enhanced behavioral health services for children not in state custody. Using computer assisted auditing techniques (CAATs), auditors performed a data match comparing payment data on the Bureau of TennCare's system to custody records from Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that TennCare had improperly paid $9,424,113 for the year ended June 30, 2000, for children who were not in the state's custody. A portion of these improper amounts (see below for further discussion) was paid for services to prevent children who have never been in state custody from entering state custody, also known as the Hometies Program in Children's Services, which is covered by the BHOs. Of the $9,424,113 paid, $5,182,021 was paid for services to prevent children from reentering state custody (continuum) who had been in state custody. TennCare has contracted with the BHOs, who are paid a monthly fixed

capitation rate to provide all services to prevent children from entering state custody. TennCare has also contracted with Children's Services on a fee-for-service basis, for continuum services. Through this contract arrangement, TennCare has been paying for the same services twice. Federal questioned costs, excluding $460,055, which is included in the Hometies amount questioned below, totaled $5,486,325. An additional $3,208,671 of state matching funds was related to the federal questioned costs.

TennCare has again made payments to Children's Services for Hometies services provided to children at risk of state custody. TennCare improperly paid Children's Services $729,117 for the year ended June 30, 2000, for services covered by the BHOs. Federal questioned costs totaled $460,055. An additional $269,062 of state matching funds was related to the federal questioned costs. Although Children's Services again improperly billed TennCare for Hometies services, Children's Services requested in a memo to TennCare dated June 20, 2000, that the amount that was improperly paid be offset against future payments. As of November 28, 2000, the funds have not been recovered.

TennCare has incorrectly made payments to Children's Services for alcohol and drug treatment provided to children in state custody by Children's Services. However, the BHOs are contractually responsible for the first $30,000 of such expenditures. Neither TennCare nor Children's Services has a mechanism for identifying children who have already received $30,000 of these services provided by the BHOs. Thus, TennCare improperly paid Children's Services $3,722,966 for the year ended June 30, 2000, for services covered by the BHOs. Federal questioned cost totaled $2,349,099. The remaining $1,373,867 was state matching funds.

In addition, testwork revealed that different service providers that were on contract with Children's Services would be paid by the BHOs and Children's Services for the same dates of service for the same child. Using CAATs, auditors performed a data match comparing payment data on the Bureau of TennCare's system to the payment data from the BHOs. The results of the data match indicated that Children's Services had paid approximately $3.6 million to providers for the same dates of service for which the BHOs had paid other providers. The data match also identified numerous payments where the same service providers were paid twice for the same services. The service providers received payments from the BHOs and also from Children's Services. The listing of duplicated payments was provided to management to determine how this could occur. Management could provide the auditors with an explanation for some of these payments. However, a TennCare Director indicated that some of these payments could be provider fraud.

Because TennCare once again did not adequately define the services in the contract with Children's Services that are to be provided by Children's Services, TennCare has again effectively paid for these services twice and has misused federal and state funds.

A review of our CAATs associated with custody, runaways (see finding 00-DFA-05), incarcerated youth (see finding 00-DFA-05), individuals 21 and older (see finding 00-DFA-05), vendor billings (see finding 00-DFA-05), children under the age of three (see finding 00-DFA-05), children who were placed in medical hospitals (see finding 00-DFA-05), children who received alcohol and drug treatment, and children in the Hometies program revealed that our results sometimes duplicated questioned costs. We estimate the amount of duplicated questioned costs to be approximately $750,000. The estimated federal amount of duplicated questioned cost is approximately $473,194. The state matching funds are estimated to be approximately $276,806.

In total, as a result of the conditions described in this finding, $13,147,080 was improperly paid to Children's Services. A total of $8,295,479 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $4,851,601 was state matching funds.

Recommendation

The Director of TennCare should immediately revise the contract with Children's Services to clarify the services for which the BHOs are responsible and the services for which Children's Services is responsible. All agreements regarding Children's Services' responsibilities to provide behavioral health services should be documented, included in the contract between TennCare and Children's Services, and reflected in the contracts with the BHOs. TennCare should develop and implement controls to prevent payments to Children's Services for alcohol and drug treatment services for children that have not had $30,000 of these services already provided. In addition, the Director of TennCare should ensure that monitoring techniques are implemented to detect and prevent unauthorized payments for children in state custody or at risk of being in state custody. Controls should be developed and implemented to ensure the BHOs and Children's Services pay only for services for which they are responsible. In addition, controls to prevent paying the same providers twice should be developed and implemented. Also, the Director of TennCare should immediately follow up with the Health Care Financing Administration to comply with HHS's recommendation.

Management's Comment

We concur in part. We continue to work with DCS and the BHOs to clarify coverage of benefit issues between the two. Although the audit finding states "the contract…does not sufficiently describe the services that Children's Services should provide," the current interdepartmental agreement between TennCare and DCS lists the services precisely and includes attachments that describe each one in detail. The attachments are the same as those used in the BHO contract to define covered services. TennCare has specifically identified to DCS which costs are allowable and which are not. We have clarified issues surrounding Hometies services with DCS and they have assured

us that procedures will be implemented to ensure that these services are not billed to TennCare.

TennCare has contracted with F&A PAR to monitor the contract with DCS. However, we recognize that monitoring of this contract and services billed to us need continued examination and improvement. We will continue to review the monitoring and claims processing procedures to improve detection of unallowable services.

Auditor's Comment

TennCare operated for a majority of the fiscal year without a contract with the Department of Children's Services. Thus, for a majority of the fiscal year there was no authoritative guidance describing the services to be provided. Hopefully the new contract will help to clarify the scope of services for which the Department of Children's Servcies is responsible. However, even with a clearer understanding between the Department of Children's Services and TennCare, incorrect reimbursements can occur if there are inadequate procedures to identify inappropriate billings by the Depatment of Children's for services covered by the BHOs.

Finding Number	00-DFA-07
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare should exercise its responsibility to ensure the Department of Children's Services' new payment rates are reasonable and have been approved by the Health Care Financing Administration (The old rates set by the Department of Children's Services were not based on an understandable methodology)

Finding

As noted in two previous years' audit findings, with which management concurred, TennCare has not ensured the Department of Children's Services (Children's Services) has established federally approved Medicaid treatment rates for services provided for children in state custody. TennCare has relied on Children's Services to determine the Medicaid treatment rates paid to the Medicaid service providers for children in the state's custody. Children's Services pays the Medicaid service providers for all Medicaid (treatment) and non-Medicaid services (housing, meals, and education) directly, then bills TennCare for the reimbursement of Medicaid services.

In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Tennessee Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> This is a material weakness and a repeat finding. We recommend procedures be strengthened to ensure costs charged to the Federal program are based on actual medical treatment costs.

Management of Children's Services could not provide information as to how the treatment portion of services was determined. A study has been performed by Children's Services and TennCare submitted the results to the Health Care Financing Administration (HCFA) on September 22, 2000. However as of October 19, 2000, TennCare has not obtained approval from the HCFA for the proposed rates and as a result has not implemented the new rates. Because the old rates are not based on an understandable methodology to determine the true treatment costs incurred by the Medicaid service providers, Children's Services may be over- or underbilling TennCare for costs associated with the treatment. In addition, TennCare may be reimbursing Children's Services for non-Medicaid services. Because actual treatment costs could not be

determined and differentiated from unallowable costs, auditors could not determine the amounts of possible overbillings and unallowable costs paid by the federal government. Since management at Children's Services could not explain the current methodology, it is unlikely the current rates meet Medicaid principles.

Recommendation

The Director of TennCare should seek a response from HCFA regarding the rates developed by Children's Services. When approved, the Director of TennCare should ensure that Children's Services implements the federally approved rates that have been developed to comply with Medicaid principles for treatment costs associated with children in state custody.

Management's Comment

We concur. The Bureau will again request a response for HCFA. However, we cannot dictate the response time of HCFA. When approved, we will work with Children's Services to ensure the rates are implemented.

Finding Number	00-DFA-09
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare has not adequately monitored TennCare-related activities at the Department of Children's Services

Finding

As noted in the prior three audits, TennCare has still not adequately monitored the Department of Children's Services (Children's Services). TennCare again entered into a Memorandum of Understanding (MOU) with the Department of Finance and Administration (F&A) to monitor several aspects of Children's Services' operations for the year ended June 30, 2000. Management concurred with the prior audit findings and stated that TennCare would enhance the scope of services required in the monitoring plan with F&A for the year ended June 30, 2000. Also, management stated that TennCare would work with F&A monitoring staff to ensure their knowledge of allowable and unallowable services. Although TennCare's management has made changes to the scope of service, it appears that TennCare has still not completely enhanced the scope of service in the MOU. In addition, TennCare again did not ensure that F&A had a sufficient understanding of all the allowable and unallowable services. For example, information should have been communicated regarding services that are to be covered by the behavioral health organizations (BHOs) instead of Children's Services (finding 00-DFA-06). Also, TennCare did not include monitoring of case management services provided by DCS for children (See finding 00-DFA-10).

In accordance with the agreement between Children's Services and TennCare, Children's Services contracts separately with various practitioners and service providers to provide health care benefits not provided by the managed care organizations (MCOs) and the behavioral health organizations (BHOs) under contract with TennCare. Children's Services pays these providers and bills TennCare for reimbursement. For the year ended June 30, 2000, TennCare paid approximately $103 million to Children's Services in fee-for-service reimbursement claims.

TennCare's monitoring through an MOU with F&A includes efforts to ensure that

- only services allowable under the grant are billed;

- the amounts billed are correct and allowable;

- the expenditures are valid and properly supported; and

- only eligible, licensed, or certified providers are providing the services.

F&A again did not follow the MOU's requirements related to monitoring of the following critical areas:

- F&A again did not test the accuracy of Children's Services' billing rates (finding 00-DFA-07).

- F&A again did not test the providers to ensure that all provider enrollment qualifications were met.

- Although the MOU was signed on November 15, 1999, F&A submitted only one monitoring report during the year ended June 30, 2000. The MOU requires that F&A "report the results of monitoring at least quarterly to the Director of the Bureau of TennCare." The one monitoring report sent to TennCare was dated May 11, 2000.

- Although F&A was aware of some unallowable costs, TennCare did not ensure that F&A was aware of all possible unallowable costs associated with Children's Services' payments for noncustodial children and with services that were covered by the BHOs for children in state custody (finding 00-DFA-06). Since TennCare again has not informed F&A of all possible unallowable costs, F&A's monitoring is still less effective.

Recommendation

The Director of TennCare should ensure that F&A properly performs its responsibilities under the monitoring agreement. TennCare should consider all critical areas of compliance, especially related to Children's Services' billings for ineligible services or children. These areas and the applicable compliance requirements should be appropriately included in the monitoring agreement with the Department of Finance and Administration.

Management's Comment

We concur. This year TennCare appointed a DCS liaison whose specific responsibility is facilitating communication and coordinating activities between DCS and TennCare. She has met with F&A monitoring staff to clarify issues and to discuss reports. She also meets regularly with DCS to discuss billing codes, billing practices,

coverage of services, etc. TennCare will continue to work with F&A to strengthen its monitoring of DCS.

Finding Number	00-DFA-15
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	$38,206.62

TennCare has not ensured that adequate processes are in place for approval of the recipient and for the review and payment of services under the Medicaid Home and Community Based Services Waiver

Finding

As noted in the prior audit, TennCare has not ensured the Division of Mental Retardation Services (DMR) appropriately reviews and authorizes allowable services for recipients of the Medicaid Home and Community Based Services Waiver (HCBS waiver). In addition, DMR has not adequately documented the review and approval of services on the individual's Service Plan. Also, services were provided to recipients without proper preadmission evaluations, and unallowable claims were paid. Management concurred with the prior audit finding and stated,

> The current service authorization process will be reviewed by TennCare staff and if determined appropriate, an amendment to the HCBS Waiver will be submitted to HCFA to clarify the process that will be used to provide documentation of services authorized and approved for waiver participants.

However, TennCare has not amended the HCBS waiver to clarify the process that will be used to provide documentation of services authorized and approved for waiver participants.

Section 13 of the HCBS waiver states that services under the waiver will be furnished pursuant to an approved plan of care. Documentation of approval of the plan of care is performed on the Service Plan based on appendix E of the HCBS/MR waiver document. DMR's *Operation Manual for Community Providers*, chapter two, requires Service Plans to be authorized before entry into DMR's Community Services Tracking System as approved, and chapter one requires a preadmission evaluation to be properly completed for each recipient. In addition, Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, states that costs must be documented.

A sample of 60 individual support plans (ISP) representing claims totaling $61,645 were tested. Thirteen of these (22%) were determined to be improper. Problems with the ISPs included the ISPs were not signed and dated by those in attendance; there was no ISP signature sheet; or the ISP was missing. None of the 60 ISPs indicated that a formal review was performed as required by chapter two of the *Operations Manual for Community Providers*.

We tested the recipients of the waiver to determine whether they were eligible for the services rendered. A properly approved and completed preadmission evaluation (PAE) serves as documentation of waiver eligibility. Examination of 60 PAEs revealed that 18 (30%) were improper. Problems with the PAEs included:

- the recipient's preadmission evaluation (PAE) was not supported by a physical examination and/or psychological evaluation as required by chapter one of the *Operations Manual for Community Providers*;

- the physician's signature and an approval signature were not within 30 days as required by the waiver; and

- there was no indication that the recipient was mentally retarded prior to age 18 as required by chapter one of the *Operations Manual for Community Providers*.

Also, 13 of the recipients files were missing one or both of the following:

- a completed PAE, or

- a Form 2362, Notice of Disposition or Change Form, used to calculate a recipient's patient liability.

Testwork also revealed that all 60 of the claims were paid based on inappropriate rates. Fifty-eight of the claims were improper because the rates in the Division of Mental Retardation's Community Services Tracking System did not agree with the waiver-approved rates in the TennCare Management Information System (TCMIS). See finding 00-DFA-13 for more details. The other two payments were made directly to the service provider; however, the rates used for these two payments were not waiver-approved rates. Adjusted rates were used to pay the service provider which were supposed to more closely resemble actual expenditures; however, the rates were not HCFA approved. In addition, 15 of these 60 vendor records did not properly support actual performance of services billed. Service plans required by *Operations Manual for Community Providers* are used to list authorized services. Cost plans required by *Operations Manual for Community Providers* list which services will be provided, the frequency of the service, and the cost of the services. Testwork revealed that 88% of service plans tested (53 of 60) and 90% of cost plans (54 of 60) were either not approved, not approved timely, or were missing. The service plans sampled had 55% that were not approved, 23% that were missing, and 10% that were not approved timely. Of the cost plans sampled, 83%

were not approved timely, 3% were not approved, 2% had a conflicting date, and 2% were missing.

For 49 of 60 claims paid (82%), the periods covered by the service plans and the cost plans did not agree or there was not a service plan or cost plan. By having the periods covered not agree, there is a risk that services on an approved cost plan would not be listed on an approved service plan for the dates of service and vice versa.

The total of improperly documented claims in the sample was $60,552. Federal questioned costs totaled $38,207. The remaining $22,345 was state matching funds. The total population for the HCBS waiver claims was $191,304,282.

Since TennCare has not ensured that adequate processes are in place for approval of the recipient and for the review and payment of services under the Medicaid Home and Community Based Services Waiver, Medicaid providers of HCBS waiver services have been paid for inadequately documented services.

Recommendation

The Deputy Commissioner over DMR should ensure that approval and review of services under the HCBS waiver is adequately documented. The Director of TennCare should ensure that the eligibility criteria for all individuals are documented on the PAE. Claims without adequate documentation should be denied. Cost plan and service plan dates should be in agreement. A formal review should be performed for all ISPs. TennCare should pay all claims in accordance with waiver-approved rates.

Management's Comment

We concur. Based on recommendations from the prior audit, DMRS modified its Service Plan review and authorization process. DMRS Regional Directors now ensure that approval of services is adequately documented on each individual's service plan. Every service plan is reviewed, approved and signed. The revised process was implemented in the summer of 2000. On site reviews in each Region during October by DMRS central office staff indicated 100% compliance for Service Plans received since June, 2000. Cost plan and service plan date consistency has likewise improved with the revised process. During the past year, a workgroup focusing on Individual Support Coordinator issues developed a process for reviewing all Individual Support Plans (ISPs). The Director of each ISC Agency must review and approve each ISP before it is sent to the Regional Office. During the annual Quality Assurance survey conducted by DMRS, a 10% sample of ISPs is drawn to validate the accuracy of the Director's review. The revised process will be implemented by the second quarter of 2001.

TennCare Quality Monitoring staff reviewed for appropriate care plans and service plan authorization during the 98/99 and 99/00 State Assessments. As previously

discussed, the reports are being drafted. The TennCare Division of LTC will include monitoring for appropriate plans of care and service plan authorizations in developing the survey tool and policies for quality monitoring during the State Assessment.

The PAEs reviewed were done during the period of time DMRS was performing PAE review for the MR Waiver. As of June 2000, the TennCare Division of LTC assumed the PAE review responsibility for MR Waiver applicants. A draft policy has been written to address the review of PAEs for those applying for TennCare reimbursed programs for the mentally retarded. The need for a psychological evaluation is addressed on page 4 of the draft policy. The history and physical and initial plan of care requirement is addressed on page 6 of the draft policy. Physician's signature is addressed on page 7 of the draft policy. The nursing staff assigned to review ICF/ MR PAEs have been instructed to review the psychological evaluation and assure that a diagnosis of mental retardation prior to the age of 18 is documented.

Timeframe for completion: Remedies have been implemented. It will take 6 months to a year to evaluate effectiveness.

Finding Number	00-DFA-25
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare needs to improve policies and procedures for accounts receivable

Finding

As noted in the two prior audits, TennCare has not established adequate overall policies and procedures for accounts receivable. Management concurred with the prior-year finding and stated, "Policies and procedures are being developed to include monitoring, collecting, writing off, and recording in STARS the TennCare accounts receivable. . . ." Management also stated that they would "work with other state agencies to document the establishment of accounts receivable at year end." However, testwork for the third straight year revealed a continued inadequacy of policies and procedures.

Accounts receivable policies and procedures that were developed in response to the prior audit consisted of brief general statements of the methods of calculating the amounts to be included in the State of Tennessee Accounting and Reporting System (STARS). There were no written procedures for monitoring, collecting, or writing off any of TennCare's receivables.

Management stated that the organization's polices and procedures were the same as those described in *Rules of the Department of Finance and Administration*, and therefore they did not need additional policies and procedures. However, as noted below, they did not follow *Rules of the Department of Finance and Administration*, Division of Accounts, Chapter 0620-1-9, entitled "Policies and Procedures Governing the Write-Off of Accounts Receivable." Furthermore, these rules are very general and do not tell how gross and net receivable amounts are determined as well as how to determine the amounts to be reported.

TennCare's failure to comply with *Rules of the Department of Finance and Administration*, Division of Accounts, Chapter 0620-1-9, is demonstrated in the area of cost settlement accounts receivable. In accounting for these receivables, the Bureau still failed to comply with the requirement for the establishment of an "Allowance for Estimated Uncollectibles where appropriate," since there was no allowance for estimated uncollectibles. In addition, the rule that "a certain length of time must pass before an account is considered uncollectible" was violated. The average age of "active" cost settlement accounts receivable was approximately four years, according to TennCare's

records. Furthermore, testwork and discussions with TennCare fiscal staff revealed that there was no "minimum age" rule regarding consideration of accounts for write-off.

TennCare also violated provisions of Chapter 0620-1-9 in the area of premium accounts receivable. An allowance for uncollectible accounts was not established. A $15 million audit adjustment was made for the State of Tennessee Comprehensive Annual Financial Report to reflect the uncollectible accounts that were not recorded on STARS. In addition, TennCare violated the chapter in the area of drug rebate receivables, since an aging of the accounts was not performed.

Testwork again revealed several discrepancies in the controls over enrollee premiums receivable. Premiums are collected from enrollees who are classified as uninsured and uninsurable. These enrollees are required to pay premiums in order to receive health services under the program. TennCare is responsible for maintaining the enrollee's premium account and for determining the applicable monthly premium amount based on an enrollee's income and family size. Testwork revealed that TennCare still has the following inadequate controls to ensure the accuracy of premium reporting:

- The TennCare Bureau prepares a cumulative premium report each month to track the total premiums billed to enrollees, the total amount remitted by enrollees, the total amount due from enrollees, and the total premium statements mailed to enrollees for each month. Management uses this report to develop premium estimates for financial reporting purposes. Our review of this cumulative report revealed several inconsistencies that jeopardize the reliability of this report. The report provided to the auditors during this audit period contained differences from the report used in the prior audit. For example, the amount of premiums billed for the month of January 1994 was different on the two reports. Although the amount should not have changed, the report auditors received in 2000 showed January 1994 billings as $485,444.08, and the 1999 report showed January 1994 billings as $485,645.03. Such an inconsistency, while immaterial, shows that the report is unreliable. Management indicated that this difference was the result of computer programming errors.

- In addition, the column that summarizes total due from enrollees reported balances when, in fact, management had written off these receivable balances. Management indicated that this difference was the result of computer programming errors.

- There are no written procedures for the comparison of a list of deposits prepared by the fiscal agent Electronic Data Systems (EDS) with STARS transactions listings. Not having written procedures results in a review that is not consistently documented.

- TennCare management does not perform analytical procedures on projected enrollee premium income on a month-to-month basis. By not performing

such an analysis, TennCare cannot ensure that all individuals who are required to pay premiums are actually billed and that all premiums billed are accurate. For example, TennCare does not compare enrollment to the total amount billed.

- Testwork revealed that TennCare was not properly verifying and reverifying eligibility for the purpose of premiums (see finding 00-DFA-03 for more information). Therefore, proper premiums may not be charged to enrollees.

Recommendation

The Director of TennCare should ensure that policies and procedures for overall accounts receivable and premium functions are completed and implemented. In addition, the Director of TennCare should strengthen controls over premiums for the uninsured and uninsurable enrollees. Controls should include accurate premium reporting, analytical review, and proper write-off of uncollectible premiums receivable. Furthermore, TennCare's management should establish an estimate for uncollectible accounts where appropriate, establish a specific length of time that must pass before an account is deemed uncollectible, and perform an aging for all accounts receivable.

Management's Comment

We concur. Policies and procedures are being developed to include monitoring, collecting, writing off and recording in STARS the TennCare accounts receivable, which includes premium collections. TennCare staff will work with other agencies to document the establishment of accounts receivable at year end. TennCare will review the current controls and procedures relative to premium reporting.

Finding Number	00-DFA-26
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

Policies and procedures for accrued liabilities still need improvement

Finding

As noted in the prior two audits, TennCare's policies and procedures for accrued liabilities were not adequate. Due to these inadequacies, numerous deficiencies in TennCare's accrued liability records were noted. Management concurred with the prior finding and stated that these policies and procedures were "being developed." In addition, they stated that they would "work with other state agencies to document the establishment of accrued liabilities at year end," and that they would "net accounts receivable and accrued liabilities only when deemed necessary." Testwork revealed that policies and procedures for accrued liabilities remain inadequate. Furthermore, improper netting of cost settlement accounts receivable and accrued liabilities was again discovered, along with other problems which could have been prevented by the development and implementation of proper policies and procedures for accrued liabilities.

Testwork revealed that, as during the period following the first finding in this area in 1998, no work had been performed by TennCare management regarding the development of formal written policies and procedures for accrued liabilities. Management produced documents describing in general, on one page, the procedures used at year-end to compile the accrued liabilities amounts. However, there are no policies regarding the netting of accrued liabilities and accounts receivable or other questioned practices as discussed below. These procedures for accrued liabilities were inadequate, and allowed improper accruals. All of these matters had been discussed with management in detail over the past two audits, so the issues should be clear. Specifically, testwork revealed the following:

- For the year ended June 30, 2000, the accrued liabilities for Long-Term Care – General, HCBS Waiver – Senior, and Skilled Nursing Facilities were improperly calculated by simply subtracting actual expenditure amounts from budget amounts, and then adding remaining amounts from prior-year under- and overaccruals to obtain current-year accrued liabilities. TennCare personnel followed the procedure prescribed by management for the

calculation; however, as previously discussed with management, this practice does not meet the definition of the accounting term "liability."

- Accrued liabilities for Long-Term Care Mental Retardation (Private) were overstated by approximately $5.4 million because, according to management's orally communicated instructions, the liability was to be stated as the sum of checks written on June 29, 2000, and physically released to providers after July 1, 2000, for services to be performed in July of the same calendar year. Properly written policies and procedures for accrued liabilities would have prevented this improper accrual.

- Improper netting of accounts receivable and accrued liabilities was repeated in the year ended June 30, 2000. TennCare again miscalculated the managed care organization (MCO) capitation accrued liability as the sum of MCO New Claims and MCO Withholding. The sum of the two amounts, in some cases, was a negative number, indicating that the MCO owed money to TennCare at the end of the fiscal year. When the sums were added, resulting in the amount called the MCO capitation accrued liability for fiscal year 2000, an improper netting of accounts receivable and accrued liabilities was the result. In this manner, TennCare understated accrued liabilities by approximately $1.1 million. As in the cases discussed above, and as previously stated to management, properly written and implemented policies and procedures regarding accrued liabilities could have prevented this error.

Proper accounting policies and procedures ensure compliance with generally accepted accounting principles and that the financial information used for decision-making and state and federal reporting is accurate.

Recommendation

As previously stated in the prior two audits, the Director of TennCare should ensure that policies and procedures for accrued liabilities are written and implemented and should ensure that the Fiscal Director obtains accurate and sufficiently detailed supporting documentation for amounts that will be recorded in the State of Tennessee Accounting and Reporting System. In addition, the Fiscal Director should ensure that liabilities accrued by his office are carefully prepared and reviewed to ensure compliance with generally accepted accounting principles.

The Fiscal Director also should ensure that receivables and payables (liabilities) are accounted for separately and consistently. Amounts should be netted on an individual provider or account basis only.

Management's Comment

We concur. Policies and procedures are being developed to ensure accrued liabilities are adequately documented before recording in STARS. TennCare staff will work with other state agencies to document the establishment of accrued liabilities at year-end.

Finding Number	00-DFA-27
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

Controls over checks should be strengthened

Finding

As noted in the prior audit, the TennCare Bureau needs to improve controls over manual and system checks. For the year ended June 30, 2000, these checks totaled over $3.9 billion.

Management concurred with the prior audit finding and stated that they would monitor the fiscal agent to ensure adequate segregation of duties. However, based on conversations with management, this monitoring was not performed. Testwork revealed that the segregation of duties is still not adequate and the controls are still weak. Electronic Data Systems (EDS), the fiscal agent, is responsible for preparing the checks. However, EDS has not established adequate controls over checks. The following deficiencies were noted:

- Physical security over the manual and system check stock is compromised because the room key and the key logs are not kept together. The key could be obtained without anyone signing the log. The *Tennessee MIS Financial Procedure Manual*, Section K (Check Storage and Check Logs), states that the log and key to the vaults are to be kept together at all times.

- EDS does not record receipt of blank system checks for accountability. The *Tennessee MIS Financial Procedure Manual*, Section K (Inventory and Control of Checks), part D, states that a "blank stock check log" is to be used "to establish control for blank check stock received from the vendor. A clerk and witness will store blank checks received from the vendor in the vault and complete the Blank Stock Check Log." Not recording the receipt of blank system checks makes it more difficult to conduct physical check inventories and to monitor and investigate checks.

- Systems check logs were not reconciled to the TennCare Management Information System (TCMIS) to ensure that all checks were accounted for properly.

- Although EDS employees indicated that they perform an inventory of checks, such inventories are not documented. *The Tennessee MIS Financial Procedure Manual*, Section K (Inventory and Control of Checks), "Maintaining Check Stock," states that "an inventory of all checks will be maintained."

- EDS does not reconcile the manual check log to checks that are completed to ensure that all checks are accounted for. There is a possibility that a manual check could be completed that does not show up on the check log. Without reconciliations, the unlogged check could go unnoticed for an extended period of time.

- Testwork revealed that because of a system error, a manual check was issued without being entered into the Basic Accounting Reconciliation System (BARS), causing the check not to be included on the TCMIS check register report. When this occurs, there is a possibility that an unauthorized manual check could be issued without detection.

- The individual who manages the checks and the key logs has the potential to control the whole manual check process. This person is responsible for the strong box, which includes the rubber stamp and partially completed checks.

These weaknesses in controls over checks could permit an individual to gain access to checks without detection. In addition, a lack of appropriate segregation of duties could permit an individual to control the whole check process and issue a check for unauthorized purposes.

The only compensating control used was a reconciliation of checks issued and cleared each month. This reconciliation involves records from the Department of the Treasury (Treasury), the Department of Finance and Administration's Division of Accounts, and TennCare. This reconciliation ensures that TennCare's and Treasury's records of checks issued and cleared correspond to the State of Tennessee Accounting and Reporting System (STARS).

Effective internal controls require that physical security and accountability over checks be maintained and that no one person have the ability to control the entire check-issuance process.

Recommendation

The Director of TennCare should determine why the monitoring of the fiscal agent promised in the last audit was not performed. He should also ensure that the fiscal agent has adequate controls over access to manual and system checks. EDS should keep the keys to the vaults together with the vault key logs, and system check logs should be reconciled to TCMIS. The Director of TennCare should ensure that inventories of checks

are performed and the results of the inventory are documented. Check logs should be reconciled to checks issued to ensure accountability. Manual check logs should always be used to record the receipt and issuance of manual checks, and controls should be strengthened to prevent checks being issued without being entered into BARS. The Director of TennCare should also ensure that there is adequate segregation of duties to prevent someone from controlling the entire check process.

Management's Comment

We concur. The Bureau has requested a review of controls over manual checks be performed by Internal Audit and will continue monitoring implementation of these recommendations.

Finding Number	00-DFA-28
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

Controls over financial change requests should be strengthened

Finding

The TennCare Bureau needs to improve controls and policies over financial change requests (FCRs). FCRs are used by the Bureau to make adjustments or corrections to payments made to providers. Electronic Data Systems (EDS), the fiscal agent, is responsible for keying FCRs into the TennCare Management Information System (TCMIS). However, TennCare has not established adequate controls for FCRs. The following deficiencies were noted:

- There are no procedures to ensure that all FCRs are entered into TCMIS properly. Per discussions with TennCare personnel, any TennCare employee is able to initiate an FCR, and it is the initiator's responsibility to make sure that the FCR has been keyed in correctly by EDS personnel. There is a risk that the initiator may not follow up on the FCR, which may result in an FCR being entered improperly or not entered at all.

- TennCare does not reconcile FCR forms with what has been entered into the system. Without a reconciliation, there is a possibility that an adjustment has been entered into the system incorrectly or entered for unauthorized purposes. The *Tennessee MIS Financial Procedures Manual*, Section D, "Review and Log Requests," states that the fiscal agent must log each FCR received onto a "Financial Control Sheet" by each FCR category. These amounts should be totaled, and then after all documents are entered, an audit trail should be printed to determine that the amounts are equal to the "Financial Control Sheet."

These weaknesses in controls over FCRs could permit an individual to enter a change into TCMIS for unauthorized purposes. In addition, these weaknesses in controls could allow incorrect changes to be keyed into TCMIS without detection.

Recommendation

The Director of TennCare should assign responsibility for ensuring that all FCRs have been entered into TCMIS properly and correctly. Also, the Director of TennCare should ensure that FCRs and information entered into the TCMIS system are reconciled to ensure that all changes keyed into TCMIS are supported by an FCR.

Management's Comment

We concur. The Bureau will review controls and procedures over FCRs and implement changes as needed.

Finding Number	00-DFA-29
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare allowed providers to submit old claims and did not pay provider claims in a timely manner

Finding

The Bureau of TennCare allowed providers to submit claims later than 12 months from the date of service and did not pay all Medicaid Home and Community Based Services for the Mentally Retarded and Developmentally Disabled Waiver (HCBS-MR waiver), Department of Children's Services (Children's Services), and long-term care provider claims within 24 months of the date of service. In addition, the Bureau did not pay Medicare cross-over provider claims within 6 months after receiving notice of the disposition of the Medicare claim.

The *Code of Federal Regulations* (CFR), Title 42, Part 447, Section 45 (d), "Timely processing of claims," states,

> (1) The Medicaid agency must require providers to submit all claims no later than 12 months from the date of service…(4) The agency must pay all claims [received] within 12 months of the date of receipt….(ii) If a claim for payment under Medicare has been filed in a timely manner, the agency may pay a Medicaid claim relating to the same services within 6 months after the agency or the provider receives notice of the disposition of the Medicare claim.

The Bureau of TennCare pays long-term care and Medicare cross-over providers directly. The Division of Mental Retardation (DMR) within the Department of Finance and Administration pays providers under the HCBS-MR waiver. Children's Services providers are paid directly by Children's Services. After paying their providers, DMR and Children's Services submit their provider claims to the Bureau for reimbursement. Review of support for paid claims revealed that the Bureau accepted claims that were submitted later than 12 months after the date of service. Computer assisted audit techniques revealed that the Bureau paid $21,617,055.49 for claims past 24 months or past six months for Medicare cross-over claims. Of this amount, $9,240,391.11 was paid to DMR, $12,267,619.40 was paid to Children's Services, $50,307.87 was paid to long-term care institutions, and $58,737.11 was paid for Medicare cross-over claims.

The Bureau has system edits within the TennCare Management Information System (TCMIS) that appropriately prevent the payment of claims filed 12 months after the service dates for Children's Services, DMR, long-term care claims, and Medicare cross-over provider claims, consistent with federal regulations. However, according to TennCare staff, personnel knowingly override these edits for Children's Services, long-term care, and Medicare cross-over provider claims. In addition, TennCare does not use the system edit necessary to prevent payments of untimely filed claims from DMR.

When claims are not received in a timely manner, the computer edits could be utilized to halt payments to Children's Services, DMR, Medicare cross-over providers, and long-term care providers. By not using edits and overriding edits, TennCare cannot ensure that these claims are denied, and enables the state departments to continue to defy federal regulations with no consequences. When claims are received in a timely manner, late processing of claims by the Bureau could result in use of state funds for payment of the old claims, without federal participation.

Recommendation

The Director of TennCare should ensure that HCBS-MR waiver, Children's Services, and long-term care provider claims are received within 12 months of the date of service, that the claims are paid within 24 months of the date of service, and that Medicare cross-over provider claims are paid within six months after receiving notice of the disposition of the Medicare claim. In addition, the Director should ensure that the system edit within TCMIS for the timely filing of claims is used and not overridden.

Management's Comment

We do not concur. While it is true that some claims were processed outside of the timelines quoted in the finding, we need to review the claims in question in order to determine the reasons for the delay. Processing can appropriately occur outside of the timelines listed for a variety of reasons. We will review our policies surrounding this to ensure they are appropriate.

Rebuttal

As stated in the audit finding, federal regulations require that TennCare require providers to submit all claims no later than 12 months from the date of service. TennCare must pay all claims within 12 months of the date of receipt. Thus, TennCare's paying of claims over 24 months after the dates of service violates this regulation. This regulation also requires that Medicare cross-over claims be paid within 6 months after receipt of the claim. The audit revealed that TennCare paid $21,617,055.49 for claims that fall into these categories.

Finding Number	00-DFA-31
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	$12,510.11

Internal control over provider eligibility and enrollment was not adequate to ensure compliance with Medicaid provider regulations

Finding

As noted in the prior audit, the TennCare program did not have adequate internal controls for provider eligibility and enrollment to ensure compliance with Medicaid provider regulations. TennCare had the following internal control weakness and noncompliance issues:

- the licensure status of out-of-state Medicare cross-over providers was not verified at enrollment;
- the licensure status of Medicare cross-over, managed care organization (MCO), and behavioral health organization (BHO) providers was not reverified after the providers were enrolled;
- the Division of Mental Retardation Services (DMR) did not reverify the licensure of individual and Home Health Care Agency providers;
- TennCare's contract with the Department of Children's Services (Children's Services) did not require this department to comply with Medicaid provider rules and regulations, and as a result, Children's Services did not comply;
- TennCare did not provide DMR with the Medicaid provider rules and regulations that they should follow, and as a result, DMR did not comply;
- TennCare did not monitor the enrollment of Medicaid providers at Children's Services and DMR;
- provider agreements did not comply with all applicable federal requirements;
- departmental rules were not followed;
- not all providers had a provider agreement, as required; and

- documentation that the providers met the prescribed health and safety standards was not maintained for all long-term care facilities.

Compliance with applicable rules and regulations, as well as a system of internal control to ensure compliance, is necessary to ensure that the providers participating in the TennCare program are qualified and that they meet all eligibility requirements.

Responsibility for TennCare provider eligibility and enrollment is divided among the Provider Enrollment Unit in the Division of Provider Services, Bureau of TennCare; the Division of Resource Management in Children's Services; and the East, Middle, and West Tennessee regional offices in DMR. The Provider Enrollment Unit is responsible for enrolling MCO and BHO providers; Medicare cross-over individual and group providers (providers whose claims are partially paid by both Medicare and Medicaid/TennCare); and long-term care facilities, which include skilled nursing facilities and intermediate care facilities.

Children's Services is responsible for the eligibility of the providers it pays to provide Medicaid-covered services to eligible children. DMR is responsible for the eligibility of the providers it pays to provide services under the Home and Community Based Services Waiver for the Mentally Retarded (HCBS-MR waiver) program. (DMR is responsible for the daily operations of this Medicaid program.) TennCare reimburses Children's Services and DMR for payments to these providers.

Provider Licensure Not Verified

The TennCare Provider Enrollment Unit did not require out-of-state Medicare cross-over providers to submit a copy of their license when enrolling. Without obtaining a copy of the providers' license, the Provider Enrollment Unit cannot ensure that only licensed providers are enrolled. The *Rules for the Tennessee Department of Health*, Section 1200-13-1-.05, "Providers," states that participation in the TennCare/Medicaid program is limited to providers that "Maintain Tennessee, or the State in which they practice, medical licenses and/or certifications as required by their practice."

Provider Licensure Not Reverified

The TennCare Provider Enrollment Unit and DMR enroll providers licensed by the Division of Health Related Boards in the Department of Health. Although the Division of Health Related Boards does not notify the Provider Enrollment Unit and DMR when a provider's license is suspended or terminated, the Division of Health Related Boards has two systems, one on the Internet and an automated telephone system, so that the current status of a provider's license can be verified. During the year ended June 30, 2000, neither the Provider Enrollment Unit nor DMR used either system to reverify licensure.

The TennCare Provider Enrollment Unit, DMR, and Children's Services also enroll providers licensed or certified by the Board for Licensing Health Care Facilities

(Health Care Facilities) in the Department of Health. Health Care Facilities notified the Provider Enrollment Unit when a provider's certification was suspended or terminated; however, Health Care Facilities did not notify Children's Services or DMR when a provider's license was suspended or terminated. Although these departments were not notified, Children's Services took the initiative to reverify licensure, but DMR did not.

Because of the lack of reverification of providers, the Provider Enrollment Unit and DMR cannot ensure that only licensed providers are enrolled in the TennCare program as required by the *Rules of the Tennessee Department of Health*, Section 1200-13-1-.05.

Children's Services and DMR Did Not Always Comply With Medicaid Provider Rules and Regulations

The contract between TennCare and Children's Services does not state, as it should, that Children's Services is required to follow Medicaid federal and state provider rules and regulations. Also, TennCare did not provide DMR with the Medicaid federal and state provider rules and regulations that DMR should follow. The contract between TennCare and DMR requires TennCare "To provide TDMH/MR (DMR) with complete and current information which relates to pertinent statutes, regulations, policies, procedures and guidelines affecting the operation of this contract." In addition, TennCare did not monitor the enrollment of Medicaid providers at Children's Services and DMR. The Financial Systems Consulting Group within F&A performed fiscal monitoring procedures at Children's Services during the year ended June 30, 2000, for the Bureau of TennCare. At that time, F&A verified that providers had a current license. However, TennCare did not require F&A to monitor Children's Services' provider enrollment procedures.

As a result, Children's Services and DMR did not always comply with Medicaid provider rules and regulations. For example, as discussed in the next two sections of the finding, Children's Services and DMR did not comply with criteria (3) of the *Code of Federal Regulations* (CFR), Title 42, Part 431, Section 107, "Required Provider Agreement," and criteria 4 and 6 of the *Rules of the Tennessee Department of Health*, 1200-13-1-.05, "Providers."

Provider Agreements Not Adequate

Children's Services and DMR's provider agreements did not comply with federal requirements. In addition, TennCare's provider agreements did not comply with federal requirements, except for its agreements with long-term care facilities. Section 4.13(a) of the Tennessee Medicaid State Plan says, "With respect to agreements between the Medicaid agency and each provider furnishing services under the plan, for all providers, the requirements of 42 CFR 431.107. . . are met." *Code of Federal Regulations*, Title 42, Part 431, Section 107 (b)(1)(2)(3) states,

> A State plan must provide for an agreement between the Medicaid agency and each provider or organization furnishing services under the plan in which the provider or organization agrees to: (1) Keep any records necessary to disclose the extent of services the provider furnishes to recipients; (2) On request, furnish to the Medicaid agency, the Secretary, or the State Medicaid fraud control unit . . . any information maintained under paragraph (b)(1) of this section and any information regarding payments claimed by the provider for furnishing services under the plan; (3) Comply with the disclosure requirements specified in part 455, subpart B of this chapter.

Children's Services and DMR provider agreements did not meet the criteria in (3) which refers to 42 CFR 455, subpart B, "Disclosure of Information by Providers and Fiscal Agents," and requires providers to disclose ownership and control information and information on a provider's owners and other persons convicted of criminal offenses against Medicare or Medicaid. TennCare's agreement for individual cross-over, MCO, and BHO providers did not meet the criteria in (1), (2), and (3). The agreement for group cross-over providers did not meet the criteria in (1) and (2).

The Medicare program, which is administered by the federal government, enrolls cross-over providers before the Provider Enrollment Unit enrolls them in Medicaid/TennCare. According to the manager of the Provider Enrollment Unit, Medicare providers must also meet the requirements of 42 CFR 431.107, and Medicaid/TennCare has relied on Medicare's enrollment procedures since the beginning of the Medicaid program. Auditors requested that management provide documentation from the grantor that would indicate it was permissible for TennCare to rely on Medicare in this area; however, no documentation was provided. In addition, the auditors did not find any references in the CFR or Tennessee Medicaid State Plan that indicated that reliance on Medicare is permitted.

Departmental Rules Not Followed

The TennCare Provider Enrollment Unit, Children's Services, and DMR did not limit participation to providers that complied with the *Rules of the Tennessee Department of Health*, Section 1200-13-1-.05 (1)(a), "Providers." This rule states,

> Participation in the Medicaid program will be limited to providers who:
> 1. Accept, as payment in full, the amounts paid by Medicaid or paid in lieu of Medicaid by a third party . . . ; 2. Maintain Tennessee, or the State in which they practice, medical licenses and/or certifications as required by their practice; 3. Are not under a federal Drug Enforcement Agency (DEA) restriction of their prescribing and/or dispensing certification for scheduled drugs…; 4. Agree to maintain and provide access to Medicaid and/or its agency all recipient medical records for five (5) years from the date of service or upon written authorization from Medicaid following an audit, whichever is shorter; 5. Provide medical assistance at or above

recognized standards of practice; and 6. Comply with all contractual terms and Medicaid policies as outlined in federal and state rules and regulations and Medicaid provider manuals and bulletins.

The TennCare Provider Enrollment Unit did not require Medicare cross-over, MCO, and BHO providers to comply with the criteria in 1, 3, 4, 5, and 6. In addition, Children's Services and DMR did not require providers to comply with the criteria in 4 and 6.

Not All Providers Had an Agreement, and TennCare Did Not Have Documentation That All Providers Met Prescribed Health and Safety Standards

Samples of payments to skilled nursing facilities and to intermediate care facilities were tested to determine if TennCare had documentation that the provider met the prescribed health and safety standards and that a provider agreement was on file for the dates of services for which each payment was made. Skilled nursing facilities and intermediate care facilities are long-term care providers. Each time the Board for Licensing Health Care Facilities recertifies a long-term care provider, it sends TennCare a Certification and Transmittal Form (C&T), and TennCare issues a new provider agreement to the long-term care provider for the certification period. The Office of Management and Budget A-133 Compliance Supplement requires long-term care providers to meet the prescribed health and safety standards. The C&T form is TennCare's documentation that the provider has met the prescribed health and safety standards. As mentioned above, the State Plan and 42 CFR 431.107 require that providers have a provider agreement. TennCare paid approximately $945 million to long-term care facilities for the year ended June 30, 2000.

Of the 61 payments to skilled nursing facilities tested, totaling $194,662.82, testwork revealed that for seven payments (11%), TennCare did not have a provider agreement with the provider for the dates of service tested. Also, for three of the 61 tested (5%), TennCare did not have a C&T form. The original dollar error amount totaled $20,870.76. However, after testwork was performed, five of seven provider agreements were negotiated with providers, and two of three C&T forms were obtained from the Board for Licensing Health Care Facilities to correct the errors. The total amount of uncorrected errors noted above was $7,154.34. Federal questioned costs totaled $4,514.21. An additional $2,640.13 of state matching funds was related to the federal questioned costs. We believe likely questioned costs would exceed $10,000.

Of the 26 payments to intermediate care facilities tested totaling $70,884.54, testwork revealed that for four payments (15%), TennCare did not have a provider agreement. Also, for three of 25 payments (12%), TennCare did not have the C&T form for the dates of service tested. The original dollar error amount totaled $19,015.75. However, after testwork was performed, three of four provider agreements were negotiated with providers, and three of three C&T forms were obtained from the Board for Licensing Health Care Facilities to correct the errors. The total amount of uncorrected errors noted above was $12,672.29. Federal questioned costs totaled

$7,995.90. An additional $4,676.39 of state matching funds was related to the federal questioned costs. We believe likely questioned costs would exceed $10,000.

In addition, of the six long-term care providers that did not have a provider agreement on file for the dates of service tested in the prior-year audit, testwork revealed that for two the of six (33%), TennCare was unable to locate the provider agreements that covered the fiscal year ended June 30, 2000.

Recommendation

The Director of TennCare should ensure that adequate internal control exists for determining and maintaining provider eligibility. Management and staff should comply with all Medicaid federal and state provider rules and regulations. Participation should be limited to providers that meet the requirements of the departmental rules. Out-of-state Medicare cross-over providers should submit a copy of their license when enrolling. The Director should ensure that procedures are implemented to reverify licensure and to prevent future payments to non-licensed providers.

Children's Services and DMR should comply with all Medicaid federal and state provider rules and regulations. The Director of TennCare should ensure that these departments are informed of their responsibilities for compliance, and these requirements are added to the contract with Children's Services. The Director should ensure that a knowledgeable staff monitors the enrollment of Medicaid providers at Children's Services and DMR.

In addition, all Medicaid/TennCare providers should have a provider agreement and otherwise be properly enrolled before they are allowed to participate in the program. Management should ensure that documentation is maintained showing that the long-term care providers have met the prescribed health and safety standards. The provider agreements should be revised to comply with the State Plan and the *Code of Federal Regulations.* Management should also consider obtaining permission from the grantor to change the State Plan to allow reliance on Medicare for cross-over provider agreements.

Management's Comment

We concur. Effective immediately all out-of-state providers submitting applications to enroll in the TennCare/Medicaid program must submit a copy of their current license and/or license renewal. The licensure status of out-of-state Medicaid crossover providers cannot be verified by our TDH Licensure Verification system. Therefore, we will use the internet web-site for those out-of-state providers to verify license status. We will also maintain a phone list of states to contact for verification when update information is unavailable on the web-site. All documentation and verification information will be filed in the provider's permanent file.

The Provider Enrollment unit is currently working on procedures to implement a license reverification process. This process will ensure providers participating in the Medicaid program maintain a valid license. In addition, we are working with the TDH, to obtain monthly reports of providers due to renew their license. This report will be used to verify all provider licenses requiring renewal. The new license renewal information will be updated on the mainframe provider file. This change may require changes to the mainframe provider file.

Providers participating in the Medicaid program were previously notified of the Medicaid participation requirement through the Provider manual. These manuals were routinely sent to all providers upon enrollment under the old Medicaid program. Providers are now mailed provider manuals by request only. We will begin working with Bureau staff to develop a provider participation agreement form to mail with all enrollment applications requiring the provider's signature.

The Enrollment unit uses the internet service to verify the status of provider's licenses. Providers are required to submit a copy of their license and/or renewal with the initial application. This information is maintained in the provider's permanent file.

The audit finding reflected cases of SNF and ICF provider files missing the required provider agreement forms and/or documentation. To ensure all intermediate care and skilled nursing facilities provider files contain the required documents; effective immediately the reviewer must complete an enrollment checklist. The reviewer must verify that all required documents are present and correct. In addition, we are working with the TDH to obtain monthly reports of all nursing home facilities needing recertification. The Enrollment Unit will also create an Excel database to track all nursing facilities recertification due dates.

With respect to DMRS, we concur. DMRS will revise policies and procedures to verify at least annually that all Home Health Agencies and providers licensed by Department of Health continue to have a valid license.

Many of the providers who provide services to enrollees in the MR waiver are not traditional Medicaid or Medicare providers. The Division of Long Term Care will work with the Provider Enrollment Division and DMRS to establish procedures for TennCare enrollment and maintenance of provider agreements with non-Medicare providers. Other states will be contacted to determine best practices for enrollment of providers who participate in the waiver who do not otherwise provide Medicaid/Medicare services.

DMRS and the TennCare Division of Long Term Care have established a schedule of twice monthly meetings to discuss operational issues for the MR waiver programs. Provider rules and regulations will be addressed in these meetings. Necessary revisions to the TennCare/DMRS contract and DMRS provider agreements will be discussed and made. Monitoring of DMRS' enrollment procedures will be included in the TennCare Waiver State Assessment process.

Time frame for completion: Revision of policies for reverification of licensure will be completed within 2 months. Enrollment of providers and possible revisions of all provider agreements is expected to take 1 to 2 years with direct payment of providers taking at least 3 years. TennCare/DMRS contract revisions will be completed within 6 months.

With respect to DCS, we concur in part. The agency itself is the Medicaid provider, rather than its individual contractors. DCS contracts with residential providers for a comprehensive array of services to children in its custody. These services include room and board, social services, educational services, and other kinds of services other than medical care. These agencies are licensed and monitored by DCS, and they are paid a single daily rate that includes the treatment and the non-treatment portions of their services. The treatment portion is calculated according to a cost allocation plan approved by HCFA and is billed to TennCare by DCS. Treatment services must be delivered according to requirements outlined in the Medicaid/Title V Agreement.

TennCare completed, as mentioned in the prior audit finding, a written provider eligibility and enrollment policies and procedures manual.

Auditor's Comment

We do not believe the Department of Children's Services is a provider. As stated in management's response Children's Services contracts with various residential providers to perform various services for children in state custody. Management has concurred with issues concerning DMR even though DMR also contracts with providers and pays for services in a similar manner as Children's Services.

We asked management for any documentation that would exempt providers of Medicaid services enrolled by Children’s Services from being considered Medicaid providers. No such documentation was provided. We believe the entities providing the direct services for treatment are Medicaid providers and should be enrolled as providers under Medicaid regulations. Since Medicaid/TennCare funds are used to reimburse Children’s Services for Medicaid-covered services provided to Medicaid-eligible recipients, Children’s Services' providers should be subject to the Medicaid provider requirements as are the providers enrolled by TennCare’s provider enrollment unit. Also, because of the decentralized nature of provider enrollment, it is important for TennCare to adequately monitor Medicaid provider eligibility and enrollment procedures at Children’s Services.

Section III – Federal Award Findings and Questioned Costs

Finding Number	00-CAFR-01
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of General Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Improved controls over program changes in the Tennessee On-line Purchasing System are needed

Finding

As noted in the two prior audits, controls over program changes pertaining to the Tennessee On-line Purchasing System (TOPS) are not adequate. A backlog of program changes still exists. Also, changes are still being made directly to the TOPS database through the Order Fix program instead of using properly authorized program changes. Order Fix is a program used to make changes directly to the TOPS database to correct transactions. Management concurred with these problems in the prior audit finding and stated:

> In response to State Audit's discussion of inappropriate use of the Order Fix program to repair data in TOPS, the resolution of this problem is an on-going effort. Because of the complexity of the TOPS system programs, daily production priorities and the long training curve associated with getting analyst staff to a productive testing level, the process of fixing and testing problems is slow and only so many problems can be addressed within a given timeframe. . . .
>
> Most recently, the order fix has been used primarily for two types of corrections: to change the agency number on existing contracts following state reorganization, and to correct a contract document type error. TOPS has had no provision for renumbering agencies once a contract is in

> place. . . . Similarly, the Purchasing division undertook a long overdue clean up of multi-year statewide contracts because the buyers used an improper term award code instead of the multi-year award code on TOPS. . . . In an on-going effort to reduce the numbers of data fixes which are legitimately related to program errors, the Information Systems Division has been working closely with the Purchasing Division to raise the priority of any open problem reports related to erroneous data. . . .
>
> IS Management continues to monitor the problem report situation to ensure there are problem reports written for any program problems causing data errors, and their resolution is given high priority. In general, the backlog of open reports is now on the decrease. . . .

Although the cleanup of multi-year statewide contracts did occur, the other problems still exist.

Program changes are not being made in a timely manner by General Services' personnel. The TOPS "Tracking Open Reports By Priority" report lists all open program change requests by priority on a scale of A to E with A being the highest priority. As of June 12, 2000, the report consisted of 167 open program change requests, 57 A requests, 68 B requests, 32 C requests, 9 D requests, and 1 E request. Seventy-eight of the 167 open program change requests (47%) have remained incomplete for at least two years. This backlog, caused by volume of requests and time constraints, increases the risk that vital requests will not be given appropriate consideration because they are being pushed down in priority. This large number of outstanding program changes indicates that many areas in the TOPS application are not working properly. Although in many cases compensating controls exist to ensure proper recording in TOPS, the system should be designed to operate effectively.

In addition, problems that are occurring within the TOPS application are being corrected using Order Fix. Instead of using program changes to correct existing programming problems within the system, Office for Information Resources (OIR) programmers are allowed access to fix the data directly in the database with Order Fix. Corrections to system data outside normal system controls should not be made as a normal course of daily business as this opens up the data to a greater risk of loss or misuse. Any system will have occasional problems that require the use of utilities, but the use of Order Fix circumvents the controls that the system is designed to provide. If the system was designed and functioning properly, use of the Order Fix program would not be necessary. Making changes directly to a database instead of correcting errors through properly authorized program changes circumvents system controls.

Recommendation

The Director of Information Systems should ensure proper controls over the TOPS program and should ensure that design changes are implemented and followed.

The backlog of program change requests should be reviewed, and these requests should be completed as soon as possible. Future program change requests should also be completed timely on the basis of priority.

As the system problems are corrected, the use of Order Fix should be limited to rare instances. As problems arise in the future, causes of the problems should be identified quickly and TOPS should be corrected through program changes or other appropriate means which leave an audit trail.

Management's Comment

We concur. Our responses to the CAFR findings for FYE June 30, 2000 are essentially the same as they were in our prior audit finding, with some further improvements noted:

In response to State Audit's discussion of inappropriate use of the Order Fix program to repair data in TOPS, the resolution of this problem is an on-going effort. Because of the complexity of the TOPS system programs, daily production priorities and the long training curve associated with getting analyst staff to a productive testing level, the process of fixing and testing problems is slow and only so many problems can be addressed within a given time period.

In early FY 2000, the order fix was used primarily for two types of corrections: to change the agency number on existing contracts following state reorganization, and to correct a contract document type error. TOPS had no provision for renumbering agencies once a contract was in place. The Purchasing Division submitted a design change request to address this in June 1999. That request has been on hold since September 1999 pending resolution of interface issues with STARS. Also in early FY 2000, the Purchasing Division undertook a one-time long overdue clean up of multi-year statewide contracts because the buyers had used an improper term award code instead of the multi-year award code on TOPS.

In an on-going effort to reduce the numbers of data fixes that are legitimately related to program errors, the Information Systems Division has been working closely with the Purchasing Division to raise the priority of any open problem reports related to erroneous data. The result is that in the second quarter of FY 2001, the order fix was required 50 percent less often than in the second quarter of FY 2000, a significant improvement.

Information Systems Management continues to monitor the problem report situation to ensure there are problem reports written for any program problems causing data errors, and their resolution is given high priority. The backlog of open problem reports has been significantly decreased, with more closed and cancelled in FY 2000 than in the prior two years combined. TOPS as a business application is dynamic and design

changes to address policy or procedure changes or improve the operation of the system continue to be made to it. Each such design change introduces the possibility of new problem reports.

Finding Number	00-TDH-04
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition, Subrecipient Monitoring
Questioned Costs	None

The department did not adequately monitor quarterly expenditure reports from subrecipients

Finding

The Department of Health did not enforce contract requirements concerning the submission of quarterly expenditure reports. Testwork on 25 contracts requiring quarterly expenditure reports revealed that for 20 contracts the quarterly reports were not submitted or were submitted late. Some problems noted included the following:

- Cumulative final expenditure reports due August 31, 2000, for three contracts had not been submitted as of November 29, 2000.

- Cumulative final expenditure reports for eight contracts were submitted an average of 39 days late. In addition, none of the nine interim quarterly reports required by the contracts were submitted for three of these contracts. For the other five contracts, seven interim quarterly reports were submitted an average of 12 days late and three reports were not submitted.

- Thirteen interim quarterly reports were submitted an average of 88 days late, and four interim quarterly reports were not submitted for nine other contracts.

The contracts specify that the quarterly expenditure reports are to be submitted either 45 or 60 days after the end of each quarter. Private and governmental not-for-profit subrecipients are required to submit their reports within 45 days, while counties and state universities are allowed 60 days. The expenditure reports show contract expenditures categorized by object for the reported quarter and the yearly total. Therefore, the department can determine where and how the grant recipients have spent this money.

Recommendation

The Accounting Manager in Fiscal Services should monitor compliance with the contractual quarterly expenditure reporting requirements to ensure that those

requirements are followed. The Commissioner should take appropriate action using such sanctions as withholding a percentage of funding from any grant recipient that demonstrates a continued unwillingness to comply with the contract reporting requirements.

Management's Comment

We concur. An Administrative Services Assistant has been hired to assist the Division of Fiscal Services and specifically the Contract Section in obtaining the quarterly expenditure reports as required.

Finding Number	00-TDH-05
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition, Subrecipient Monitoring
Questioned Costs	None

Subrecipients' cost allocation plans were not properly reviewed

Finding

The Department of Health did not review subrecipients' cost allocation plans, in accordance with Department of Finance and Administration Policy 03. These cost allocation plans were allocating both indirect and multi-program expenditures during the year ended June 30, 2000. Testwork of 25 subrecipients' cost allocation plans revealed the following exceptions with 11 plans:

- Six cost allocation plans tested (24%) were not reviewed or approved by the department by November 29, 2000.

- Three approved cost allocation plans tested (12%) were not approved before June 30, 2000. They were approved 10 to 104 days after June 30, 2000.

- Two approved cost allocation plans tested (8%) did not include organizational charts. The department did not request the required organizational charts.

Department of Finance and Administration Policy 03, paragraph 16, states, "The cognizant state agency shall be responsible for approval of the cost allocation plan of the grantee." Paragraph 17 further states, "The plan should include an organizational chart." Without the allocation plans being approved, the subrecipients are using an unauthorized method to allocate indirect and multi-program expenditures that contracted state departments are reimbursing.

Recommendation

The Accounting Manager in Fiscal Services should review or approve the cost allocation plans during the fiscal year in which they are being applied and should also ensure that the cost allocation plans include all the required supporting information.

Management's Comment

We concur. The Contract Section within the Division of Fiscal Services will review and approve the subrecipients' cost allocation plans in the applicable fiscal year and ensure that the cost allocation plans include all the required supporting information.

Finding Number	00-DHS-03
CFDA Number	10.551
Program Name	Food Stamps
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	N/A
Finding Type	Special Tests and Provisions
Questioned Costs	None

Electronic Benefit Transfer Service Auditor Report not obtained

Finding

The Department of Human Services (DHS) failed to ensure that a required copy of the Service Auditor Report for one of the department's outside providers of Electronic Benefit Transfer (EBT) services was obtained in accordance with federal requirements for administration of the Food Stamp Program.

The department has contracted with Citibank EBT Services to provide payments of food stamp, Social Security, and Families First benefits to recipients through the use of EBTs. These benefits are to be made available to recipients through a network of automatic teller machines (ATMs) and point of sale terminals at participating retailers. Citibank has subcontracted portions of the required services to eFunds (formerly Deluxe Electronic Payment Systems) and Lockheed Martin, I.M.S. The Statement on Auditing Standards (SAS) 70 Service Auditor Report is the result of a review of a service provider (such as Citibank or its subcontractors), performed by an independent audit team, the purpose of which is to express an opinion on the service provider's internal controls during the audit period.

Effective March 30, 2000, the *Code of Federal Regulations*, Title 7, Section 274.12(j)(5), requires the following:

> The state agency must obtain an examination by an independent auditor of the transaction processing of the State EBT service provider regarding the issuance, redemption, and settlement of Food Stamp Program benefits. The examination must be done at least annually and the report must be completed ninety days after the examination period ends. Subsequent examinations must cover the entire period since the previous examination. Examinations must follow the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 70, Service Organizations (SAS No. 70), requirements for reports on controls placed in operation and tests of the operating effectiveness of the controls.

Additionally, prior to the commencement of state audit fieldwork, DHS management agreed to obtain the necessary SAS 70 Service Auditor Reports, by signing the engagement letter with state audit, which specifically stated:

> At the conclusion of the audit, you will provide us a representation letter that will confirm, among other things . . . management's responsibility to ensure that SAS 70 examinations of EBT service organizations are performed at least annually, and that examination reports are submitted to the state within 90 days after the end of the examination period.

The DHS Director of EBT was initially contacted in July 2000, at which time the audit team requested copies of the fiscal year 2000 SAS 70 reports for Citibank, Lockheed Martin I.M.S, and eFunds. SAS 70 reports for Citibank and for Lockheed Martin I.M.S. were received on September 20, 2000. A SAS 70 report for eFunds was received on September 20, 2000; however, the report only covered the period from December 1, 1999, through May 31, 2000. Subsequent requests were made for the eFunds Service Auditor report for the period July 1, 1999, to December 1, 1999; however, this additional report was never obtained by the department.

Because management has not obtained a SAS 70 Service Auditor report from eFunds prior to December 1, 1999, the department has not received assurance that controls placed in operation by eFunds were effective for that period. Also, the department has not complied with the requirements of the *Code of Federal Regulations,* Title 7, Section 274.23(j)(5).

Recommendation

DHS management should ensure that SAS 70 Service Auditor reviews are performed on EBT service providers in accordance with the Code of Federal Regulations and that the Service Auditor Reports are obtained by the department.

Management's Comment

We concur. The department will ensure that the Auditor Service reviews are performed on Citibank and its subcontractors, and that the Auditor Service Reports are obtained by the department in a timely manner.

Finding Number	00-TDH-01
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency	Department of Agriculture
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition, Equipment and Real Property
Questioned Costs	None

The department did not record correct grant-funding information in the state's property records

Finding

As noted in the previous audit, the Department of Health did not record correct grant-funding information in the state's property records. Management concurred with the prior finding and stated that the department's policy of recording correct grant-funding information on the purchase request for all equipment would be reinforced.

However, testwork revealed that the department still does not always record the grant number and percentage of federal funds into POST, the state's property and equipment-tracking system, for some equipment items purchased with federal funds. Five of 22 federally funded equipment items (23%) were incorrectly listed as state funded in POST. Of the five equipment items, three were purchased with federal Special Supplemental Food Program for Women, Infants, and Children (WIC) funds and two were purchased with federal Block Grant for Prevention and Treatment of Substance Abuse (SAPT) funds. Incorrect funding information resulted because requesting employees did not follow the department's policy of recording accurate information on the purchase request and there was not a reconciliation of federally funded equipment purchases from the accounting system to the property records.

The department must be able to distinguish between state and federal property. According to the *Code of Federal Regulations* for WIC at Title 7, Part 3016, Section 32 (d)(1), and for SAPT at Title 45, Part 92, Section 32(d)(1), the property records have to include the "percentage of Federal participation in the cost of the property," regardless of the price. If the equipment is damaged beyond repair, lost, or stolen, the recipient may be accountable to the awarding agency of the federal government for a calculated amount of the federal participation of the original purchase price times the fair market value. If equipment purchased with federal funds is not correctly identified in the property records, the department's ability to transfer equipment, dispose of equipment, or reimburse the federal government in accordance with federal laws and regulations is greatly diminished.

Recommendation

Employees who initiate equipment purchases that are to be funded with federal funds should include correct grant information on the face of the purchase documents. Supervisors should verify that all funding information is complete and correct prior to approving the purchase documents. Also, the Information System Analyst in Fiscal Services should provide a listing of all federally funded equipment purchases based on information from the State of Tennessee Accounting and Reporting System (STARS) to the Property Officer. The Property Officer should then reconcile POST to the listing to ensure that the appropriate grant information is recorded in the property system. This reconciliation should be done at least annually. The Director of the Division of General Services should ensure that this reconciliation is performed.

Management's Comment

We concur and have changed our internal process. The Division of Fiscal Services furnishes the Division of Central Procurement and Payments a quarterly listing of equipment purchases utilizing federal funds. This list gives the correct grant information which is reconciled to POST by the Property Officer. The Property Officer changes any incorrect grant information in POST, and returns the list to the Division of Fiscal Services.

Finding Number	00-TDH-02
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency	Department of Agriculture
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Material Weakness
Questioned Costs	None

The department did not have adequate controls to detect dual participation in the WIC and CSFP programs

Finding

As noted in the prior audit, the Department of Health does not have adequate controls to ensure that dual participation between the Special Supplemental Food Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Food Program (CSFP) will be detected. In response to the prior finding, management stated that all four local agencies would be connected to the Patient Tracking and Billing Management Information System (PTBMIS) by July 2000. As of November 3, 2000, one of the four local agencies was still not connected to PTBMIS. In fact, this one local agency is still keeping track of the participants it is serving manually. Management's prior response also stated that by March 2000 the Central Office would be able to compare WIC and CSFP populations to detect dual participation between local agencies. From February of 1998 through July of 2000, no dual participation reports between local agencies had been generated. The populations compared in August of 2000 did not include the participants of the one local agency mentioned above because the participant information is maintained manually. Because the one local agency is not connected to PTBMIS and the dual participation reports are not generated each month, participants may improperly receive benefits from both WIC and CSFP programs.

According to the *Code of Federal Regulations*, Title 7, Part 246, Section 7(l)(1)(i), the state agency "shall be responsible for . . . the prevention and detection of dual participation within each local agency and between local agencies."

Recommendation

The Director of the Bureau of Information Resources and the Supplemental Nutrition Program Director should ensure that the one local agency without access to PTBMIS obtains access and that the dual participation reports are generated. They should also monitor operations to ensure that the corrective action is taken when problems occur.

Management's Comment

We concur. The Telecommunications Department of Memphis/Shelby County is awaiting a quote for the frame relay and cabling necessary to connect MAP South to PTBMIS. Once received, the installation should take no longer than two weeks to complete. Staff will then install the computer equipment to complete the connection to our PTBMIS and we anticipate MAP South will be fully connected by February 28, 2001. This will allow the Department to identify any dual participation in the WIC and CSFP program.

Finding Number	00-TDH-03
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency	Department of Agriculture
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition, Subrecipient Monitoring
Questioned Costs	None

Monitoring of subrecipients' audit reports is not adequate

Finding

As noted in the eight prior audits, the Department of Health does not adequately monitor subrecipients' audit reports. Management concurred with the prior findings and stated the department would more aggressively pursue the receipt of the audit reports within the required time frames, attempt to ensure that all required supporting documentation is provided, put more emphasis on reviewing questioned and disallowed costs, and issue timely management decisions.

Testwork on 29 subrecipients' audit reports received in the audit period that were subject to the Office of Management and Budget Circular A-133 reporting standards revealed the following deficiencies:

- Twenty-six audit reports (90%) were not received within the nine-month deadline. The reports were received 12 to 471 days late, or an average of 200 days late. Thirteen of the audit reports were due on March 31, 2000; 11 audit reports were due on March 31, 1999; and 2 audit reports were due on September 30, 1999.

- One audit report (3%) did not have the required Schedule of Findings and Questioned Costs. Only after the auditors informed the department about the missing schedule did the department obtain the schedule.

- Only one audit report contained findings, and no evidence could be provided that a management decision had been issued regarding the findings. A management decision is the evaluation by the awarding agency of the subrecipient's audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

- No actions were taken against subrecipients for not obtaining timely audits in accordance with OMB Circular A-133.

OMB Circular A-133 states that the audit report should be submitted within nine months after the end of the audit period. It also states that "the auditor's report(s) shall . . . include . . . a schedule of findings and questioned costs." The three required components of the schedule are a summary of auditor's results, findings related to the financial statements, and findings and questioned costs for federal awards.

The circular also states that it is the pass-through entity's (Department of Health's) responsibility to "issue a management decision on audit findings within six months of receipt of the subrecipient's audit report." The circular requires that the management decision "shall clearly state whether or not the audit finding is sustained, the reasons for the decision, . . . any appeal process," and the audit finding reference numbers. The management decision shall also include "the expected auditee action to repay disallowed costs." Furthermore, it states that "in cases of continued inability or unwillingness to have an audit conducted in accordance with this part, . . . pass-through entities shall take appropriate action using sanctions such as . . . withholding a percentage of Federal awards until the audit is completed satisfactorily" or "suspending Federal awards until the audit is conducted."

Recommendation

The department should ensure that subrecipients' required audit reports are received no later than nine months following their fiscal year end, the reports are reviewed for completeness, and the management decisions on audit findings are issued, as required by OMB Circular A-133. The Office of Audit and Investigations should develop a checklist of the required information for this type of audit report. The checklist could also be used to document the review of the audit report. The Commissioner should take appropriate action using such sanctions as withholding a percentage of funding from any subrecipient when the required audit is not conducted or the audit report is not submitted to the department timely.

Management's Comment

We concur. Additional personnel have been devoted to the monitoring of subrecipient audits. The Department has also begun sending written notification to subrecipients for their audits 3 months before the 9-month deadline required by OMB A-133. We will develop a checklist of required information for audits of subrecipients and will obtain the Schedule of Findings and Questioned Costs when audits lack this schedule. Further, timely management decisions on audit findings will be issued. In addition, consideration will be given to imposing the sanctions suggested by OMB Circular A-133 in cases of continued inability or unwillingness of a subrecipient to have an audit conducted in accordance with the Circular. However, it should be noted, the only instance where subrecipients failed to provide us with their audit was when the subrecipient organization became defunct.

Lastly, the Department is writing a policies and procedures manual for monitoring audits of subrecipients.

Finding Number	00-DHS-03
CFDA Number	10.561
Program Name	State Administrative Matching Grants for Food Stamp Program
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	3F9404
Finding Type	Special Tests and Provisions
Questioned Costs	None

Electronic Benefit Transfer Service Auditor Report not obtained

Finding

The Department of Human Services (DHS) failed to ensure that a required copy of the Service Auditor Report for one of the department's outside providers of Electronic Benefit Transfer (EBT) services was obtained in accordance with federal requirements for administration of the Food Stamp Program.

The department has contracted with Citibank EBT Services to provide payments of food stamp, Social Security, and Families First benefits to recipients through the use of EBTs. These benefits are to be made available to recipients through a network of automatic teller machines (ATMs) and point of sale terminals at participating retailers. Citibank has subcontracted portions of the required services to eFunds (formerly Deluxe Electronic Payment Systems) and Lockheed Martin, I.M.S. The Statement on Auditing Standards (SAS) 70 Service Auditor Report is the result of a review of a service provider (such as Citibank or its subcontractors), performed by an independent audit team, the purpose of which is to express an opinion on the service provider's internal controls during the audit period.

Effective March 30, 2000, the *Code of Federal Regulations*, Title 7, Section 274.12(j)(5), requires the following:

> The state agency must obtain an examination by an independent auditor of the transaction processing of the State EBT service provider regarding the issuance, redemption, and settlement of Food Stamp Program benefits. The examination must be done at least annually and the report must be completed ninety days after the examination period ends. Subsequent examinations must cover the entire period since the previous examination. Examinations must follow the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 70, Service Organizations (SAS No. 70), requirements for reports on controls placed in operation and tests of the operating effectiveness of the controls.

Additionally, prior to the commencement of state audit fieldwork, DHS management agreed to obtain the necessary SAS 70 Service Auditor Reports, by signing the engagement letter with state audit, which specifically stated:

> At the conclusion of the audit, you will provide us a representation letter that will confirm, among other things . . . management's responsibility to ensure that SAS 70 examinations of EBT service organizations are performed at least annually, and that examination reports are submitted to the state within 90 days after the end of the examination period.

The DHS Director of EBT was initially contacted in July 2000, at which time the audit team requested copies of the fiscal year 2000 SAS 70 reports for Citibank, Lockheed Martin I.M.S, and eFunds. SAS 70 reports for Citibank and for Lockheed Martin I.M.S. were received on September 20, 2000. A SAS 70 report for eFunds was received on September 20, 2000; however, the report only covered the period from December 1, 1999, through May 31, 2000. Subsequent requests were made for the eFunds Service Auditor report for the period July 1, 1999, to December 1, 1999; however, this additional report was never obtained by the department.

Because management has not obtained a SAS 70 Service Auditor report from eFunds prior to December 1, 1999, the department has not received assurance that controls placed in operation by eFunds were effective for that period. Also, the department has not complied with the requirements of the *Code of Federal Regulations,* Title 7, Section 274.23(j)(5).

Recommendation

DHS management should ensure that SAS 70 Service Auditor reviews are performed on EBT service providers in accordance with the Code of Federal Regulations and that the Service Auditor Reports are obtained by the department.

Management's Comment

We concur. The department will ensure that the Auditor Service reviews are performed on Citibank and its subcontractors, and that the Auditor Service Reports are obtained by the department in a timely manner.

Finding Number	00-LWD-01
CFDA Number	17.245
Program Name	Trade Adjustment Assistance-Workers
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	92260 and 92269
Finding Type	Reportable Condition, Eligibility
Questioned Costs	$295.00

The department overpaid Trade Adjustment Assistance program participants

Finding

The Department of Labor and Workforce Development did not adequately monitor the eligibility of participants in the Trade Adjustment Assistance (TAA) program. As a result, participants were overpaid.

The TAA program was created to provide assistance for individuals who become unemployed due to situations such as increased imports. The program can provide participants with training assistance that will allow the participant to enter a new trade or business. The department enters into contracts with the local education institutions that arrange for training and provide a weekly trade readjustment allowance (TRA) for program participants. Eligible individuals may also receive a job search allowance, a relocation allowance, or a transportation and/or subsistence allowance for the purpose of attending approved training outside the normal commuting distance from their regular place of residence.

A sample of TAA program recipients revealed that 2 of 60 participants (3%) received weekly trade readjustment allowance overpayments of $93.00 and $202.00, respectively. In each instance, the program participant stopped attending the training class. As a result, the students were no longer eligible to receive benefits. However, management did not detect the overpayments. For fiscal year ended June 30, 2000, the department reported program expenditures in the amount of $839,861. The total questioned cost was determined to be $295.00 in a sample of $9,394.96. The likely federal questioned cost associated with this condition could exceed $10,000.00.

The Trade Act, Part 617.18, subpart B, establishes the following rules and regulations regarding the disqualification of eligibility:

> A worker shall be determined to have ceased participation in a training program when the worker fails to attend all scheduled training classes and other training activities scheduled by the training institution in any week of the training program without justifiable cause.

Recommendation

The Director of the Trade Adjustment Assistance program should ensure that only eligible program participants are receiving benefit payments. The eligibility of program participants should be monitored on a consistent basis to readily identify changes in the eligibility of participants and prevent the issuance of benefit overpayments.

Management's Comment

We concur with your finding that two Trade Adjustment Assistance participants received overpayments of $93.00 and $202.00 respectively. With regard to the two sample cases, both students failed to return to the training facilities after a scheduled break period. During such break periods, it is customary for said facilities to endorse weekly certifications ahead of time as the schools are shut down and no administrator is available at the facility during the actual week the certification should be signed. One claimant has already repaid the overpayment in the amount of $202.00, and we expect to recoup the $93.00 overpayment shortly.

Our Department relies solely on information provided to us by training facilities as it pertains to a claimant's enrollment and continued participation. If a school does not maintain accurate records regarding a student's attendance and enrollment status, follow-up information may not be communicated to our Agency in a timely manner and an overpayment may result. The Federal Claims Unit has internal policies in place to follow- up on claimants who have not certified for several weeks and ascertain the status of their enrollment. This particular policy will be continued and every effort made to include all TRA files in temporary non-payment status.

Other preventative measures we are taking include providing additional language on information sheets given to both TRA claimants and training facilities advising them to report immediately to our Department any changes in the training status, especially if they discontinue their education before or after a scheduled break. We will be discussing in the near future a recommendation to amend the TAA contracts to include specific language for training facilities regarding reporting withdrawals from school, failure to begin training, etc., and their role in providing that information to our Department within a certain time period. Additionally, federal law provides for a Workforce Investment Act training provider list to be available in July. This Agency has elected to adopt the WIA training provider list for the TAA Program. One feature of this list is that it obligates training providers to report training outcomes. This information will also help to prevent the overpayment of benefits.

Finding Number	00-DHS-01
CFDA Number	93.563
Program Name	Child Support Enforcement Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G9904TN4004; G0004TN4004
Finding Type	Special Tests and Provisions
Questioned Costs	None

The department did not comply with child support enforcement procedures

Finding

As noted in the prior six audit reports, the department did not comply with child support enforcement procedures. The Department of Human Services is the designated Child Support Title IV-D office; however, enforcement activities are generally contracted out to district attorneys general or to private contractors. Although these agencies have day-to-day responsibility for child support enforcement, the Department of Human Services has ultimate responsibility for compliance with federal regulations.

The most significant deficiencies noted in the prior audit concerned the departments' failure to take all necessary steps to locate noncustodial parents. The Tennessee Child Support Enforcement System (TCSES) was designed to automate much of the necessary parental location activity. As of August 31, 1999, all TCSES locate modules were active, with the exception of the Tennessee Wildlife Resource Agency (TWRA) module. This module continues to have file problems and was disabled for much of the current audit period. Management concurred with the prior audit finding and has made significant improvements concerning the location of noncustodial parents; however, in a review of active child support cases using the Tennessee Child Support Enforcement System (TCSES), the following weaknesses were noted:

a. One of the 40 cases tested (3%) did not contain evidence that the Federal PLS was used within 75 days of determining the locate functions were necessary. *Code of Federal Regulations*, Title 45, Section 303.3(b)(3), states, "Within no more than 75 calendar days of determining that location is necessary, access all appropriate location sources, including transmitting appropriate cases to the Federal PLS, and ensure that location information is sufficient to take the next appropriate action in a case."

b. One of 40 cases tested (3%) contained no documentation that the child support order was reviewed within a 36-month interval. Therefore, it could not be determined whether notification of review should have been

sent to each parent at least 30 days before the review or whether each parent should have been notified of the results of the review. *Code of Federal Regulations*, Title 45, Section 303.8(b)(2), states that the State must: "Not less than once every three years, notify each parent subject to a child support order in the State of the right to request a review of the order."

c. The court order for 1 of 40 cases tested (3%) was not adjusted to include medical support reviewed. *Code of Federal Regulations*, Title 45, Section 303.8(e), states that the agency must "Within 180 calendar days of receiving a request for a review . . . conduct a review of the order and adjust the order."

d. Five of 40 cases tested (13%) did not have evidence of attempts to enforce all child support obligations, including orders for medical support. *Code of Federal Regulations*, Title 45, part 303.6(c)(2), states that enforcement action is required to be taken "within no more than 30 calendar days of identifying a delinquency or other support-related noncompliance with the order." Also, *Code of Federal Regulations*, Title 45, part 303.31(b)(7), states, "If health insurance is available to the absent parent at reasonable cost and has not been obtained at the time the order is entered, [the IV-D agency shall] take steps to enforce the health insurance coverage required by the support order."

e. One of 40 cases tested (3%) was not a valid open case. This case was classified as active open when it should have been classified as closed. When the active case population includes cases that are not valid or should no longer be open, a child support worker's attention can be diverted needlessly from truly active cases.

f. Seven of the 30 cases tested (23%) contained information in the case files that was not entered on TCSES. Five of the eight cases had medical support ordered, but that information was not listed on the TCSES system; one case had no support amount listed in TCSES, even though it was court ordered, and two cases had documentation or notice of court reviews that was not noted on TCSES. The *Code of Federal Regulations*, Title 45, Section 307.10 (b)(4)(iv), states that the state's computerized support enforcement system must "control, account for, and monitor all the factors in the support collection and paternity determination processes under the state plan. At a minimum, this must include maintaining information pertaining to the establishment of support obligations."

The failure to use all location sources, to respond immediately when new information is received, to enforce child support and medical support orders, to close cases timely, to review orders timely, and to properly enter all information in TCSES may deprive caretakers and dependent children of needed financial support or may

deprive the state's Child Support Enforcement Program of reimbursement of program expenses.

In July 2000, the Office of Inspector General issued a report entitled Review of Selected Aspects of the Tennessee Child Support Disbursement Unit. In this report, the Inspector General cited a report issued by the Office of Child Support Enforcement which noted that the amount of undistributed child support collections reported to the federal government had not been reconciled to the state's accounting system. The amounts reported were obtained from TCSES which is maintained by Andersen Consulting, the maintenance contractor. However, due to problems encountered with TCSES and Andersen personnel, data obtained from the system has been found to be inaccurate. The department continues its efforts to reconcile TCSES with its accounting records in order to provide accurate information to the federal government concerning undistributed child support collections.

Recommendation

The commissioner should ensure that problems associated with the TWRA module in TCSES are corrected. The Director of Child Support should ensure that all available sources are used to locate absent parents. The director should ensure that attempts are made to enforce the necessary support obligations. Further, the director should ensure that support orders are reviewed, cases are closed timely, and that information is entered in TCSES in a timely manner. The commissioner should ensure that the efforts of the Director of Child Support are frequently monitored to ensure compliance with child support enforcement procedures. The Director of Child Support and the Director of Internal Audit should work together to perform analytical procedures on the TCSES databases to monitor activity and to determine areas of noncompliance. The failure to comply with child support enforcement procedures should result in appropriate administrative action.

The commissioner should ensure that the undistributed child support collection balance is reconciled. TCSES and departmental records should agree so that accurate information is provided to the federal government.

Management's Comments

Department of Human Services

We concur. The Department of Human Services has been working with the Tennessee Wildlife Resource Agency (TWRA) concerning file problems and both departments have agreed upon a mutually acceptable file structure that includes Social Security Numbers in TWRA's file for the locate interface with production expected in Spring of 2001.

The finding also referenced the United States Department of Health and Human Services, Office of Inspector General report entitled Review of Selected Aspects of the Tennessee Child Support Disbursement Unit. In this report, the Inspector General cited a report issued by the Office of Child Support Enforcement which noted that the undistributed child support collections reported to the federal government had not been reconciled to the states accounting system.

The reconciliation process is now in progress. A Tennessee Child Support Enforcement System (TCSES) task has been initiated to provide system assistance and information to assist in this reconciliation. A staff member has been assigned to work on this reconciliation process and we are currently working to assign four more staff to this project. These staff will remain assigned to this project until the reconciliation process is completed and undistributed collections are being maintained at a reasonable level. One primary goal in this project is to have the federal report reflect the accurate amount of undistributed collections reported by the Tennessee Child Support Enforcement System (TCSES). Currently the reported undistributed collections are significantly overstated as compared to actual undistributed collections. This project is scheduled for completion on March 5, 2002.

(A) We concur. The department has taken action to correct the finding. In order for the non-custodial parent to be submitted to the various locate interfaces, the locate status indicator on TCSES must be populated. As a result of the audit finding, a program problem in TCSES, the child support automated system, has been identified. This problem only affects cases that change from type "X", a Non IV-D case, to a Non AFDC IV-D case type. This problem was given a high priority and was corrected in this particular case. This system is now being reviewed by department staff for a permanent solution to the problem.

(B) We concur. This problem has now been corrected with the implementation of changes to the TCSES system in January 2001. The first notices were mailed in January 2001, and these notices are now mailed on a monthly basis. There will be a "catch-up" for all qualified cases during 2001. Case 102197 has a Legal Diary entry on July 22, 1998, of an activity notice of review for modification. A review notice will be mailed on March 2001 (within the 36-month interval from July 1998). The most recent memorandum concerning review and modification notices was issued to the child support enforcement offices on January 12, 2001.

(C) We concur. The problem related to case #701033 has been addressed through memorandum. The latest memorandum was dated November 15, 2000. This subject was also on the agenda for the fall child support conference in November 2000. The department will continue to address the importance of medical support enforcement through quarterly training sessions, informational memorandums as needed and any other appropriate means. A memorandum will be issued to address changes to policy based on a recent federal Office of Child Support Enforcement (OCSE) publication on medical support. The State has also introduced legislation to fully implement Federal Regulations related to medical support enforcement.

(D) We concur. In order to attempt to correct the problem associated with this finding the department has been issuing memorandums relating to the importance of enforcing all child support obligations. The same issue has been addressed and presented at different workshops (i.e. annual conference), and also was the favorite topic during quarterly meetings with administrators. This area is also reviewed by the Internal Audit staff when conducting the self-assessment reviews. The Department of Human Services has added field staff to coordinate and participate in technical assistance reviews that address areas of establishment and enforcement.

(E) We concur. The department is taking steps to address this issue. An Informational Memorandum was issued on September 11, 2000, to the enforcement offices updating the policy and procedures manual on case closure. This issue is also reviewed in all program and self-assessment reviews conducted by the department. A closure project was completed for Shelby County and other child support enforcement offices have individually requested and worked on closure projects. The department is in the process of issuing a more detailed memorandum to explain and simplify the closure procedures.

(F) We concur. The department has been emphasizing the importance of establishing and enforcing support obligations in a timely manner through memorandums sent to the enforcement offices. The department will continue to address the importance of medical enforcement through quarterly training sessions, informational memorandums as deemed necessary and during the program and self-assessment reviews. We will also emphasize that information in the case files should be entered in TCSES.

Tennessee Wildlife Resources Agency

We concur. The problem reading TWRA's file has been corrected.

Finding Number	00-DHS-02
CFDA Number	93.563
Program Name	Child Support Enforcement Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G9904TN4004; G0004TN4004
Finding Type	Special Tests and Provisions
Questioned Costs	None

The department did not comply with federal regulations concerning intercepted tax refund payments

Finding

As noted in the prior six audit reports, the department did not comply with federal regulations concerning the timeliness of distribution of tax refunds as child support payments. Also, local child support enforcement offices had not always adjusted arrearage balances of noncustodial parents. Management concurred with the prior audit; however, problems still exist.

The *Code of Federal Regulations*, Title 45, Section 302.32(f)(2)(iv), requires that intercepted federal tax refunds be distributed, as appropriate, "within 30 calendar days of the date of initial receipt by the IV-D agency." Three of 40 intercepted IRS tax refunds reviewed (8%) were distributed 14 to 94 days late.

In addition, local child support enforcement offices were contacted to determine whether the local offices had records that the tax intercepts had taken place and whether the noncustodial parents' arrearage balances had been properly adjusted to reflect the intercepted funds. In 10 of 40 cases tested (25%), the local office confirmed that the arrears had not been adjusted to reflect the intercepted funds. The *Code of Federal Regulations*, Title 45, Section 303.72 (i)(1), states, "The full amount offset must be credited against the obligor's payment records."

Failure to distribute child support payments in a timely manner deprives custodial parents and their children of needed child support. When tax intercepts are not properly and promptly recorded, the child support enforcement office may continue to pursue collection of debts that have already been satisfied and needlessly waste scarce child support enforcement resources. Failure to account for funds received and to promptly update case records creates unreliable financial records.

Recommendation

The Director of Child Support should comply with federal regulations for the child support enforcement program and ensure that funds are distributed timely to custodial parents and that case balances are updated to reflect the changes in arrearage balances. The Commissioner should frequently monitor the distribution of child support payments to ensure that accurate and timely distributions are made.

Management's Comment

We concur. The Tennessee Child Support Enforcement System (TCSES) is programmed to distribute IRS offset collections, within thirty days or less. However, there are at times extenuating circumstances not related to the system that cause us to delay the processing for several days. This is not a systematic problem or an on-going practice and we do not intend to use such a delay practice in the future. We will reinforce this policy with the appropriate staff.

The Child Support Fiscal Staff were notified to release the collection made for TCSES member 914340 and did not react timely. We will emphasize to staff the need to exercise more care in these situations.

Child Support Fiscal Services was not notified by the local child support office that the offset should be released when the administrative hold was removed for TCSES member 62395. Through training and staff meetings we will place emphasis on proper notification in such instances. It is a rare circumstance when the local office does not send notification.

The finding also stated that "in 10 of 40 cases tested, the local office confirmed that the arrears had not been adjusted to reflect the intercepted funds". The collection amounts are credited toward arrears when such amounts are processed through distribution, which is required to be done within 30 days. Local Child Support offices are always given collection reports on IRS intercept collections within a few days of the collection date. Therefore, they have sufficient information to prevent them from pursuit of collection debts that have already been satisfied.

Finding Number	00-DCS-04
CFDA Number	93.658
Program Name	Foster Care – Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9601TN1401 through 0001TN1401
Finding Type	Material Weakness, Allowable Costs/Cost Principles
Questioned Costs	None

Status changes for foster children are still not processed promptly; overpayments totaling at least $545,083 were made to foster parents

Finding

As noted in the six previous audits, which covered the period July 1, 1993, to June 30, 1999, status changes for foster children are not processed promptly. In addition, controls that related to the Children's Plan Financial Information System (ChipFins) disbursements remain weak in that the system does not require preapproval of payments. As a result, overpayments to foster care and adoption assistance parents occurred and were not detected in a timely manner.

According to management, the ChipFins database should be updated by the case managers when a child's foster care placement changes. Until case managers enter these placement changes, payments are automatically made to the foster parents of record in the ChipFins database. In order to correct overpayments and underpayments, case managers must submit change-in-status adjustment forms to the central office. There is still a problem with case managers not entering status changes on ChipFins timely.

Until the implementation of the prepayment authorization program in June of 2000, the data in ChipFins resulted in the automatic issuance of foster care and adoption assistance payments. Neither case managers nor other knowledgeable parties were required to verify that services were provided to children before these payments were made. Until case managers updated a change in the child's status, payments continued to be made to the parents. For 48 of 60 Title IV-E foster care expenditures tested (80%) and 40 of 40 Title IV-E adoption assistance expenditures tested (100%), the receipt of services was not verified. All of the exceptions noted above were payments generated by the ChipFins system.

In an effort to reduce the amount of overpayments, the department began preparing monthly reports that show the adjustment forms received and the number of changes by case manager. Starting in March 1998, the Fiscal Division started tracking the number of status changes submitted to that office from field staff. The report from the Fiscal Division has been provided to the Director of Regional Services and Internal Audit monthly. The Director of Regional Services has distributed this report to the

Regional Administrators for follow-up action to address why the changes are not being made timely by the case managers. Management concurred with the prior audit finding and stated,

> The department has made progress in identifying problem areas concerning untimely status changes in ChipFins. Reports continue to be provided to Regional Administrators and disciplinary actions are taken when staff habitually miss cut off dates or when staff habitually fail to change the status of a child when they leave a foster home. . . . The department is anticipating the development of two systems, the Prepayment Authorization System and the phone-in system for foster and adoption assistance parents, which should resolve the ChipFins overpayment issue. . . . Once these systems are operating in conjunction, the department will know before a payment is made that a status change was not entered timely. These new systems will allow the department to immediately identify case managers who are not entering status changes timely, as opposed to the current system, which may detect status change errors months after they have been made. This knowledge will allow the department to better determine the reasons for the untimely status changes and take appropriate action.

As previously mentioned, the prepayment authorization program, which is designed to require case manager approval of ChipFins payments before they are made, was not implemented until June of 2000. The phone-in system was not implemented during the audit period. Since these systems were not operating in conjunction during the year, their effectiveness in preventing or detecting overpayments cannot be evaluated.

However, the procedures in effect during the year that consisted of preparing, distributing, and reviewing the monthly reports do not indicate that the problem was corrected. Adjustment forms for the time period July 1999 through June 2000 show that 1,525 adjustments were made, totaling $545,083 in overpayments and $89,458 in underpayments. Comparable amounts for the 1,036 adjustments made during the period July 1998 through June 1999 were $422,636 and $44,294, respectively. The department subsequently paid the foster parents who had been underpaid. However, Children's Services could not determine the amount of collections it had received for the overpayments. Had the department properly accounted for these collections, this information would have been readily available. In response to this portion of the prior audit finding, management stated, "The department plans to address this issue in the financial phase of TNKIDS development." However, the scheduled implementation of the financial phase of TNKIDS is December of 2002.

Recommendation

The Assistant Commissioner for Program Operations should enforce the department's procedures to ensure that case managers enter child placement information in ChipFins timely. These procedures should include a requirement that case managers' immediate supervisors examine case files regularly to ensure that placement data are being entered into ChipFins accurately and timely. Management should follow up on these reviews to ensure that they are being performed and take disciplinary action against case managers who fail to comply.

Management should monitor the results of the prepayment authorization program and the phone-in system, once implemented, to determine their effectiveness in preventing overpayments made to foster care and adoption assistance parents. Additionally, management should review case manager compliance with the prepayment authorization system to ensure that case managers are verifying that services were provided to children prior to approving payments.

In addition, management should properly account for collections made against overpayments as a part of effective accounts receivable procedures.

Management's Comment

We concur. However, significant improvement has already taken place during fiscal year 2001, and that changes anticipated by July 2001 should virtually correct this finding. The department implemented the prepayment authorization system in June 2000, as noted in the finding. This has reduced the number of adjustments and the dollar amounts of total adjustments per month. A report is requested monthly that lists all children in the ChipFins system that have not had their payment confirmed during each pay period. This report is sent to field staff for research to determine the reason for the non-confirmation. During this review, field staff makes corrections to the ChipFins system. The number of non-confirmed on the report has dropped over the last several months.

The phone-in foster parent system is scheduled to be operational in the first region April 1, 2001. The department will roll out the system across the State in four phases with all regions operational in July 2001. The department has identified the business requirements for the system, and the system is currently in development. Foster parents who will be performing the testing phase of this project have been identified. Training must be provided to all foster parents prior to each phased roll out. The department has implemented the initial training development process, including preparation of training material and scheduling of this process. DCS stands by the projection that this system in

conjunction with the case manager pre-authorization of payments should virtually correct the overpayment situation.

Finding Number	00-DCS-05
CFDA Number	93.658
Program Name	Foster Care – Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9601TN1401 through 0001TN1401
Finding Type	Reportable Condition
Questioned Costs	None

Case files do not contain adequate documentation tracking the services provided, progress, or movement of the child

Finding

As noted in the prior audit, the Department of Children's Services (DCS) did not have adequate documentation in children's case files showing the services provided to a child, the progress of the child, or the movement of the child. DCS Policies 9.1, 9.2, and 9.9 indicate that a child's case file shall have a section titled "Case Recordings." Policy 9.1 states,

> This section consists of, but is not limited to, chronological information concerning each contact with the child/family or other individuals. Appropriate documentation shall include the following: Narratives, monthly recordings, collaterals, case notes/progress notes, dictation, contacts or case documentation on child and family.

A revision was made to Policy 9.1, adding: "Case recordings and all other documentation shall be added to the case file within 30 days of case work activity. Each case shall have a case recording for each month that the case is open."

Management concurred with the prior finding and stated that historically the problem was linked to each case manager's caseload. In response to this, they hired 121 new case managers and 22 new supervisors. However, problems were again noted involving time lapses between case note recordings documenting case manager visits to the child.

Twenty-six of 100 case files tested (26%) did not contain adequate documentation tracking the services provided, progress, or movement of the child at the time the file was reviewed. In all 26 instances, there were substantial gaps in dates between the case recordings that document case manager contacts with the child. Time lapses between documented contacts ranged from 61 to 565 days. Documentation was provided after the gaps were reported to management. This documentation reduced the number of problem files to 18 of 100 (18%), with gaps ranging from 30 to 433 days. However, the

subsequent case notes provided to the auditors should have been included in the case file during its initial review.

In addition, testwork at the Department of Finance and Administration, Bureau of TennCare, indicated that 17 of 60 case files tested (28%) did not contain adequate case notes or placement authorizations which document the approval for treatment and services provided to a child.

Recommendation

The Assistant Commissioner of Program Operations should ensure that case managers are making required contact with children in state custody and documenting the contacts made. Case managers should make personal visits to the child when possible. If a face-to-face visit is not possible, a phone call will be sufficient. Proper documentation, as described in DCS policies, should be prepared in a reasonable time after the visit and placed in the child's case file in a timely manner. All services provided to a child should be documented in the child's case file.

Management's Comment

We concur. Case file reviews conducted by central office staff from the Division of Program Operations documented similar findings. The standard established by the Division of Program Operations and communicated to field staff is that case documentation should never lag more than 30 days behind specific case activities. Management will continue to stress its policy regarding timeliness of case documentation and the necessity of case documentation for each month that a child is in care. In addition to quarterly monitoring of case files by field supervisors, central office staff from the Division of Program Operations will continue to monitor case recording during their case file reviews.

In addition to the 121 new case managers and 22 new supervisors documented in the auditor's report, the department received an additional 189 case manager and supervisor positions in fiscal year 2000/2001. The additional positions provide further verification of the legislature's recognition of staffing problems in the Division of Program Operations and it is felt that these additional positions will be another step toward improvement of casework and documentation of services for children.

The auditors also noted that case notes were provided to the auditors after the auditor's initial field visit. This circumstance was due to case notes being in different files (residential case manager files, resource case manager files, and home county case manager files). In December 2000, the final region transitioning to TNKIDS completed training. In the future, all case recordings, regardless of the individual producing that recording, will be contained in a single electronic case file. Problems of case documentation being in different files will be eliminated.

Finding Number	00-DCS-06
CFDA Number	93.658
Program Name	Foster Care – Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9601TN1401 through 0001TN1401
Finding Type	Material Weakness
Questioned Costs	None

The TNKIDS system currently in place and the CORS system it replaced do not ensure data integrity and user accountability

Finding

As noted in the five previous audits covering the period July 1, 1994, to June 30, 1999, the Client Operation and Review System (CORS), in use until November of 1999, which recorded the profiles of children in state custody and matched these with the facilities providing care, did not ensure data integrity and user accountability. The CORS system was replaced by the Tennessee Kids Information Delivery System (TNKIDS). The TNKIDS system, which is designed to serve as the automated network for recording the intake of all children in the care of the department and maintaining information about the children, their families, and the services delivered by and through the department, also lacks sufficient controls to ensure data integrity and user accountability. Management concurred with the prior audit findings.

The scheduled implementation date for TNKIDS Release 2.1 (the first phase in the development of the system) was March 1999. However, phase one of TNKIDS was not implemented until June 1999, and that was only in the Southeast Region. Subsequent to management not meeting its initial projection and due to the CORS system not being year 2000 compliant, management was forced to develop a TNKIDS Y2K Contingency Plan, which was implemented in all 12 regions by November of 1999. According to this plan, each region had a central site for TNKIDS data entry, which prevented individual case managers from updating information in the system. The site personnel entered data for each region based on information supplied by case managers. This method of data entry will be used in all regions until full hardware implementation and TNKIDS training are achieved. This implementation and training is being completed region by region with the last region expected to be completed by December 2000. At that time, all case managers will be fully trained and will enter their own information into TNKIDS. However, during the audit period, since case managers did not enter information directly into the TNKIDS system and were unable to access and review data in the system for accuracy, there was a high risk that errors and untimely input could have occurred and not been detected.

The prior audit noted that the TNKIDS system does not track all of the changes that are made to a given record. Rather than tracking all changes to records, the system only documents the last date and user that changed a particular record. Therefore, an inappropriate entry may be made to a record, and a subsequent entry to that record would remove evidence as to who entered any previous information. This system control does not provide an adequate audit trail to trace all changes to a particular child's record in TNKIDS. Management's response to the prior audit finding stated, "The department recognizes that this tracking system is not adequate and . . . has formed a work group to develop a system log for pertinent data in TNKIDS." Based on the auditors' review, a more comprehensive audit trail was implemented in TNKIDS on June 19, 2000. This audit trail tracks all changes and deletions made to a record as well as the date and person making the change. However, for the majority of the fiscal year, these changes were not being recorded. The fact that these system controls were not incorporated in the TNKIDS system until the last month of the audit period resulted in a severe lack of accountability since any user with update access could add, change, or delete client information across the state without any record of the change.

Management's response to the prior finding also stated that this phase of TNKIDS would include a search function that would be invoked before new records are created or information is added to an established record to minimize duplication. However, our review of this phase of TNKIDS revealed that the search function is not required prior to creating a new record or adding information to an existing record. The ability to bypass the search function increases the risk of creating duplicate records and updating incorrect records in TNKIDS.

These weaknesses lessen the department's assurance concerning data integrity and user accountability. Effective system management controls require procedures to prevent duplication of data and to reduce the risk of incorrect or invalid data. In addition, these management controls require an audit trail of changes to client information.

Recommendation

The Assistant Commissioner for Support Services, in conjunction with the Director of Information Systems, should ensure that all necessary controls are built into the TNKIDS system to prevent duplication of data and to reduce the risk of incorrect or invalid data. All case managers should enter their own information directly into the TNKIDS system and should be able to access and review data in the system for accuracy. The audit trail implemented in TNKIDS should be monitored to ensure that all changes to pertinent data in the system are logged and are accessible for management inquiry. The search function in TNKIDS should be made mandatory before a new child is entered into the system in order to minimize the risk of creating duplicate records.

Management's Comment

We concur. However, the department has since developed processes that help to ensure data integrity, which are discussed further in the response. As stated in the audit, the department had to develop a TNKIDS Y2K Contingency Plan in order to minimize Y2K concerns. As of December 11, 2000, all case managers and team leaders have had the proper TNKIDS training and access to the system.

As stated in the audit, the department has developed and implemented a more comprehensive audit trail system in TNKIDS. The audit trail was implemented on June 19, 2000. This audit trail tracks all changes and deletions made to a record as well as the date and person making the change. Internal Audit will perform a review on the audit trail system to ensure it is working appropriately. Management does not feel further corrective action is warranted at this time.

The search function is the first screen to appear on the user's screen during the client intake process. A case manager would have to deliberately cancel out of the search screen to avoid a search. All staff were trained and expected to utilize the search function prior to adding any new persons to the database except in some rare instances where adoption assistance intakes were being created to reduce the risk of error with sensitive information. The department will disable the cancel function for the search screen. This will be accomplished in the next TNKIDS build scheduled for June 2001.

The finding indicates a concern that there are duplicate records in the system due to the search function not being mandatory before an intake is performed. The department has taken proactive steps to ensure that any duplicate records are merged into one record. The "Possible Duplicate Children Report" was created as a tool to facilitate cleanup of duplicate child data in the TNKIDS database, which may have been converted from CORS, and to bring TNKIDS data to the highest integrity possible. The word "Possible" is chosen as the heading of this report because some of the entries indicated as duplicates may not be real duplicates. This is the reason why this report requires a manual review by the Field System Administrators (FSA) and case managers, in order to examine each suggested duplicate entry from the report. If the manual review finds that a child is duplicated in the system, the FSA will merge this child's information into one electronic case file. If it is not duplicated, then it will be noted that these children's case files are appropriately separate and do not need to be merged. The FSA's have had extensive training on this process to ensure that appropriately separate case files are not merged into one file.

In order to ensure that the department is in compliance with Adoption and Foster Care Analysis and Reporting System (AFCARS) requirements, the department's Data Quality Unit runs a monthly AFCARS report and sends the results to top management in the department, as well as, the regional administrators. The AFCARS report tells management about the completeness of the data for the AFCARS requirements. If a data element is not in TNKIDS, it will show up as an error on the AFCARS report. This gives management an idea on where improvement is needed. In addition, the department has a

data workgroup that addresses issues with the data in TNKIDS. This workgroup is comprised of individuals from different areas in the department. The goal of this group is to identify problems with data in TNKIDS and to find solutions to correct these problems.

Finding Number	00-DCS-04
CFDA Number	93.659
Program Name	Adoption Assistance
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9701TN1407 through 0001TN1407
Finding Type	Material Weakness, Allowable Costs/Cost Principles
Questioned Costs	None

Status changes for foster children are still not processed promptly; overpayments totaling at least $545,083 were made to foster parents

Finding

As noted in the six previous audits, which covered the period July 1, 1993, to June 30, 1999, status changes for foster children are not processed promptly. In addition, controls that related to the Children's Plan Financial Information System (ChipFins) disbursements remain weak in that the system does not require preapproval of payments. As a result, overpayments to foster care and adoption assistance parents occurred and were not detected in a timely manner.

According to management, the ChipFins database should be updated by the case managers when a child's foster care placement changes. Until case managers enter these placement changes, payments are automatically made to the foster parents of record in the ChipFins database. In order to correct overpayments and underpayments, case managers must submit change-in-status adjustment forms to the central office. There is still a problem with case managers not entering status changes on ChipFins timely.

Until the implementation of the prepayment authorization program in June of 2000, the data in ChipFins resulted in the automatic issuance of foster care and adoption assistance payments. Neither case managers nor other knowledgeable parties were required to verify that services were provided to children before these payments were made. Until case managers updated a change in the child's status, payments continued to be made to the parents. For 48 of 60 Title IV-E foster care expenditures tested (80%) and 40 of 40 Title IV-E adoption assistance expenditures tested (100%), the receipt of services was not verified. All of the exceptions noted above were payments generated by the ChipFins system.

In an effort to reduce the amount of overpayments, the department began preparing monthly reports that show the adjustment forms received and the number of changes by case manager. Starting in March 1998, the Fiscal Division started tracking the number of status changes submitted to that office from field staff. The report from the Fiscal Division has been provided to the Director of Regional Services and Internal Audit monthly. The Director of Regional Services has distributed this report to the

Regional Administrators for follow-up action to address why the changes are not being made timely by the case managers. Management concurred with the prior audit finding and stated,

> The department has made progress in identifying problem areas concerning untimely status changes in ChipFins. Reports continue to be provided to Regional Administrators and disciplinary actions are taken when staff habitually miss cut off dates or when staff habitually fail to change the status of a child when they leave a foster home. . . . The department is anticipating the development of two systems, the Prepayment Authorization System and the phone-in system for foster and adoption assistance parents, which should resolve the ChipFins overpayment issue. . . . Once these systems are operating in conjunction, the department will know before a payment is made that a status change was not entered timely. These new systems will allow the department to immediately identify case managers who are not entering status changes timely, as opposed to the current system, which may detect status change errors months after they have been made. This knowledge will allow the department to better determine the reasons for the untimely status changes and take appropriate action.

As previously mentioned, the prepayment authorization program, which is designed to require case manager approval of ChipFins payments before they are made, was not implemented until June of 2000. The phone-in system was not implemented during the audit period. Since these systems were not operating in conjunction during the year, their effectiveness in preventing or detecting overpayments cannot be evaluated.

However, the procedures in effect during the year that consisted of preparing, distributing, and reviewing the monthly reports do not indicate that the problem was corrected. Adjustment forms for the time period July 1999 through June 2000 show that 1,525 adjustments were made, totaling $545,083 in overpayments and $89,458 in underpayments. Comparable amounts for the 1,036 adjustments made during the period July 1998 through June 1999 were $422,636 and $44,294, respectively. The department subsequently paid the foster parents who had been underpaid. However, Children's Services could not determine the amount of collections it had received for the overpayments. Had the department properly accounted for these collections, this information would have been readily available. In response to this portion of the prior audit finding, management stated, "The department plans to address this issue in the financial phase of TNKIDS development." However, the scheduled implementation of the financial phase of TNKIDS is December of 2002.

Recommendation

The Assistant Commissioner for Program Operations should enforce the department's procedures to ensure that case managers enter child placement information

in ChipFins timely. These procedures should include a requirement that case managers' immediate supervisors examine case files regularly to ensure that placement data are being entered into ChipFins accurately and timely. Management should follow up on these reviews to ensure that they are being performed and take disciplinary action against case managers who fail to comply.

Management should monitor the results of the prepayment authorization program and the phone-in system, once implemented, to determine their effectiveness in preventing overpayments made to foster care and adoption assistance parents. Additionally, management should review case manager compliance with the prepayment authorization system to ensure that case managers are verifying that services were provided to children prior to approving payments.

In addition, management should properly account for collections made against overpayments as a part of effective accounts receivable procedures.

Management's Comment

We concur. However, significant improvement has already taken place during fiscal year 2001, and that changes anticipated by July 2001 should virtually correct this finding. The department implemented the prepayment authorization system in June 2000, as noted in the finding. This has reduced the number of adjustments and the dollar amounts of total adjustments per month. A report is requested monthly that lists all children in the ChipFins system that have not had their payment confirmed during each pay period. This report is sent to field staff for research to determine the reason for the non-confirmation. During this review, field staff makes corrections to the ChipFins system. The number of non-confirmed on the report has dropped over the last several months.

The phone-in foster parent system is scheduled to be operational in the first region April 1, 2001. The department will roll out the system across the State in four phases with all regions operational in July 2001. The department has identified the business requirements for the system, and the system is currently in development. Foster parents who will be performing the testing phase of this project have been identified. Training must be provided to all foster parents prior to each phased roll out. The department has implemented the initial training development process, including preparation of training material and scheduling of this process. DCS stands by the projection that this system in conjunction with the case manager pre-authorization of payments should virtually correct the overpayment situation.

Finding Number	00-DCS-05
CFDA Number	93.659
Program Name	Adoption Assistance
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9701TN1407 through 0001TN1407
Finding Type	Reportable Condition
Questioned Costs	None

Case files do not contain adequate documentation tracking the services provided, progress, or movement of the child

Finding

As noted in the prior audit, the Department of Children's Services (DCS) did not have adequate documentation in children's case files showing the services provided to a child, the progress of the child, or the movement of the child. DCS Policies 9.1, 9.2, and 9.9 indicate that a child's case file shall have a section titled "Case Recordings." Policy 9.1 states,

> This section consists of, but is not limited to, chronological information concerning each contact with the child/family or other individuals. Appropriate documentation shall include the following: Narratives, monthly recordings, collaterals, case notes/progress notes, dictation, contacts or case documentation on child and family.

A revision was made to Policy 9.1, adding: "Case recordings and all other documentation shall be added to the case file within 30 days of case work activity. Each case shall have a case recording for each month that the case is open."

Management concurred with the prior finding and stated that historically the problem was linked to each case manager's caseload. In response to this, they hired 121 new case managers and 22 new supervisors. However, problems were again noted involving time lapses between case note recordings documenting case manager visits to the child.

Twenty-six of 100 case files tested (26%) did not contain adequate documentation tracking the services provided, progress, or movement of the child at the time the file was reviewed. In all 26 instances, there were substantial gaps in dates between the case recordings that document case manager contacts with the child. Time lapses between documented contacts ranged from 61 to 565 days. Documentation was provided after the gaps were reported to management. This documentation reduced the number of problem files to 18 of 100 (18%), with gaps ranging from 30 to 433 days. However, the

subsequent case notes provided to the auditors should have been included in the case file during its initial review.

In addition, testwork at the Department of Finance and Administration, Bureau of TennCare, indicated that 17 of 60 case files tested (28%) did not contain adequate case notes or placement authorizations which document the approval for treatment and services provided to a child.

Recommendation

The Assistant Commissioner of Program Operations should ensure that case managers are making required contact with children in state custody and documenting the contacts made. Case managers should make personal visits to the child when possible. If a face-to-face visit is not possible, a phone call will be sufficient. Proper documentation, as described in DCS policies, should be prepared in a reasonable time after the visit and placed in the child's case file in a timely manner. All services provided to a child should be documented in the child's case file.

Management's Comment

We concur. Case file reviews conducted by central office staff from the Division of Program Operations documented similar findings. The standard established by the Division of Program Operations and communicated to field staff is that case documentation should never lag more than 30 days behind specific case activities. Management will continue to stress its policy regarding timeliness of case documentation and the necessity of case documentation for each month that a child is in care. In addition to quarterly monitoring of case files by field supervisors, central office staff from the Division of Program Operations will continue to monitor case recording during their case file reviews.

In addition to the 121 new case managers and 22 new supervisors documented in the auditor's report, the department received an additional 189 case manager and supervisor positions in fiscal year 2000/2001. The additional positions provide further verification of the legislature's recognition of staffing problems in the Division of Program Operations and it is felt that these additional positions will be another step toward improvement of casework and documentation of services for children.

The auditors also noted that case notes were provided to the auditors after the auditor's initial field visit. This circumstance was due to case notes being in different files (residential case manager files, resource case manager files, and home county case manager files). In December 2000, the final region transitioning to TNKIDS completed training. In the future, all case recordings, regardless of the individual producing that recording, will be contained in a single electronic case file. Problems of case documentation being in different files will be eliminated.

Finding Number	00-DCS-06
CFDA Number	93.659
Program Name	Adoption Assistance
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9701TN1407 through 0001TN1407
Finding Type	Material Weakness
Questioned Costs	None

The TNKIDS system currently in place and the CORS system it replaced do not ensure data integrity and user accountability

Finding

As noted in the five previous audits covering the period July 1, 1994, to June 30, 1999, the Client Operation and Review System (CORS), in use until November of 1999, which recorded the profiles of children in state custody and matched these with the facilities providing care, did not ensure data integrity and user accountability. The CORS system was replaced by the Tennessee Kids Information Delivery System (TNKIDS). The TNKIDS system, which is designed to serve as the automated network for recording the intake of all children in the care of the department and maintaining information about the children, their families, and the services delivered by and through the department, also lacks sufficient controls to ensure data integrity and user accountability. Management concurred with the prior audit findings.

The scheduled implementation date for TNKIDS Release 2.1 (the first phase in the development of the system) was March 1999. However, phase one of TNKIDS was not implemented until June 1999, and that was only in the Southeast Region. Subsequent to management not meeting its initial projection and due to the CORS system not being year 2000 compliant, management was forced to develop a TNKIDS Y2K Contingency Plan, which was implemented in all 12 regions by November of 1999. According to this plan, each region had a central site for TNKIDS data entry, which prevented individual case managers from updating information in the system. The site personnel entered data for each region based on information supplied by case managers. This method of data entry will be used in all regions until full hardware implementation and TNKIDS training are achieved. This implementation and training is being completed region by region with the last region expected to be completed by December 2000. At that time, all case managers will be fully trained and will enter their own information into TNKIDS. However, during the audit period, since case managers did not enter information directly into the TNKIDS system and were unable to access and review data in the system for accuracy, there was a high risk that errors and untimely input could have occurred and not been detected.

The prior audit noted that the TNKIDS system does not track all of the changes that are made to a given record. Rather than tracking all changes to records, the system only documents the last date and user that changed a particular record. Therefore, an inappropriate entry may be made to a record, and a subsequent entry to that record would remove evidence as to who entered any previous information. This system control does not provide an adequate audit trail to trace all changes to a particular child's record in TNKIDS. Management's response to the prior audit finding stated, "The department recognizes that this tracking system is not adequate and . . . has formed a work group to develop a system log for pertinent data in TNKIDS." Based on the auditors' review, a more comprehensive audit trail was implemented in TNKIDS on June 19, 2000. This audit trail tracks all changes and deletions made to a record as well as the date and person making the change. However, for the majority of the fiscal year, these changes were not being recorded. The fact that these system controls were not incorporated in the TNKIDS system until the last month of the audit period resulted in a severe lack of accountability since any user with update access could add, change, or delete client information across the state without any record of the change.

Management's response to the prior finding also stated that this phase of TNKIDS would include a search function that would be invoked before new records are created or information is added to an established record to minimize duplication. However, our review of this phase of TNKIDS revealed that the search function is not required prior to creating a new record or adding information to an existing record. The ability to bypass the search function increases the risk of creating duplicate records and updating incorrect records in TNKIDS.

These weaknesses lessen the department's assurance concerning data integrity and user accountability. Effective system management controls require procedures to prevent duplication of data and to reduce the risk of incorrect or invalid data. In addition, these management controls require an audit trail of changes to client information.

Recommendation

The Assistant Commissioner for Support Services, in conjunction with the Director of Information Systems, should ensure that all necessary controls are built into the TNKIDS system to prevent duplication of data and to reduce the risk of incorrect or invalid data. All case managers should enter their own information directly into the TNKIDS system and should be able to access and review data in the system for accuracy. The audit trail implemented in TNKIDS should be monitored to ensure that all changes to pertinent data in the system are logged and are accessible for management inquiry. The search function in TNKIDS should be made mandatory before a new child is entered into the system in order to minimize the risk of creating duplicate records.

Management's Comment

We concur. However, the department has since developed processes that help to ensure data integrity, which are discussed further in the response. As stated in the audit, the department had to develop a TNKIDS Y2K Contingency Plan in order to minimize Y2K concerns. As of December 11, 2000, all case managers and team leaders have had the proper TNKIDS training and access to the system.

As stated in the audit, the department has developed and implemented a more comprehensive audit trail system in TNKIDS. The audit trail was implemented on June 19, 2000. This audit trail tracks all changes and deletions made to a record as well as the date and person making the change. Internal Audit will perform a review on the audit trail system to ensure it is working appropriately. Management does not feel further corrective action is warranted at this time.

The search function is the first screen to appear on the user's screen during the client intake process. A case manager would have to deliberately cancel out of the search screen to avoid a search. All staff were trained and expected to utilize the search function prior to adding any new persons to the database except in some rare instances where adoption assistance intakes were being created to reduce the risk of error with sensitive information. The department will disable the cancel function for the search screen. This will be accomplished in the next TNKIDS build scheduled for June 2001.

The finding indicates a concern that there are duplicate records in the system due to the search function not being mandatory before an intake is performed. The department has taken proactive steps to ensure that any duplicate records are merged into one record. The "Possible Duplicate Children Report" was created as a tool to facilitate cleanup of duplicate child data in the TNKIDS database, which may have been converted from CORS, and to bring TNKIDS data to the highest integrity possible. The word "Possible" is chosen as the heading of this report because some of the entries indicated as duplicates may not be real duplicates. This is the reason why this report requires a manual review by the Field System Administrators (FSA) and case managers, in order to examine each suggested duplicate entry from the report. If the manual review finds that a child is duplicated in the system, the FSA will merge this child's information into one electronic case file. If it is not duplicated, then it will be noted that these children's case files are appropriately separate and do not need to be merged. The FSA's have had extensive training on this process to ensure that appropriately separate case files are not merged into one file.

In order to ensure that the department is in compliance with Adoption and Foster Care Analysis and Reporting System (AFCARS) requirements, the department's Data Quality Unit runs a monthly AFCARS report and sends the results to top management in the department, as well as, the regional administrators. The AFCARS report tells management about the completeness of the data for the AFCARS requirements. If a data element is not in TNKIDS, it will show up as an error on the AFCARS report. This gives management an idea on where improvement is needed. In addition, the department has a

data workgroup that addresses issues with the data in TNKIDS. This workgroup is comprised of individuals from different areas in the department. The goal of this group is to identify problems with data in TNKIDS and to find solutions to correct these problems.

Finding Number	00-DCS-01
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
Pass Through Agency	Department of Finance and Administration
State Agency	Department of Children's Services
Grant/Contract No.	Various
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	None

Children's Services inappropriately requested and received reimbursement from TennCare for children not eligible for TennCare services

Finding

The Department of Children's Services (DCS) has requested and received reimbursement from TennCare for services provided outside the scope of its agreement with the Bureau of TennCare, the TennCare waiver, and the State Plan during the year ended June 30, 2000.

This is a repeat finding that was addressed by the U.S. Department of Health and Human Services (HHS) in a letter to the Commissioner of the Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999. In the letter, HHS stated:

> This is a material instance of noncompliance and a material weakness. We recommend procedures be implemented to ensure federal funds are not used to pay for 1) health care costs of children who are in youth development or detention centers, not in State custody, on runaway status, or in the Hometies program, or individuals over 21 years of age, 2) behavioral health services for children under the age of three, and 3) unsupported medical treatment.

Payments for Incarcerated Youth

As noted in the prior three audits, and despite management's concurrence with the findings, Children's Services continued to request and receive reimbursement from TennCare for medical expenditures on behalf of children who were not eligible for TennCare because they were in locked facilities. Under federal regulations (Code of Federal Regulations, Title 42, Part 435, Sections 1008 and 1009), delinquent children who are placed in correctional facilities operated primarily to detain children who have been found delinquent are considered to be inmates in a public institution and thus are not

eligible for Medicaid (TennCare) benefits. The state, not the federal government, is responsible for the health care costs of juvenile and adult inmates.

In response to the prior audit finding, management stated that it began developing a financial funding system in October 1999, which would be integrated into the TNKIDS system upon completion. Until this is completed and integrated into TNKIDS, the department would develop a process which would result in the department receiving weekly reports from all Youth Development Centers that would be used to eliminate children in locked facilities from the monthly billings to TennCare. Although this new process was implemented, using computer-assisted audit techniques, a search by the auditors of TennCare's paid claims records revealed that TennCare was inappropriately billed for and made payments totaling at least $813,270 from July 1, 1999, through June 30, 2000, for juveniles in youth development centers and detention centers.

Children Not in State Custody

As noted in the prior audit, Children's Services inappropriately billed and received payment from TennCare for children not in state custody. Management did not concur with this portion of the prior finding and attributed the problem to delays in court proceedings when children are removed from a home by Child Protective Services. Management stated that several days might pass before the department receives a written court order. In our rebuttal, we stated that only 2% of the amount questioned could have been attributed to such short delays. The majority of the cases involved months, not days, between the dates of services and the dates of custody, and for some, there was no evidence that the child was ever in custody.

TennCare contracts with DCS to provide the necessary TennCare enhanced behavioral health services for children in state custody. All behavioral services for children not in state custody should be provided through the TennCare Behavioral Health Organizations (BHOs). Using computer-assisted audit techniques, auditors performed a data match comparing payment data on the Bureau of TennCare's system to custody records from DCS's Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that DCS had improperly billed TennCare $3,512,975 from July 1, 1999, through June 30, 2000, for services to children who were not in the state's custody.

Hometies Program

As noted in the prior audit, Children's Services inappropriately billed and received payment from TennCare for services rendered to the Hometies program, which exists to prevent children from entering state custody. Management did not concur with this portion of the prior finding. Instead, they stated, "TennCare has appropriately paid these expenditures and the grant agreement is being modified to reflect this policy." However, the grant agreement (contract between TennCare and DCS) was not modified. TennCare contracts with two BHOs to provide behavioral health services to its recipients. The BHOs are contractually responsible to provide all services rendered to prevent children from entering state custody. Using computer-assisted audit techniques, auditors performed a data match comparing payment data from the Bureau of TennCare to records

from DCS's TNKIDS system. The results of the data match indicated that DCS had improperly billed TennCare $729,117 from July 1, 1999, through June 30, 2000, for Hometies services. Because the agreement between the two departments was not amended to include Hometies services, DCS sent a request to TennCare in a memo dated June 20, 2000, to void all Hometies transactions. As of November 28, 2000, TennCare had not processed this request.

Children on Runaway Status

As noted in the prior audit, Children's Services inappropriately billed and received payment for children who are in the state's custody but are on runaway status. Since TennCare is permitted to pay only for actual treatment costs, TennCare should not be billed for services that were not provided while children were on runaway status.

In response to the prior audit finding, management stated that the department will terminate all billing to TennCare for youth in runaway status. Management further stated that a waiver from the Health Care Financing Administration (HCFA) that would allow DCS to bill for these children had been discussed with TennCare. However, for the year ended June 30, 2000, a waiver for runaway children had not been granted by HCFA. Using computer-assisted audit techniques, auditors performed a data match comparing payment data from the Bureau of TennCare to runaway records from DCS's TNKIDS system. The results of the data match indicated that DCS had improperly billed TennCare $827,010 from July 1, 1999, through June 30, 2000, for services to children on runaway status despite management's assertion that the department would not bill for this population unless a waiver was granted.

Payments for Individuals 21 and Over

As noted in the prior audit, Children's Services inappropriately billed and received payment for individuals 21 and over. In accordance with the TennCare waiver and the State Plan, Children's Services should bill and receive reimbursement from TennCare only for Medicaid services provided to recipients in its care who are under 21 years of age.

In response to the prior audit finding, management stated that all individuals 21 and over in its care have been certified as having severe mental retardation and have been put into the permanent custody of the state. The department attempts to transition these individuals to the Division of Mental Retardation (DMR); however, there is a waiting list for these services. Management stated that it will request language in future contracts with TennCare which would allow the department to continue serving this population until services are available at DMR. However, the current contract does not contain this language. Using computer-assisted audit techniques, auditors performed a data match comparing payment data from the Bureau of TennCare to date of birth records from DCS's TNKIDS system. The results of the match indicated that DCS had improperly billed TennCare $206,124 from July 1, 1999, through June 30, 2000, for services to individuals who were 21 and over.

Payments for Services Provided to Children Under Three Years

As noted in the prior audit, the department has inappropriately billed and received payment from TennCare for behavioral health services provided to children under the age of three. In accordance with the TennCare waiver and the State Plan, Children's Services should bill and receive reimbursement from TennCare only for children who receive Medicaid services. Management did not concur with this portion of the prior audit finding, stating that services provided to these children fall in the enhanced services category and the age of the child should not exclude this coverage. In our rebuttal, we noted that management of the Children's Services' providers stated that children of this age only receive medical treatment, not physiological treatment, and this medical treatment should be provided by the Managed Care Organizations (MCOs).

Using computer-assisted audit techniques, auditors performed a data match comparing payment data from the Bureau of TennCare to date of birth records from DCS's TNKIDS system. The results of the data match indicated that DCS had improperly billed TennCare $1,746,512 from July 1, 1999, through June 30, 2000, for behavioral services for children under the age of three.

Unsupported Treatment

As noted in the prior audit, testwork performed during the audit of the Department of Finance and Administration, Bureau of TennCare, found that vendors were unable to provide documentation indicating the child received therapeutic treatment. Errors totaling $2,925 were noted in 6 of 60 DCS billings tested. Office of Management and Budget Circular A-87 requires all costs to be adequately documented.

Hospitalized Children

Children's Services inappropriately billed and received payment for children who are in the state's custody but had been placed in a medical hospital. The MCOs are responsible for costs incurred while the child is placed in a hospital. Children's Services' provider policy manual allows service providers to bill Children's Services for seven days if the provider plans to take the child back after hospitalization. If the provider has written approval from the Regional Administrator, the provider may bill DCS for up to 21 days while the child is in the hospital, but Children's Services cannot bill TennCare for those days. Using computer-assisted audit techniques, auditors performed a data match comparing TennCare's payment data to medical records from the MCOs. The results of the data match indicated that DCS had improperly billed TennCare $1,999,313 from July 1, 1999, through June 30, 2000, for children while they were in hospitals.

Alcohol and Drug Treatment

Children's Services incorrectly billed and received payment from TennCare for alcohol and drug treatment provided to children in state custody. BHOs are contractually responsible for the first $30,000 of such expenditures per child. Neither Children's Services nor TennCare has a mechanism for identifying children that have already received $30,000 of these services provided by the BHOs. Children's Services billed TennCare $3,722,966 from July 1, 1999, through June 30, 2000, for these services.

Questioned costs are reported in the Department of Finance and Administration's audit report and in the TennCare findings in the Tennessee Single Audit report for the year ended June 30, 2000.

Recommendation

The Commissioner should determine why Children's Services has not developed and implemented the procedures necessary to ensure that TennCare is not billed for inappropriate expenses related to children in youth development and detention centers, not in state custody, in the Hometies program, on runaway status, placed in hospitals, the age of 21 and over, under the age of three, or for children that have not received $30,000 of drug and alcohol services provided by the BHOs. Effective internal control requires that management have systems in place to adequately monitor operations, particularly relating to such compliance issues. Management could develop the information necessary to detect these discrepancies by using the types of computer analyses auditors have used to identify these problems. The Commissioner should see that corrective measures are immediately implemented. Management should make it a priority to bill TennCare only for allowable services provided to eligible children.

Management's Comment

We concur in part.

Payments for Incarcerated Youth

During our analysis of the data, it became apparent that some of this questioned cost should not have been questioned. It appears that the auditors questioned the date that the child transitioned from the detention center to a residential treatment facility. The department allows the residential treatment facility to bill for the first day that the child enters the facility, but not the day the child leaves the facility. It appears that the auditors questioned the day that the child entered the facility. The placement history on TNKIDS shows the child leaving the detention center and entering the residential treatment facility on the same day.

For services that were incorrectly billed to TennCare, the department will examine its control structure and make changes as necessary to prevent future billings of this manner.

Children Not in State Custody

The department did bill TennCare for children who were not in state custody in a particular circumstance, but has corrected that problem and has refunded all of these TennCare payments back to TennCare. TennCare has not yet processed these refunds, however. This particular circumstance resulted from our misunderstanding regarding TennCare coverage related to the Non-Residential Network. This network was a pilot

program in the eastern part of the state, which is now no longer offered and has been replaced with Family Support Services. Family Support Services are not funded with TennCare dollars.

As to the auditors' listing of other children who they believe were not in custody, the department submits that the majority of these children were in fact in custody. When a child is removed from his/her home in an emergency, there is to be a hearing within 72 hours. Tenn. Code Ann. §§37-1-113 and 37-1-114 make clear that a child is in legal custody when a social worker from DCS or a law enforcement officer removes the child from the home, even before a court has issued an order. Section 37-1-115 further provides that a child may be taken into custody, but then returned to the parent(s), guardian or other custodian pending the hearing. Moreover, there are circumstances when a child is taken into custody, but the court finds that continued custody is not warranted, resulting in no court action ordering custody even though the child was in fact in legal custody. See §§37-1-11 and 37-1-129(a).

This misunderstanding as to when a child is actually in custody appears to be related to limitations in and language used in the old CORS database. The old CORS system, the predecessor of TNKIDS, did not have a "physical custody" field, and the only custody date was labeled "legal custody," which is the date the court ruled on the matter. This date represents the date of the court order, not the date that the child came into the department's physical custody, which is no less "legal" than custody after the court issues an order. TNKIDS has a field for physical custody date, which should eliminate this misunderstanding, but for the billings audited, the CORS system was mainly in place. TennCare reimburses DCS for services to children in "legal" and "physical" custody as both are legal and legitimate forms of custody.

The auditors noted that in most cases, there was a delay of months or days between the dates of services and the date the child was ordered into custody, and that in some cases, there was no evidence that the child was ever in custody. The department believes that the finding that some children were never in custody is attributable to those cases where the court declines to order the child into custody even though the child was in fact in custody pending the hearing, as discussed above.

The delays of days and even months between the date of services and the date a court orders the child into custody occur routinely for legitimate reasons. Most of the courts adhere to the 72 hour requirement, but if the docket is full, the hearing may be delayed for some time. The department has no control over when the court schedules the hearing. In addition, after the hearing, several days may pass before a written order is received by the department. Moreover, courts grant continuances liberally to parents or children who wish to obtain counsel but have not yet done so. See Tenn. Code Ann. §37-1-126. Finally, to the extent that audited records revealed delays that were within the department's control, the department anticipates that this problem will be vastly reduced if not eliminated as a result of the increase in legal staff added to the department during the audit period.

Hometies Program

As stated in the finding, the department worked toward modifying the contract with TennCare to make Hometies services billable to TennCare. The contract negotiations between TennCare and DCS were finalized several months into fiscal year 2000. Once it became apparent that these services were not going to be included in the contract, the department sent a request to TennCare to void all Hometies transactions, thereby refunding all Hometies expenditures. As of February 7, 2001, this void had not been processed by TennCare. The department has completed its side of this refund transaction. The department has taken all steps to correct processing its side of the transaction. Management does not feel that any further corrective action is warranted at this time concerning the Hometies Program.

Children on Runaway Status

The department put controls in place to eliminate billing TennCare for children on runaway status on April 28, 2000. The department recognizes that before the control was implemented, some children on runaway status were inappropriately billed to TennCare. Management will continue to evaluate whether the controls in place will remedy the situation or whether additional controls are needed.

Payments for Individuals Over 21

As stated in the finding, this population of individuals has been certified as mentally retarded and has been placed into the permanent custody of the state. The department will continue to attempt transition of these individuals to the Department of Mental Heath and Development Disabilities (DMHDD), which is the state agency that serves the mentally retarded population. Due to the limited availability of supported living placements available through DMHDD, DCS has no other alternative but to provide services for this population. These individuals cannot function independently and have no support system but the state. DCS will continue to work towards resolution by providing all available information on these individuals to DMHDD. The department will also continue to request language in future contracts that allows for the department to bill for individuals over 21 years of age until the transition to DMHDD can take place. Until that time, the department will not bill TennCare for individuals over 21 years of age but will instead use state funding only for this population.

Payments for Services Provided to Children Under Three Years

The department still does not concur that children under three years of age cannot receive behavioral health services. Information provided by Public Consulting Group indicate that this population can and do receive behavioral services, which are funded by HCFA, in other states. DCS will examine the process available to appeal this finding with HCFA through TennCare. Until a ruling can be determined by that process, the department will make modifications to the accounting system to disallow billing children under 3 to TennCare. This population will be served by using state funding until an approval from HCFA is received.

Unsupported Treatment

The department contracts with the Department of Finance and Administration to perform monitoring on the residential treatment facilities. Whenever a problem is detected in case notation, the department requests a corrective action plan from the vendor. The department will continue to address case notation at the vendors when a problem is found either by the auditors or through the monitoring process.

Hospitalized Children

The department will discontinue billing TennCare for hospitalized children until further investigation into the matter can be performed.

Alcohol and Drug Treatment

Since TennCare does not have a mechanism to monitor and provide notification to DCS the dollar amount of alcohol and drug treatment, the department will request that the current restrictive language in the contract be amended to clarify that the BHO provides all acute inpatient services, and DCS provides all residential treatment services.

Auditor's Comment

Payments for Incarcerated Youth

Although it is possible that that some of the costs questioned included payments for the first day of treatment, management did not provide any information to support specific charges that were questioned. Management should continue to investigate this matter, obtain documentation, and provide the grantor with such data during the resolution process.

Children Not in State Custody

Although it is possible that that some of the costs questioned included payments for children in protective custody and short delays in court proceedings, management did not provide any information to support specific charges that were questioned. Management should continue to investigate this matter, obtain documentation, and provide the grantor with such data during the resolution process. The custody field in TNKIDS should help clarify the status of children covered by TennCare. However, the department should also maintain documentation to support the entries in TNKIDS.

Hometies Program

Per management of the Bureau of TennCare, the Department of Children's Services has not provided the necessary information for each individual Hometies recipient to allow the Bureau of TennCare to process the refund transaction.

Payments for Services Provided to Children Under Three Years

As previously stated, the U.S. Department of Health and Human Services' response to the prior Single Audit of the State of Tennessee confirmed that federal funds should not be used to pay for behavioral health services for children under the age of three.

Finding Number	00-DCS-02
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
Pass Through Agency	Department of Finance and Administration
State Agency	Department of Children's Services
Grant/Contract No.	Various
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	None

Because Children's Services does not have a reasonable system to determine medical treatment costs associated with providing services to children in the state's care, the state may have overbilled the TennCare program for treatment and failed to maximize federal dollars for room and board costs in the Title IV-E program

Finding

As noted in the prior two audits covering the period July 1, 1997, through June 30, 1999, the Department of Children's Services (DCS) does not have a reasonable system to determine medical treatment costs associated with providing services to children in the state's care. Children's Services purchases goods and services (such as room and board, treatment, and education) for eligible children. The department's current procedure for billing the TennCare program does not provide for a standard treatment rate for each level of care for the children in state custody. According to Medicaid/TennCare regulations, TennCare reimbursements must be based on actual costs. If the department has not determined billing rates based on actual costs, the TennCare program may be overbilled, and other federal revenue (Title IV-E) may not have been maximized for room and board costs.

In 1991-92, a cost analysis study of all the treatment facilities providing services to DCS was performed by an independent contractor. As a result of this study, a percentage rate, which supposedly represented the treatment portion of the service, was determined for each individual facility. According to management of the department, they questioned the validity of the cost study but decided to use these percentages to bill TennCare for the treatment portion. If a treatment facility was not included in the 1991-92 cost study, the department arbitrarily set a rate of 50% for the treatment portion of service. However, the percentage rates being used may not accurately reflect the portion of the total charge that is related to treatment. In performing the testwork on the billing procedures, we found that DCS is not following its own arbitrary guidelines. In 6 of the 25 billings tested (20%), the department had charged TennCare a larger percentage of the total amount paid to the provider than set by DCS's guidelines. DCS could not substantiate the rates being used. In many instances, the department was billing TennCare 70% to 100% of the total amount paid to the provider. However, the amount

paid to the provider included room and board and education costs that should not be billed to TennCare. Management concurred with the prior audit finding and stated that:

> For almost a year, the Department of Children's Services has been collecting information from vendors providing treatment services which are billed to TennCare. This information would allow the department to develop treatment rates that would be based on time and cost studies as well as audited financial information provided by the vendors. . . . DCS staff worked closely with TennCare in reviewing the process used to collect the information and the methodology for establishing the new rates. Now that the required information has been received, TennCare will submit the methodology and results to HCFA for approval. If approved by HCFA, the methodology will become the basis for establishing treatment rates not only for existing programs, but also new programs.

According to management, DCS completed a new time and cost study in January of 2000. At that time, the department began its analysis to determine the new rates based on the completed time and cost study. On May 10, 2000, the department sent the methodology and results of the time and cost study to TennCare. Clarifications and revisions were requested by TennCare on September 6, 2000, and were made by DCS and returned to TennCare on September 7, 2000. TennCare forwarded the request to HCFA on September 22, 2000, and DCS is awaiting HCFA's approval; therefore, the department has yet to implement the study and bill TennCare based on the new rates.

Without a reliable system in place to identify medical treatment and room and board costs, the state may have overbilled the TennCare program for treatment and failed to maximize federal dollars for room and board costs in the Title IV-E program.

Recommendation

As stated in the prior audit, the Department of Children's Services needs to implement a system for billing TennCare that includes a standard rate based on the level of care being provided. The rate should fairly represent the actual treatment portion of the care allowable according to TennCare regulations.

Management's Comment

We concur. DCS in fact developed a reasonable system, and has obtained TennCare approval of the system, but must await HCFA approval before implementing the system. The Department of Children's Services (DCS) completed a Time and Cost Study as of May 10, 2000, to ensure a valid method of setting of rates for reimbursement for the cost of medical treatment and other services associated with children in the care of the department. DCS submitted the study to TennCare for approval, and TennCare approved the methodology as presented after clarifications. Since TennCare is the

cognizant agency for setting reimbursement rates with HCFA, it is responsible for presenting the methodology developed by DCS to the federal government for approval. Based on the foregoing, all of which is acknowledged in the audit finding, DCS has performed every function under its oversight associated with correcting this finding.

The department continues to wait for other agencies, both state and federal, to perform their individual functions to put this process in operation. The department's Time and Cost Study is currently in Washington, DC awaiting review by HCFA. A conversation has been held directly with the federal bureau reviewing the information submitted by TennCare, and that bureau indicates that its projected time frame for responding to the information is in excess of one year. DCS has done and continues to do everything in its power to speed this process along, but with little success as of the date of this report.

Finding Number	00-DFA-01
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness
Questioned Costs	None

Top management must address the TennCare program's numerous and serious administrative and programmatic deficiencies

Finding

Most of the findings in this report are the result of TennCare's numerous administrative and programmatic deficiencies. Well-publicized events concerning the ability of the program to continue in its present form have contributed to the perception that the program is in crisis. Management concurred with the prior-year audit finding and stated,

> In addition to the major priorities of ensuring the integrity of the program, ensuring consistency in the process of the program with written policies and procedures and ensuring the existence of an emergency plan should a managed care organization fail, the following additional actions have now occurred or are in process: 1) A new Director of Operations has been hired, 2) Enhancements to the eligibility/reverification process are being implemented, 3) An RFP is in process to review current and future system needs, 4) Continuing to search for new director, as well as other critical vacancies in the Program, 5) New Medical Director and a Quality Improvement Director have been hired, 6) In the process of filling 95 new positions that were authorized by the legislature for FY2000.

However, written polices and procedures have not been created for all areas of the TennCare program.

The auditors are responsible for reporting on the department's internal control and management's compliance with laws and regulations material to the program. However, top management, not the auditors, is responsible for establishing an effective control environment, which is the foundation for all other components of internal control: risk assessment, control activities, information and communication, and monitoring. Under generally accepted auditing standards, control environment factors include assignment of authority and responsibility; commitment to competence; integrity and ethical values; management's philosophy and operating style; and organization structure.

Our evaluation of the control environment and the other components of internal control revealed several continuing overall, structural deficiencies that have caused or exacerbated many of the program's problems. These deficiencies are discussed below.

TennCare Lacks Stable Leadership

The TennCare program has continued to lack stable leadership. Since the beginning of the program in January 1994, and through December 2000, the program has had five directors and two acting directors. In addition, during the same time, there has been significant turnover in the top positions of the program's various divisions, including the Division of Operations, the Division of Budget and Finance, the Division of Quality Improvement, the Division of Policy and Intergovernmental Relations, and the Division of Contract Development and Compliance. During the year ended June 30, 2000, the Director of TennCare, the Director of Operations, the Director of Long-Term Care, and an Assistant Commissioner for Health Related Services resigned.

Inadequate System and Staff Resources

As discussed further in finding 00-DFA-02, the TennCare program still does not have an adequate information system. The program is still dependent upon a large and complex computer system, the TennCare Management Information System (TCMIS), that is outdated and inflexible.

According to management, the TennCare program is understaffed. The auditors also noted what appears to be a dramatic imbalance in the allocation of staff resources, which appears to reflect top management's priorities as well as the distribution of work. Although the Division of Programs is responsible for numerous programmatic functions, including the provision of special services to children and seriously mentally ill individuals, this division consists of only one employee. In contrast, during the year ended June 30, 2000, there were 37 positions in the Division of Information Services (I/S Division). While it is possible that all of the I/S positions are necessary, it appears that the Division of Programs may lack the resources it needs to adequately perform its duties and responsibilities.

In addition, when obtaining information on the rules and regulations for Medicare cross-over claims, the auditors learned that still no one has been assigned the responsibility for 1) being knowledgeable about the rules and regulations for these types of claims or 2) ensuring that these claims are being paid correctly. (See finding 00-DFA-19 for more information about the processing and payment of these claims.)

Inadequate Written Operating Policies and Procedures

Despite its size and complexity, TennCare still does not have adequate written operating policies and procedures. As previously noted, the lack of written, comprehensive operating policies and procedures increases the risk that errors or inconsistencies may occur in the TennCare program.

As noted in finding 00-DFA-04, inadequate written policies and procedures is of particular concern for the eligibility function at TennCare. Although TennCare has several adverse court orders which make it more difficult for TennCare to follow TennCare's rules and federal regulations, the Bureau has not developed written policies and procedures which dictate to all the divisions involved with the eligibility process the procedures that are to be used. During audit fieldwork, the auditors noted staff's hesitance to disenroll SSI (Supplemental Security Income) individuals from TennCare although there was significant evidence that the individuals' eligibility for the program would be questionable according to TennCare's rules as well as federal regulations, such as eligibility for incarcerated individuals. Written policies and procedures could assist staff in determining the correct course of action to take in circumstances when court orders conflict with TennCare rules. In many cases, when a conflict does exist, staff could perform additional procedures that would allow them to disenroll the individuals and still remain in compliance with court orders.

For example, TennCare could take action regarding enrollees affected by the *Daniel Clusters vs. Commissioner of Department of Health* case that prohibits the Bureau from disenrolling Supplemental Security Income (SSI) recipients who lose their SSI benefits without making a new determination of TennCare eligibility independent of a determination of SSI by the Social Security Administration. When this situation occurs, to be in compliance with this court order, TennCare should make a new determination of eligibility independent of a determination of SSI by the Social Security Administration.

Inadequate Monitoring

As previously noted, the Bureau of TennCare still does not have an on-site internal audit unit, and the Office of Audit and Investigations once again did not adequately monitor the internal operations of the Bureau. A strong and sizable internal audit presence is critically important, given the nature, size, and complexity of the program, and the number of internal control problems that exist.

In addition, as noted in the prior audit, in its August 9-12, 1999, site visit report, the Federal Health Care Financing Administration stated,

> Although we have brought this to the attention of State officials on multiple occasions, we found that Tennessee has not developed a comprehensive plan for monitoring the TennCare program. Tennessee does have some activities in place for monitoring; however, Tennessee needs a plan that incorporates these activities and any other activities that the State may develop for long-term monitoring for the life of the project (i.e., TennCare). This plan should incorporate the monitoring of the TennCare Partners program.

Recommendation

For the TennCare program to improve and succeed over the long term, the Director of TennCare and his staff must address the long existing problems within and external to the program's administrative structure.

The Director should also develop a plan to address the program's personnel requirements. The plan might include cross training, employee development, emphasizing employee career-paths, staff reassignment, and workload redistribution. In addition, the Director should continue to pursue acquisition/development of a new TennCare information system.

The Director should ensure that written and comprehensive operating policies and procedures are developed for all areas of the TennCare program. The policies and procedures should be clearly communicated to all program employees, and responsibility for updating the policies and procedures, as well as distributing the updates, should be assigned to the appropriate staff.

Finally, as previously noted the Director should develop and implement the comprehensive monitoring plan requested by the grantor. The Director should use the internal auditors to review and monitor the internal operations of the program, particularly the program's extensive and complex automated processes. The internal auditors also could be used to help to implement the monitoring plan or to ensure that the plan is being implemented properly by others.

Management's Comment

We concur. Top management has been working aggressively to address administrative and programmatic deficiencies in the TennCare Program. It must be recognized that major improvements in such a large and complex program cannot be accomplished in just a few months, and it must also be recognized that work on program improvements is made even more challenging by the constantly changing landscape of TennCare--health plans coming into and out of the program, court actions, provider concerns, etc. We believe the activities of the past year have helped us move forward in reaching our goal of a smoothly operating, well integrated, effective and efficient program.

We did not have a TennCare Director at the time of the last audit. Our new Deputy Director, formerly Acting Director of the MassHealth Program in Massachusetts, has been on the job since June 2000. Our Chief of Operations, who is also Deputy Director of TennCare, has been on the job since February 2000. Both of them have initiated a number of changes to improve employee communications and workflow, to build teams for accomplishing various tasks, and to bring in consultants where necessary to assist in the many complex operations involved in administering and planning changes in the TennCare program.

We have a new TennCare Partners Program Operations Director, who has been on the job since August 2000 and who is moving rapidly to make improvements in that program. We now have a Manager of Personnel, which we have never had before at TennCare. A new Director of the Solutions Unit has recently been hired; she is a person with a vast wealth of experience in both state government and the day-to-day operations of a managed care plan. A staff reorganization is in the final planning stages, and recruiting is underway for additional positions that will head up both MCO operations and Member Services. Reorganization, function assignments and departmental personnel resource allocation is underway for the entire Bureau. Although we do not concur with the stated resource allocation discrepancies, there will be changes made in some operational areas based on operational needs, unit function and departmental statewide responsibilities.

Another significant organizational change that has occurred in the past year has been the establishment of the Office of Health Services, headed by the Deputy Commissioner. This office includes persons with expertise in legislation, budget and accounting, health policy, and children's services and has a wealth of expertise to offer to the TennCare staff. Audit and Investigation and the Program Integrity Unit with direct responsibility for TennCare are located in the Office of Health Services.

Our responses to the other findings contained in this report are provided below.

a. Written policies and procedures. We have made good progress during the past year on this front. At the direction of the Deputy Director of TennCare, written policies and procedures have been developed for the following units: Administrative Appeals, TennCare Information Line, Provider Services, Legislative Response. In addition, we have begun the development of a TennCare Operational Protocol, which has been submitted to HCFA and which will address many of the items mentioned throughout this audit. We have also initiated a contract with a vendor to help us evaluate our system needs and plan for a new information system that will more adequately meet those needs.

b. SSI terminations. The new eligibility redetermination process suggested would be a function of the Department of Human Services, which to date has stated that they lack the staff resources to conduct such a process. We could not initiate such an activity without submitting a new plan to the court and receiving court approval for that plan. Unfortunately, all of the other court actions with which TennCare is dealing have consumed all available legal and staff resources.

c. Establishment of an on-site internal audit site. The Office of Audit and Investigations under the Department of Finance and Administration, Office of Health Services currently has a staff of 24 auditors. This office is responsible for performing internal audits of the Bureau of TennCare,

the Division of Mental Retardation, the Department of Health and the Department of Mental Health and Developmental Disabilities. Audit and Investigations are currently taking an active role in performing audits of the Bureau's operations.

d. Medicare crossover claims. A staff person has been identified in the Policy Unit to work with the Information Systems staff to oversee these concerns.

e. TennCare Monitoring Plan. We are reviewing this plan and taking steps to determine whether there should be changes before we implement.

Finding Number	00-DFA-02
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness
Questioned Costs	None

TennCare Management Information System lacks the necessary flexibility and internal control

Finding

As noted in the prior two audits, management of the Bureau of TennCare has not adequately addressed critical information system internal control issues. In addition, the TennCare Management Information System (TCMIS) lacks the flexibility it needs to ensure that the State of Tennessee can continue to run the state's $4 billion federal/state health care reform program effectively and efficiently. Management concurred with the prior finding and indicated they would begin the process of identifying the requirements for the new system and perform strategic planning. Management, in its three-year information system plan submitted to the Office of Information and Resources in the Department of Finance and Administration, submitted a proposal for a TCMIS renovation. The project's objective is to analyze current TennCare operations and make recommendations of the most effective way to update or renovate the current TCMIS system. According to the plan the implementation of a new TCMIS is to occur in 2002.

Because of the system's complexity, frequent modifications of the system, and because this system was developed in the 1970s for processing Medicaid claims, TennCare staff and Electronic Data Services (EDS) (the contractor hired to operate and maintain the TCMIS) primarily focus on the critical demands of processing payments to the managed care organizations, behavioral health organizations, and the state's nursing homes rather than developing and enhancing internal control of the system. This has contributed to a number of other findings in this report. These findings indicate that the TennCare Bureau

- has not ensured adequate system security controls related to access were in place (finding 00-DFA-21);
- has not made payments to certain providers in accordance with the rules (finding 00-DFA-19);
- has not strengthened system controls for Medicare cross-over claims (finding 00-DFA-19);

- made capitation payments for individuals who were not eligible for TennCare (findings 00-DFA-04, 00-DFA-05, 00-DFA-16, 00-DFA-17, and 00-DFA-18);

- incorrectly made payments to the Department of Children's Services for services that should have been provided by behavioral health organizations (finding 00-DFA-06);

- made payments to the Department of Children's Services for individuals over 21 years old (finding 00-DFA-05); and

- made payments to the Department of Children's Services for behavioral health services provided to children under the age of three. (finding 00-DFA-06).

Recommendation

The TennCare Bureau should address internal control issues and pursue the acquisition of a system designed for the managed care environment. Until a new system is acquired, the Bureau should continue to strengthen the systems controls to prevent or recover erroneous payments. The TennCare Bureau should follow the three-year information system plan and ensure that an updated system is implemented timely that more effectively supports TennCare's operations.

Management's Comment

We concur in part. We have begun preparations for implementing a new TennCare Management Information System early in 2002. The new TCMIS will be a Medicaid HIPAA (Health Information Portability and Accountability Act) Compliant Concept Model.

A contractor has been chosen to assist with the new TCMIS strategic analysis and procurement process. The work has been organized into two phases:

Phase I—Strategic Planning
- Task 1—Conduct TCMIS Requirements Analysis
- Task 2—Identify and Document TCMIS Alternatives
- Task 3—Develop Cost/Benefit Analysis
- Task 4—Recommend TCMIS Alternatives
- Task 5—Develop Advance Planning Document (APD)

Phase II—Procurement
- Task 1—Develop New TCMIS Request for Proposal (RFP)
- Task 2—Proposal Evaluation

Information about new TCMIS requirements will be collected through a process called Joint Application Design (JAD), which will bring together key staff persons in a structured, creative planning process. An initial meeting has already been held, with the more in-depth follow up meetings scheduled for later in February 2001.

The work schedule calls for development of a new RFP by September 2001. This is a top project for the Bureau of TennCare, and completion of this project will address many of the issues identified throughout this audit.

Some of the issues stated in the finding are related to policy directed by management and not a limitation of TCMIS. Management comments related to each finding referenced are found with those findings.

Finding Number	00-DFA-03
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Eligibility
Questioned Costs	$27,226.28

Internal control over TennCare eligibility is not adequate

Finding

The five prior audits of the Bureau of TennCare noted that in many cases, the eligibility of TennCare participants who are classified as uninsured or uninsurable had not been verified and/or reverified. Management concurred with the prior audit finding stating that a task force was appointed to identify deficiencies, improve the reverification process, and address the audit finding. While changes were made toward the end of the audit period, problems still existed for the audit period.

For the uninsured and uninsurable population, which makes up approximately 41% of all TennCare enrollees, responsibility for initial eligibility determination is divided between the county health offices in the Department of Health and the eligibility unit in the Bureau of TennCare. For the Medicaid population, the Department of Human Services has the responsibility for eligibility determinations. The Department of Children Services is responsible for eligibility determinations of children in state custody.

No Policies and Procedures Manual

Even though the program has been operating for over seven years, TennCare still did not have a written policies and procedure manual to ensure that TennCare recipients were appropriately and consistently determined to be eligible for TennCare. The county health offices, the TennCare Hotline, the Division of Information Services in the Bureau of TennCare, and the Eligibility Unit in TennCare all are involved in the eligibility process for the uninsured and uninsurable population. The different divisions have not been provided with a uniform written policies and procedures manual that would help to ensure appropriate and consistent eligibility criteria. See finding 00-DFA-04 for more details.

Inadequate Staff to Verify Information on Uninsurable Applications

The unit that reviews the uninsurable population is understaffed. The Bureau receives approximately 1,000 uninsurable applications weekly. During the audit period, there were two individuals who initially reviewed the applications to verify the information for completeness and accuracy. As a result of the unit being understaffed, not all the information on uninsurable applications (e.g., income, access to insurance, and

social security numbers) is verified for accuracy. Not verifying information on these applications increases the risk that inaccurate information is used in determining eligibility.

Inadequate Monitoring of SSI Recipients

Testwork revealed that the Bureau of TennCare is not adequately monitoring SSI recipients. The *Rules of the Tennessee Department of Health*, Section 1200-13-12-.02 1 (c), states, "the Social Security Administration (SSA) determines eligibility for the Supplemental Security Income (SSI) program. In Tennessee, SSI recipients are automatically eligible for Medicaid. All SSI recipients are therefore TennCare eligible." The Bureau of TennCare has chosen not to select SSI recipients for the reverification process because according to management the Bureau is accountable only for eligibility and reverification of the waiver population. An SSI recipient is reverified by the Department of Human Services if the individual receives other benefits (e.g., food stamps and Families First). However, individuals who are receiving only SSI are not reverified by either the Department of Human Services or TennCare. The Bureau relies on referrals from the managed care organizations (MCOs), the Department of Health, the TennCare Hotline, or the Regional Mental Health Institute to monitor the SSI recipients. The Bureau has access to the Social Security Administration State On Line Query screen to monitor the SSI recipients. However, the Bureau does not proactively monitor SSI recipients who are not receiving other benefits.

Improvement Needed for Reverification of Enrollees

TennCare's reverification project began in June 1998 and established face-to-face interviews for eligibility updates of enrollees. This project was intended to reverify the eligibility of one-twelfth (1/12) of the entire uninsured and uninsurable population each month. TennCare also relied heavily on updates to the TennCare Management Information System (TCMIS) for reverifying eligibility through data matches and information received from various sources. According to waiver requirements (Special Terms and Condition #24), the state must continue to assure that its eligibility determinations are accurate. As noted in the prior five audits, these reverification procedures, however, still did not adequately ensure that all TennCare participants were eligible. According to reports from TennCare management, TennCare mailed approximately 8,000 notices a month from July 1999 to March 2000. For the other three months, TennCare mailed approximately 100,000 reverification notices. These mailings totaled approximately 172,000 enrollees representing a small percentage of the over 500,000 uninsured and uninsurable enrollees.

Also, the Bureau does not verify information contained on a Medicaid extend application. "Medicaid extends" are individuals who are losing Medicaid eligibility but have eligibility for TennCare as an uninsured. The applications are entered on the TennCare Management Information System and processed without verification of information contained on the application. Medicaid extends are eligible for 12 months after the loss of Medicaid eligibility as an uninsured. However, not verifying Medicaid extend applications can result in inaccurate premium amounts based upon the unverified and possibly inaccurate income amounts reported by the recipient.

Testwork revealed that 5 of 60 recipients selected for review (8%) were not eligible on the date of service and 31 of 60 TennCare recipients (52%) that may or may not have been eligible on the dates of service had not had their eligibility information adequately verifed or reverified within a year of the date of service. Seven of the 60 tested were added to the program within a year of the date of service, which required initial verification of the information on the application. Initial verification includes verifying the applicant's income, social security number, and access to insurance. Of the seven files requiring initial verification, five (71%) had not been verified properly. TennCare could not provide documentation that the enrollees' income and access to health insurance indicated on the application were verified.

The remaining 53 recipients were enrollees who were in the program for more than one year, which required reverification of the enrollees' information. Reverification includes obtaining current information about the enrollees' income and access to insurance. For 26 of 53 enrollees (49%), the enrollee's information had not been adequately reverified within a year prior to the date of service. Sixteen of the 26 enrollees (62%) had not been selected for reverification according to TCMIS. For those not selected, some applicants had been enrolled in the TennCare program as early as 1994. Also, testwork revealed that three of eight enrollees (38%) classified as uninsurable did not have a denial letter attached to verify their uninsurability.

The total amount of capitation improperly paid for the errors noted above was $4,700, out of a total of $7,550 tested. Federal questioned costs totaled $2,966. The remaining $1,734 was state matching funds. We believe likely questioned costs exceed $10,000.

Adequate verification procedures are needed to ensure that only those eligible are enrolled in TennCare. According to Office of Management and Budget Circular A-133, payments are allowed only for individuals who are eligible for the TennCare/Medicaid program. For the year ended June 30, 2000, the Bureau paid capitation payments totaling approximately $2.1 billion to MCOs and over $355 million to behavioral health organizations for TennCare enrollees.

Annual reverification is also necessary to obtain current, accurate information about family size, income, Tennessee residency, and access to other insurance. This information is needed to determine whether participants previously considered eligible have become ineligible because of changes in their family or personal circumstances. Also, this information is used to determine the correct premium and deductible amounts paid by participants.

Psuedo Social Security Numbers Again Discovered

As in past years, using computer-assisted audit techniques to search the TennCare Management Information System (TCMIS), testwork revealed that 119 TennCare participants had "pseudo social security numbers," that began with 8 or all zeros in one field. According to TennCare personnel, some applicants who do not have their social

security cards and/or newborns who have not yet been issued social security numbers are assigned these "pseudo" numbers.

Testwork revealed that 73 of 119 individuals (61%) found with "pseudo" social security numbers had not had a correct social security number entered on TCMIS, although they were enrolled more than a year. Some of these TennCare participants had been enrolled in the Medicaid program as early as 1979. Also, while it is not always possible to obtain social security information for newborns (0-3 months), auditors noted that several individuals with pseudo social security numbers were over one year old. The total amount improperly paid for the errors noted above was $38,449. Federal questioned costs totaled $24,260. The remaining $14,189 was state matching funds.

According to the *Code of Federal Regulations*, Title 42, Part 435, Section 910, the state agency must require, as a condition of eligibility, that those requesting services (including children) provide social security numbers. Additionally, Section 3(g) of the code states that the agency "must verify each social security number of each applicant and recipient with the Social Security Administration, as prescribed by the Commissioner, to ensure that each social security number furnished was issued to that individual, and to determine whether any others were issued."

Recommendation

The Director of TennCare should promptly develop and implement adequate uniform procedures to ensure that the eligibility status of all TennCare recipients is determined properly, consistently, and timely. The Director should oversee the development of a written policies and procedures manual and ensure that all divisions involved in the enrollment process of the uninsured and uninsurable population are provided with the manual to ensure that eligibility criteria are applied to the TennCare recipients consistently and accurately. The Director should ensure that adequate staff is assigned to verify information on uninsurable applications. Enrollees' information should be verified and reverified appropriately and in a timely manner, including SSIs that are not receiving other benefits. Social security numbers for all individuals should be obtained in a timely manner.

Management's Comment

We concur in part, although we believe the findings need clarification. We must correct the misstatement that there are no written policies and procedures regarding eligibility. Eligibility policies and procedures have been developed and reviewed by the Office of General Counsel and the Attorney General's Office. These policies and procedures are being used by the Information Line; the Eligibility, Enrollment, and Reverification Unit; and the Administrative Appeals Unit. A companion document is being developed for health departments.

Our responses to other findings in this report are as follows:

1. Staffing concerns. In order to resolve these issues, we are organizing a new Member Services Unit which will handle all member communications, as well as oversight of eligibility, enrollment, reverification, and administrative appeals. This will be addressed in the Bureau reorganization covered in Management responses to the previous findings.

2. SSI recipients. The State is prohibited by court order from disenrolling persons who have been enrolled in TennCare as SSI recipients at any time since November 1987, unless these persons die or move out of state and indicate a wish to be transferred to the Medicaid program in their new state. These individuals are carried on the TennCare rolls as Medicaid eligibles, which means that they have no copayment obligations. Until such time as the State can terminate the TennCare eligibility of former SSI enrollees, we believe it makes more sense to focus our reverification efforts on those enrollees who could actually be disenrolled from the program.

3. Accuracy of eligibility determinations. In response to the criticism that TennCare accepts self-declaration of income in many instances, subject to reverification, it is important to recognize that this was a policy decision made early in the program. It was considered important to avoid any delays in provision of services to eligible individuals, and the plan was to perform more detailed checks on the information they provided after they were enrolled. We have been interested to note that in recent years other states, in implementing their Child Health Insurance (CHIP) Programs, have also adopted this policy. We believe that the accuracy of eligibility determinations will be improved with our new Member Services Unit and proposed rules and policies already discussed.

4. Pseudo Social Security Numbers. It is our intent to address this issue as part of our planning for the new TCMIS.

Auditor's Comment

Based upon subsequent discussions with management the policies and procedures described in management's response were completed on September 26, 2000, after the end of the audit period. We will review these policies and procedures as a part of our next audit of the department.

Finding Number	00-DFA-04
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Eligibility
Questioned Costs	$37,807,272.77

TennCare should develop written procedures to reflect the eligibility procedures used

Finding

The Bureau of TennCare has not developed written policies and procedures that reflect the eligibility procedures that are currently in place. The Bureau has several adverse court orders, which hinder TennCare from adhering to the previously established TennCare Rules and from adhering to Federal Regulations. Although TennCare has changed its informal policies and procedures in response to court orders, the Bureau has not developed written procedures to reflect the policies and procedures used. A written policy and procedure manual is necessary to ensure that eligibility criteria is consistently and appropriately applied.

Testwork revealed that the court ruling of *Rosen vs. the Commissioner of Health* prohibits the Bureau from disenrolling or terminating individuals from the TennCare program "unless and until they have first been afforded notice and an opportunity for a hearing, in compliance with 42 CFR Part 431, Subpart E." The temporary restraining order, starting May 2000, against TennCare is a result of the Rosen Case. TennCare has unwritten procedures in place, which are intended to ensure that TennCare is in compliance with this court order. One of the unwritten procedures is to not disenroll individuals who have moved out of Tennessee unless the enrollee requests disenrollment in writing. However, one of the technical requirements of TennCare eligibility listed in the *Rules of the Department of Health*, 1200-13-12-.02(3)(b)(2), states that the non-Medicaid eligible applicant "must be a resident of the State of Tennessee." The *Rules of the Tennessee Department of Human Services*, 1240-3-3-.02(6), states for a Medicaid eligible enrollee, "an individual must be a resident of the State of Tennessee, as defined by federal regulations at 42 CFR 435.403." Executive Order No. 23 transferred the TennCare program from the Department of Health to the Department of Finance and Administration with an effective date of October 19, 1999. Although TennCare is now a part of the Department of Finance and Administration, the rules are still applicable per *Tennessee Code Annotated* 4-5-226(b)(2). Due to the recent transfer and the administrative details required to changed the rules, TennCare's rules have not been moved under Department of Finance and Administration as of November 2000. Therefore, throughout the audit report TennCare rules will be cited as *Rules of the*

Tennessee Department Health. According to TennCare's Deputy Director, TennCare considers enrollees in the military, enrollees temporarily working out of the state, and other enrollees who may plan to return to Tennessee at a future date as state residents. However, TennCare has not developed a written definition or a policy of who would be classified as a resident of the State of Tennessee.

Using computer-assisted audit techniques to search the TennCare recipient file located on the TennCare Management Information System (TCMIS), we found over 24,000 enrollees who have a non-Tennessee address. Some of the enrollees have addresses in other countries. Although the Bureau is attempting to comply with the court rulings, it has not developed written procedures to clearly define residency requirements and thus has not limited federal participation to residents of the State of Tennessee. The total amount paid on behalf of these enrollees was $59,918,812. While some portion of the over 24,000 enrollees may be appropriately considered residents of Tennessee, the absence of written policies makes that determination very difficult. Therefore, $37,807,272 is considered federal questioned costs. The remaining $22,111,540 is state matching funds.

In addition, we found over 145,000 enrollees who have P.O. boxes listed as their address. Auditor inquiry revealed that TennCare does not prohibit enrollees from submitting a P.O. box address when enrolling in the program. Allowing enrollees to use P.O. box addresses makes it very difficult to ensure compliance with the rules cited earlier that require residency in the State of Tennessee. Management stated that in certain cases TennCare felt that P.O. box addresses were necessary such as in cases of domestic violence or homeless individuals. However, testwork revealed that TennCare has not established a written policy that describes the instances where the use of P.O. boxes would be allowable. Furthermore, TennCare has not developed a way of identifying these individuals who would be in these categories. The amount paid on behalf of these individuals was over $442 million.

Another court order is the *Daniel Clusters vs. Commissioner of Department of Health* case that prohibits the Bureau from disenrolling Supplemental Security Income (SSI) recipients who lose their SSI benefits without making a new determination of TennCare eligibility independent of a determination of SSI by the Social Security Administration. The *Rules of the Tennessee Department of Health*, 1200-13-12-.02 1(c), states that all SSI-eligible enrollees are eligible for Medicaid. To attempt to comply with this court ruling, TennCare has chosen not to disenroll SSI enrollees that have lost their SSI benefits unless the individual dies or requests disenrollment in writing. (See finding 00-DFA-03 for more details.) However, to properly determine eligibility, TennCare must redetermine eligibility for the individuals determined to no longer be SSI eligible.

Recommendation

The Director of TennCare should ensure that the Bureau develops written policies and procedures to reflect the eligibility procedures that are used. These policies and

procedures should also include a definition of who is a resident of the State of Tennessee and situations where use of a P.O. box would be allowable. The Director should ensure that enrollees who are on TennCare because of a court order can be identified to assist the Bureau in monitoring for compliance with federal regulations and court orders. The Director of TennCare should make it a priority to ensure long-term compliance with rules and regulations through effective and comprehensive policies and procedures as well as controls that ensure compliance with rules and regulations.

Management's Comment

We concur in part. The Division of Member Services, which includes the Information Line, the Eligibility, Enrollment and Reverification Unit, and the Administrative Appeals Unit have developed policy and procedures that outline eligibility criteria. These policies and procedures have been developed and reviewed by the Office of General Counsel and the Attorney General's office. Work has started on policy and procedure manuals for the local Health Departments.

Definition of Tennessee residency is a part of the on-going lawsuit negotiation. Once resolved, the definition will be used by the Bureau.

Reverification determination processes and procedures are being re-evaluated; application and reverfication procedures will mirror each other. These changes will take twelve to eighteen months to complete.

Auditor's Comment

Based upon subsequent discussions with management the policies and procedures described in management's response were completed on September 26, 2000, after the end of the audit period. We will review these policies and procedures as a part of our next audit of the department.

Finding Number	00-DFA-05
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	$4,357,292.46

Because communication between TennCare and Children's Services has been inadequate, TennCare incorrectly reimbursed the Department of Children's Services for services that were unallowable, inadequately documented, or not performed, resulting in federal questioned costs of $4,357,292

Finding

As noted in the prior audit, TennCare has paid the Department of Children's Services (Children's Services) for services that were unallowable, inadequately documented, or not performed. In accordance with its agreement with TennCare, Children's Services contracts separately with various practitioners and entities (service providers) to provide Medicaid services not covered by the managed care organizations (MCOs) and the behavioral health organizations (BHOs) that are also under contract with TennCare. Children's Services pays these service providers for Medicaid services (enhanced behavioral health services) and non-Medicaid services (housing, meals, and education) directly. Children's Services then should bill TennCare for the reimbursement of only the Medicaid services. During the year ended June 30, 2000, TennCare paid approximately $103 million in fee-for-service reimbursement claims to Children's Services.

TennCare has not adequately defined and communicated the specific Medicaid/TennCare services it is requesting from Children's Services. Management concurred with the prior audit finding and stated that TennCare would continue to work with DCS to determine the cause and resolution necessary to resolve problems addressed with this program. However, TennCare has still not completely determined the cause of the numerous problems addressed with this program.

In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Department of Finance and Administration (F&A) regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> This is a material instance of noncompliance and a material weakness. We recommend procedures be implemented to ensure Federal funds are not used to pay for 1) health care costs of children who are in youth

> development or detention centers, . . . on runaway status, . . . or individuals over 21 years of age, (2) behavioral health services for children under the age of three, and (3) unsupported medical treatment.

In addition, TennCare has not communicated the specific laws and regulations that Children's Services must follow. Testwork revealed the following deficiencies:

Payments for Incarcerated Youth

As noted in the prior three audits, TennCare has not identified incarcerated youth enrolled in the program and has paid for the health care costs of youth in the state's youth development centers and detention centers. Under federal regulations (*Code of Federal Regulations*, Title 42, Part 435, Sections 1008 and 1009), delinquent children who are placed in correctional facilities operated primarily to detain children who have been found delinquent are considered to be inmates of a public institution and thus are not eligible for Medicaid (TennCare) benefits.

Although TennCare's management has entered into a Memorandum of Understanding (MOU) with F&A Division of Resource Development and Support (RDS) to examine this area, TennCare still does not have adequate controls and procedures in place to prevent these types of payments.

Using computer-assisted audit techniques (CAATs), a search by the auditors of TennCare's paid claims records revealed that TennCare made payments totaling $2,309,625 for the year ended June 30, 2000, for juveniles in the youth development centers and detention centers. Of this amount, $1,310,492 was paid to MCOs, $185,862 was paid to BHOs, and $813,271, to Children's Services. Federal questioned costs totaled $1,340,041. An additional $783,722 was state matching funds, and as explained below, the $185,862 paid to the BHOs is not questioned.

BHOs are not to be reimbursed for costs associated with incarcerated youth. The total payments to the two BHOs are based on a predetermined budget for mental health services approved by the Health Care Financing Administration (HCFA). These payments are allocated between the BHOs based on the number of eligible clients. Eligibility includes not being incarcerated. When a BHO has included ineligible clients in its population of TennCare-eligible clients, the portion of the money budgeted for that BHO should be reduced to that extent and awarded to the other BHO. The total amount paid to the BHOs is not affected. Thus, the total amount paid to the BHOs is not a questioned cost in this audit.

Although the total amount paid to the BHOs is not affected, future funding might be affected. When ineligible individuals are included in the population, the population is skewed and could affect assumptions made when determining the amount of the global budget paid to the BHOs in the future.

The payments to the MCOs were monthly capitation payments—payments to managed care organizations to cover TennCare enrollees in their plans. Since the Bureau

was not aware of the ineligible status of the children in the youth development and detention centers, TennCare incorrectly made capitation payments to the MCOs on their behalf.

Payments for Children on Leave Status

TennCare has paid for enhanced behavioral health services for children who are in the state's custody but are on runaway status or placed in a medical hospital. No services were performed for these children because they have run away from the service providers or have been placed in a medical hospital. According to Office of Management and Budget (OMB) Circular A-133, to be allowable, Medicaid costs for services must be for an allowable service that was actually provided. *Code of Federal Regulations*, Title 42, Part 1003, Section 102, prohibits billing for services not rendered.

It is the responsibility of Children's Services to notify TennCare when children run away from service providers or are hospitalized in a medical hospital. Testwork revealed that Children's Services does not notify TennCare when children are on runaway status or are placed in a medical hospital. The Children's Services' provider policy manual allows service providers to bill Children's Services for up to 10 days for children on runaway status, but Children's Services cannot bill TennCare for those days. The Children's Services' provider policy manual also allows service providers to bill Children's Services for seven days if the provider plans to take the child back after hospitalization. If the provider has written approval from the Children's Services Regional Administrator, the provider may bill for up to 21 days while the child is in the hospital, but Children's Services cannot bill TennCare for any hospital leave days. Since the Bureau still has no routine procedures, such as data matching, to check for such an eventuality, it was again unaware Children's Services was reimbursed for particular treatment costs that were not incurred by the service providers. However, based on the prior finding, TennCare should have been aware of the possibility of such costs and should have taken appropriate action to identify such situations.

Using CAATs, we performed a data match comparing TennCare's payment data to runaway records from Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that TennCare had improperly paid $827,010 for the year ended June 30, 2000, to Children's Services for children on runaway status. Federal questioned costs totaled $521,823. The remaining $305,187 was state matching funds.

In addition, using CAATs, we performed a data match comparing TennCare's payment data to medical records from the MCOs. The results of the data match indicated that TennCare had improperly paid $1,999,313 for the year ended June 30, 2000, to Children's Services for children while they were in hospitals. Federal questioned costs totaled $1,261,517. The remaining $737,796 was state matching funds.

Payments for Individuals 21 and Over

As noted in the prior audit, TennCare still does not have procedures to identify the TennCare-eligible individuals who have reached the age of 21; therefore, TennCare did not stop payments to Children's Services for Medicaid services provided to these

individuals who had reached the age of 21. In accordance with the TennCare waiver, Children's Services should bill and receive reimbursement from TennCare only for Medicaid services provided to recipients in its care who are under 21 years of age.

TennCare contracts with Children's Services to determine the eligibility of children under its care and should notify TennCare when an individual reaches the age of 21. However, Children's Services does not notify TennCare when an individual reaches the age of 21. Since the Bureau still has no routine procedures to check for such an eventuality, it once again was unaware that Children's Services billed for recipients who were 21 years and older. However, TennCare could have known that Children's Services has billed TennCare for children 21 years and older by using system edits that compare the date of birth to the dates of service. When the recipient is 21 years or older, the recipient may receive TennCare services through the MCOs, BHOs, or other departments, but not through Children's Services.

Using CAATs, a search of TennCare's paid claims records revealed that TennCare improperly paid a total of $206,124 for the year ended June 30, 2000, for individuals 21 and over. Federal questioned costs totaled $130,059. The remaining $76,065 was state matching funds.

Payments for Services Provided to Children Under Three Years

Despite HHS' recommendation discussed above, TennCare failed to take corrective action and again paid Children's Services for behavioral health services provided to children under the age of three. Using CAATs, a search of TennCare's paid claims records revealed that TennCare improperly paid a total of $1,746,512 for the year ended June 30, 2000, for children under the age of three. Federal questioned costs totaled $1,102,006. The remaining $644,506 was state matching funds.

Payments to Children's Services for Claims That Were Not Adequately Supported

As noted in the prior audit, vendors were still unable to provide documentation indicating the child received therapeutic treatment. For six of 60 claims tested (10%), TennCare inappropriately reimbursed Children's Services for billings when there was inadequate evidence that the child received the service. OMB Circular A-87 requires all costs to be adequately documented.

A total of $2,925 was paid for these services. Federal questioned costs totaled $1,846. The remaining $1,079 was state matching funds. We believe that likely federal questioned costs associated with this condition could exceed $10,000.

A review of our CAATs associated with custody (see finding 00-DFA-06), runaways, incarcerated youth, individuals over 20, vendor billings, children under the age of three, children who were placed in medical hospitals, children who received alcohol and drug treatment (see finding 00-DFA-06), and children in the Hometies program (see finding 00-DFA-06) revealed that our results sometimes duplicated questioned costs. We estimate the amount of duplicated questioned costs to be approximately $750,000. The

estimated federal amount of the duplicated question cost is approximately $473,194. The state matching funds are estimated to be approximately $276,806.

In total, $5,595,157 was improperly paid to Children's Services, $1,310,492 to the MCOs, and $185,862 to the BHOs. As discussed earlier, the amounts paid to the BHOs will not be questioned. A total of $4,357,292 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $2,548,357 was state matching funds.

Recommendation

The Director of TennCare should recognize the probability of such improper payments continuing in the absence of effective controls. He should ensure that at least computer-assisted monitoring techniques are developed by the Bureau to prevent or detect payments for incarcerated youth, children on runaway status, individuals 21 and older, children placed in medical hospitals, and children under the age of three. The Director of TennCare should ensure that Children's Services bills only for recipients who receive services and are eligible to receive services. Management should also consider whether any action is necessary regarding the monthly allocation of funds between the BHOs. An accurate population of eligible BHO clients should be determined for purposes of future monitoring. In addition, the Director of TennCare should immediately follow up with HCFA to comply with HHS's recommendation. The Director of TennCare should also ensure that Children's Services is immediately notified of all relevant laws and regulations. He should seek assistance from the Governor in assigning responsibility for ensuring that these improper payments are detected and prevented. Also, the Director of TennCare should ensure that TennCare's management communicates effectively with Children's Services to ensure timely resolution of the numerous problems noted.

Management's Comment

We concur in part, and we believe portions of the findings need clarification.

1. Definition of Services. It is not accurate to say that "TennCare has not adequately defined and communicated the specific Medicaid/TennCare services it is requesting from Children's Services." The current interdepartmental agreement between TennCare and DCS lists the services precisely and includes attachments that describe each one in detail. The attachments are the same as those used in the BHO contract to define covered services. (The services which TennCare contracts with DCS to provide are identical to services otherwise covered by the BHO.) TennCare has specifically identified to DCS which costs are allowable and which are not.

2. Payments for Incarcerated Youth. We will request that F&A Office of Program Accountability Review (PAR) strengthen its efforts to better identify these payments.

3. Payments for Children on Leave Status. TennCare has instructed DCS not to bill TennCare for services not provided to children on leave status. TennCare is developing a DCS Policies and Procedures Manual and will confirm this understanding in that manual. In addition, TennCare will request that F&A PAR strengthen its efforts to assure that inappropriate payments are better detected in the future.

4. Payments for Individuals 21 and Over. The individuals 21 and over who are being served by DCS are generally individuals with mental retardation who are waiting for an adult placement. TennCare is aware that this situation exists and we do not believe it is inappropriate to provide services to these persons. We have met with DCS and the Division of Mental Retardation Services to discuss ways in which these individuals can be moved into the adult mental retardation service system more quickly, but the fact remains that the State is responsible for them and should be able to use TennCare dollars to contribute to the cost of their care.

5. Payments for Services Provided to Children Under Three Years. We disagreed last year with the opinion of the auditors that DCS should not be paid for behavioral health services provided to children under 3, and we disagree again this year. The belief that children under 3 cannot benefit from mental health services is not supported by any clinical research of which we are aware. Mental health treatment for young children is certainly different from that provided to older individuals. It tends to focus on milieu therapy (which is the primary service DCS is providing) rather than formal counseling sessions, but it is still very important. Federal EPSDT law requires that any Medicaid coverable service be made available to any eligible child under the age of 21 when such a service is medically necessary. To arbitrarily deny a Medicaid coverable service to children simply because they are in a particular age group is, we believe, discriminatory and in violation of federal Medicaid law.

6. Payments to DCS for Claims That Were Not Adequately Supported. TennCare will request that F & A PAR include procedures in their reviews to detect payments that may not be adequately supported. In addition to the above efforts, TennCare is considering performing retrospective reviews and cost settlements at year-end to determine any over-billings by DCS. This is intended as a temporary measure until such time as any system changes can be made.

Auditor's Comment

Definition of Services

TennCare operated for a majority of the fiscal year without a contract with the Department of Children's Services. Thus, for a majority of the fiscal year there was no authoritative guidance describing the services to be provided.

Payments for Individuals 21 and Over

We agree that it seems that the state should be able to use TennCare dollars to provide services to individuals 21 and over. However, the current TennCare waiver does not permit the Department of Children's Services to bill and receive reimbursement from TennCare for services provided to recipients in its care who are 21 or older. As stated in the finding, the U.S. Department of Health and Human Services indicated in its response to the prior audit finding that payments for individuals 21 and over should not be made in the current manner. If TennCare wishes to continue paying Children's Services for the individuals, an amendment to the TennCare waiver should be obtained.

Payments for Services Provided to Children Under Three Years

Management fully concurred with this finding in last year's audit report. HHS has also confirmed that TennCare should not pay for behavioral health services for children under the age of three. As stated in the finding HHS has requested that TennCare implement procedures to ensure Federal funds are not used to pay for behavioral health services for children under the age of three. Management has not produced clinical research that would indicate that children under three could benefit from mental health services. Since management disagrees with this ruling from the grantor we recommend that management contact the grantor for further clarification.

Finding Number	00-DFA-06
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	$8,295,479.15

TennCare incorrectly reimbursed the Department of Children's Services over $13 million for services that are covered by and should be provided by the behavioral health organizations

Finding

As noted in the prior audit, TennCare has incorrectly reimbursed the Department of Children's Services (Children's Services) for services that are covered by and should be provided by the behavioral health organizations (BHOs). When TennCare began (January 1, 1994), TennCare contracted with Children's Services to provide all behavioral treatment for children in state custody or at risk of state custody. On July 1, 1996, TennCare contracted with the BHOs to provide some behavioral health treatment for children in state custody or at risk of state custody. However, the TennCare waiver was not amended to define the responsibilities of Children's Services.

Management concurred with the prior audit finding and stated that "TennCare would review the services provided by the BHOs in relation to those services provided by Children's Services and would work with Children's Services to ensure their knowledge of those services that can be billed to TennCare and those that must be billed to the BHOs." In addition, management stated that TennCare would "address monitoring techniques that may be available to help detect or prevent unauthorized payments for children in state custody or at risk of coming to state custody." Although TennCare management concurred with the prior audit finding, TennCare still has not ensured that Children's Services was aware of those services that were covered by the BHOs. This is evidenced by the contract between TennCare and Children's Services which does not sufficiently describe the services that Children's Services should provide and which services should be provided by the BHOs. In addition, TennCare has not implemented any monitoring techniques to detect or prevent unauthorized payments for children not in state custody because TennCare has chosen to rely solely upon Children's Services to bill TennCare only for children in state custody.

In accordance with its agreement with TennCare, Children's Services contracts separately with various practitioners and entities (service providers) to provide Medicaid services not covered by the BHOs that are also under contract with TennCare. Children's Services pays these service providers for Medicaid services (enhanced behavioral health

services) and non-Medicaid services (housing, meals, and education) directly. Children's Services then should bill TennCare for the reimbursement of only the Medicaid services. During the year ended June 30, 2000, TennCare paid approximately $103 million in fee-for-service reimbursement claims to Children's Services.

TennCare contracts with the BHOs to provide the basic and enhanced behavioral health services for children not in state custody as well as basic behavioral health services for children in state custody. TennCare has also contracted with the BHOs to provide all services to prevent children from entering state custody (Hometies) for children at risk of state custody. In addition, TennCare has contracted with the BHOs to provide the first $30,000 worth of alcohol and drug treatment for children in state custody. All behavioral services for children not in state custody should be provided through the TennCare BHOs. Enhanced behavioral health services for children in state custody should be provided by Children's Services. In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> We recommend procedures be implemented to ensure federal funds are not used to pay for health care cost of children who are . . . not in state custody . . . or in the Hometies Program.

Since TennCare still does not have procedures to identify services covered by the BHOs for children not in state custody or at risk of state custody as noted in the table below and discussed in subsequent paragraphs, TennCare has again paid both the BHOs and Children's Services for children not in state custody.

	Federal Share	State Share	Total
Hometies Services	$460,055	$269,062	$729,117
Continuum Services	3,269,726	1,912,295	5,182,021
Other Services	2,216,599	1,296,376	3,512,975
Total Costs	$5,946,380	$3,477,733	$9,424,113

TennCare has made payments to Children's Services for enhanced behavioral health services for children not in state custody. Using computer cssisted audit techniques (CAATs), auditors performed a data match comparing payment data on the Bureau of TennCare's system to custody records from Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that TennCare had improperly paid $9,424,113 for the year ended June 30, 2000, for children who were not in the state's custody. A portion of these improper amounts (see below for further discussion) was paid for services to prevent children who have never been in state custody from entering state custody, also known as the Hometies Program in Children's Services, which is covered by the BHOs. Of the $9,424,113 paid, $5,182,021 was paid for services to prevent children from reentering state custody (continuum) who had been in state custody. TennCare has contracted with the BHOs, who are paid a monthly fixed capitation rate to provide all services to prevent children from entering state custody.

TennCare has also contracted with Children's Services on a fee-for-service basis, for continuum services. Through this contract arrangement, TennCare has been paying for the same services twice. Federal questioned costs, excluding $460,055, which is included in the Hometies amount questioned below, totaled $5,486,325. An additional $3,208,671 of state matching funds was related to the federal questioned costs.

TennCare has again made payments to Children's Services for Hometies services provided to children at risk of state custody. TennCare improperly paid Children's Services $729,117 for the year ended June 30, 2000, for services covered by the BHOs. Federal questioned costs totaled $460,055. An additional $269,062 of state matching funds was related to the federal questioned costs. Although Children's Services again improperly billed TennCare for Hometies services, Children's Services requested in a memo to TennCare dated June 20, 2000, that the amount that was improperly paid be offset against future payments. As of November 28, 2000, the funds have not been recovered.

TennCare has incorrectly made payments to Children's Services for alcohol and drug treatment provided to children in state custody by Children's Services. However, the BHOs are contractually responsible for the first $30,000 of such expenditures. Neither TennCare nor Children's Services has a mechanism for identifying children who have already received $30,000 of these services provided by the BHOs. Thus, TennCare improperly paid Children's Services $3,722,966 for the year ended June 30, 2000, for services covered by the BHOs. Federal questioned cost totaled $2,349,099. The remaining $1,373,867 was state matching funds.

In addition, testwork revealed that different service providers that were on contract with Children's Services would be paid by the BHOs and Children's Services for the same dates of service for the same child. Using CAATs, auditors performed a data match comparing payment data on the Bureau of TennCare's system to the payment data from the BHOs. The results of the data match indicated that Children's Services had paid approximately $3.6 million to providers for the same dates of service for which the BHOs had paid other providers. The data match also identified numerous payments where the same service providers were paid twice for the same services. The service providers received payments from the BHOs and also from Children's Services. The listing of duplicated payments was provided to management to determine how this could occur. Management could provide the auditors with an explanation for some of these payments. However, a TennCare Director indicated that some of these payments could be provider fraud.

Because TennCare once again did not adequately define the services in the contract with Children's Services that are to be provided by Children's Services, TennCare has again effectively paid for these services twice and has misused federal and state funds.

A review of our CAATs associated with custody, runaways (see finding 00-DFA-05), incarcerated youth (see finding 00-DFA-05), individuals 21 and older (see finding

00-DFA-05), vendor billings (see finding 00-DFA-05), children under the age of three (see finding 00-DFA-05), children who were placed in medical hospitals (see finding 00-DFA-05), children who received alcohol and drug treatment, and children in the Hometies program revealed that our results sometimes duplicated questioned costs. We estimate the amount of duplicated questioned costs to be approximately $750,000. The estimated federal amount of duplicated questioned cost is approximately $473,194. The state matching funds are estimated to be approximately $276,806.

In total, as a result of the conditions described in this finding, $13,147,080 was improperly paid to Children's Services. A total of $8,295,479 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $4,851,601 was state matching funds.

Recommendation

The Director of TennCare should immediately revise the contract with Children's Services to clarify the services for which the BHOs are responsible and the services for which Children's Services is responsible. All agreements regarding Children's Services' responsibilities to provide behavioral health services should be documented, included in the contract between TennCare and Children's Services, and reflected in the contracts with the BHOs. TennCare should develop and implement controls to prevent payments to Children's Services for alcohol and drug treatment services for children that have not had $30,000 of these services already provided. In addition, the Director of TennCare should ensure that monitoring techniques are implemented to detect and prevent unauthorized payments for children in state custody or at risk of being in state custody. Controls should be developed and implemented to ensure the BHOs and Children's Services pay only for services for which they are responsible. In addition, controls to prevent paying the same providers twice should be developed and implemented. Also, the Director of TennCare should immediately follow up with the Health Care Financing Administration to comply with HHS's recommendation.

Management's Comment

We concur in part. We continue to work with DCS and the BHOs to clarify coverage of benefit issues between the two. Although the audit finding states "the contract …does not sufficiently describe the services that Children's Services should provide," the current interdepartmental agreement between TennCare and DCS lists the services precisely and includes attachments that describe each one in detail. The attachments are the same as those used in the BHO contract to define covered services. TennCare has specifically identified to DCS which costs are allowable and which are not. We have clarified issues surrounding Hometies services with DCS and they have assured us that procedures will be implemented to ensure that these services are not billed to TennCare.

TennCare has contracted with F&A PAR to monitor the contract with DCS. However, we recognize that monitoring of this contract and services billed to us need continued examination and improvement. We will continue to review the monitoring and claims processing procedures to improve detection of unallowable services.

Auditor's Comment

TennCare operated for a majority of the fiscal year without a contract with the Department of Children's Services. Thus, for a majority of the fiscal year there was no authoritative guidance describing the services to be provided. Hopefully the new contract will help to clarify the scope of services for which the Department of Children's Servcies is responsible. However, even with a clearer understanding between the Department of Children's Services and TennCare, incorrect reimbursements can occur if there are inadequate procedures to identify inappropriate billings by the Depatment of Children's for services covered by the BHOs.

Finding Number	00-DFA-07
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	None

TennCare should exercise its responsibility to ensure the Department of Children's Services' new payment rates are reasonable and have been approved by the Health Care Financing Administration (The old rates set by the Department of Children's Services were not based on an understandable methodology)

Finding

As noted in two previous years' audit findings, with which management concurred, TennCare has not ensured the Department of Children's Services (Children's Services) has established federally approved Medicaid treatment rates for services provided for children in state custody. TennCare has relied on Children's Services to determine the Medicaid treatment rates paid to the Medicaid service providers for children in the state's custody. Children's Services pays the Medicaid service providers for all Medicaid (treatment) and non-Medicaid services (housing, meals, and education) directly, then bills TennCare for the reimbursement of Medicaid services.

In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Tennessee Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> This is a material weakness and a repeat finding. We recommend procedures be strengthened to ensure costs charged to the Federal program are based on actual medical treatment costs.

Management of Children's Services could not provide information as to how the treatment portion of services was determined. A study has been performed by Children's Services and TennCare submitted the results to the Health Care Financing Administration (HCFA) on September 22, 2000. However as of October 19, 2000, TennCare has not obtained approval from the HCFA for the proposed rates and as a result has not implemented the new rates. Because the old rates are not based on an understandable methodology to determine the true treatment costs incurred by the Medicaid service providers, Children's Services may be over- or underbilling TennCare for costs associated with the treatment. In addition, TennCare may be reimbursing Children's Services for non-Medicaid services. Because actual treatment costs could not be

determined and differentiated from unallowable costs, auditors could not determine the amounts of possible overbillings and unallowable costs paid by the federal government. Since management at Children's Services could not explain the current methodology, it is unlikely the current rates meet Medicaid principles.

Recommendation

The Director of TennCare should seek a response from HCFA regarding the rates developed by Children's Services. When approved, the Director of TennCare should ensure that Children's Services implements the federally approved rates that have been developed to comply with Medicaid principles for treatment costs associated with children in state custody.

Management's Comment

We concur. The Bureau will again request a response for HCFA. However, we cannot dictate the response time of HCFA. When approved, we will work with Children's Services to ensure the rates are implemented.

Finding Number	00-DFA-08
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	None

TennCare continues to pay adjusted rates that may not be appropriate without written approval and clarification of grant requirements

Finding

As noted in the prior four audits, modifications to TennCare's grant requirements are often necessary because TennCare is a relatively new approach to Medicaid for both the state and the Health Care Financing Administration (HCFA). However, the intent of some requirements becomes unclear with the changes. The payment rates for certain psychiatric services are one such case. Although management has concurred for four consecutive years with the prior findings and stated in the prior two findings that they contacted HCFA officials and they still are awaiting response, no evidence of this contact has been provided.

When TennCare began, mental health services were not immediately moved into a managed care setting as were other health services. As a result, the state requested permission from HCFA to continue to pay for some mental health services on a fee-for-service basis. The November 18, 1994, approval letter from HCFA states:

> For both the Children's Plan [Department of Children's Services] and the SPMI [severely and persistently mentally ill], retroactive payments to January 1, 1994, will be permitted on a fee-for-service (FFS) basis, subject to the State's processing these claims through the State Medicaid Management Information System that was in place prior to January 1, 1994, at the previously existing rates. [emphasis added]

Without seeking guidance from HCFA, TennCare interpreted this waiver as allowing the state to continue to adjust for inflation the SPMI and the Department of Children's Services (Children's Services) rates for psychiatric hospitals and community mental health centers as it had done under Medicaid. During the year ended June 30, 1995, TennCare also adjusted these rates to cover additional costs, such as capitalization of fixed assets and property taxes, and enhanced the rates by a Medicaid "disproportionate share factor" to help cover hospital charity costs. Prior to TennCare, these costs and the disproportionate share factor were not a part of the rates.

On July 1, 1996, TennCare implemented the TennCare Partners Program to provide mental health services in a managed care setting and discontinued fee-for-service payments for SPMI. However, Children's Services continues to pay the higher adjusted rates on a fee-for-service basis. Since TennCare is using the higher adjusted rates, then both the state and the federal government are paying more than has been approved by the waiver.

Although management agreed that all policies and programs and resulting payments should comply with grant requirements, management has not obtained documentation from HCFA regarding its position on the adjusted rates. The Fiscal Director of TennCare stated during this and previous audits that HCFA had verbally approved the adjusted rates. As of June 23, 2000, TennCare has not received the approval letter from HCFA. However, in a letter of correspondence from the Department of Health and Human Services (HHS) to the Commissioner of the Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> This is a material weakness and a repeat finding. We recommend procedures be strengthened to ensure 1) rates are set in accordance with the Federal agreement and 2) unallowable payments are identified and returned.

Recommendation

As stated for the past two years, the Director of TennCare should immediately follow up with HCFA to comply with HHS's recommendation or obtain formal written approval for the adjusted rates. The Director of TennCare should also ensure that all policies or programs and resulting payments comply with grant requirements. If these requirements are unclear or if a substantial change is made, TennCare should seek written approval from the grantor before implementing the change.

Management's Comment

We concur. We will again request a response from HCFA.

Finding Number	00-DFA-09
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	None

TennCare has not adequately monitored TennCare-related activities at the Department of Children's Services

Finding

As noted in the prior three audits, TennCare has still not adequately monitored the Department of Children's Services (Children's Services). TennCare again entered into a Memorandum of Understanding (MOU) with the Department of Finance and Administration (F&A) to monitor several aspects of Children's Services' operations for the year ended June 30, 2000. Management concurred with the prior audit findings and stated that TennCare would enhance the scope of services required in the monitoring plan with F&A for the year ended June 30, 2000. Also, management stated that TennCare would work with F&A monitoring staff to ensure their knowledge of allowable and unallowable services. Although TennCare's management has made changes to the scope of service, it appears that TennCare has still not completely enhanced the scope of service in the MOU. In addition, TennCare again did not ensure that F&A had a sufficient understanding of all the allowable and unallowable services. For example, information should have been communicated regarding services that are to be covered by the behavioral health organizations (BHOs) instead of Children's Services (finding 00-DFA-06). Also, TennCare did not include monitoring of case management services provided by DCS for children (See finding 00-DFA-10).

In accordance with the agreement between Children's Services and TennCare, Children's Services contracts separately with various practitioners and service providers to provide health care benefits not provided by the managed care organizations (MCOs) and the behavioral health organizations (BHOs) under contract with TennCare. Children's Services pays these providers and bills TennCare for reimbursement. For the year ended June 30, 2000, TennCare paid approximately $103 million to Children's Services in fee-for-service reimbursement claims.

TennCare's monitoring through an MOU with F&A includes efforts to ensure that

- only services allowable under the grant are billed;

- the amounts billed are correct and allowable;

- the expenditures are valid and properly supported; and

- only eligible, licensed, or certified providers are providing the services.

F&A again did not follow the MOU's requirements related to monitoring of the following critical areas:

- F&A again did not test the accuracy of Children's Services' billing rates (finding 00-DFA-07).

- F&A again did not test the providers to ensure that all provider enrollment qualifications were met.

- Although the MOU was signed on November 15, 1999, F&A submitted only one monitoring report during the year ended June 30, 2000. The MOU requires that F&A "report the results of monitoring at least quarterly to the Director of the Bureau of TennCare." The one monitoring report sent to TennCare was dated May 11, 2000.

- Although F&A was aware of some unallowable costs, TennCare did not ensure that F&A was aware of all possible unallowable costs associated with Children's Services' payments for noncustodial children and with services that were covered by the BHOs for children in state custody (finding 00-DFA-06). Since TennCare again has not informed F&A of all possible unallowable costs, F&A's monitoring is still less effective.

Recommendation

The Director of TennCare should ensure that F&A properly performs its responsibilities under the monitoring agreement. TennCare should consider all critical areas of compliance, especially related to Children's Services' billings for ineligible services or children. These areas and the applicable compliance requirements should be appropriately included in the monitoring agreement with the Department of Finance and Administration.

Management's Comment

We concur. This year TennCare appointed a DCS liaison whose specific responsibility is facilitating communication and coordinating activities between DCS and TennCare. She has met with F&A monitoring staff to clarify issues and to discuss reports. She also meets regularly with DCS to discuss billing codes, billing practices,

coverage of services, etc. TennCare will continue to work with F&A to strengthen its monitoring of DCS.

Finding Number	00-DFA-10
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Activities Allowed or Unallowed
Questioned Costs	None

TennCare did not ensure that case management services provided by the Department of Children's Services were adequately documented

Finding

TennCare did not ensure that case management services provided by the Department of Children's Services (Children's Services) were adequately documented. TennCare has contracted with Children's Services to provide case management services that are outlined in the State Plan. In accordance with the State Plan, the provider is required to establish a written policy that governs the case management duties. Children's Services Policy 9.1 requires that a child's case file have case notes. The case notes should consist of

> . . . chronological information concerning each contact with the child/family or other individuals. Appropriate documentation shall include the following: narratives, monthly recordings, collaterals, case notes/progress notes, dictation, contacts or case documentation on child and family.

In addition, Children's Services' policy also requires that the files contain placement authorizations. Testwork revealed that 17 of 60 case management files reviewed (28%) did not contain monthly case notes, nor did they contain placement authorizations. Apparently TennCare has not monitored or required the Department of Finance and Administration (F&A) Division of Resource Development and Support (RDS) to monitor case management services provided by Children's Services to ensure that case management is adequately documented. (See finding 00-DFA-09 for more information concerning monitoring.) Complete records are essential if case managers are to appropriately assess and monitor the progress of children. Also, Office of Management and Budget (OMB) Circular A-87 requires all costs to be adequately documented. In addition, complete records also help ensure that TennCare eligible enrollees are actually receiving services that have been billed to TennCare.

Recommendation

The Director of TennCare should ensure that Children's Services is properly documenting its case management services. Complete and accurate case notes documenting the progress of the child as described in the Children's Services policies should be prepared in a reasonable time and maintained in the child's case file. In addition, all placement authorizations should be prepared and maintained in the child's case file. Adequate monitoring should be performed to ensure that all case management services billed to TennCare are adequately documented.

Management's Comment

We concur. While the Bureau of TennCare concurs on this finding for the audit period ending June 30, 2000, we have made several changes during the current fiscal year to address some, if not all, of these issues. A TennCare/DCS Liaison position was created to assist in the communications between TennCare and DCS and also to assist in the coordination of processes. The Liaison has addressed case management as follows:

- Ongoing weekly meetings are still being held with DCS regarding certain types of services, such as, case management and the documentation of these services in the child's record at the DCS office.

- Meetings have been held with DCS regarding their billing codes and billing practices and specifically addressed the allowable and non-allowable billings from DCS to TennCare.

- Ongoing meetings were being held with DCS regarding their 2001 Contract, which is currently being drafted. The drafted Contract will include specific definitions and details regarding DCS' documentation requirements and on-site monitoring of these records as well as, billing procedures with regards to case management.

- Procedures are being drafted to outline on-site reviews of DCS' documentation of case management services to children in state custody. This will be in addition to the monitoring currently being conducted by F&A Fiscal Monitors' staff.

- Met with TennCare fiscal staff and the F&A monitoring staff to identify specifically those services, which are allowable under DCS' Contract and to identify specifically the documentation that should be noted in the child's chart regarding case management.

- Quarterly meetings are held with F&A monitoring staff to discuss the reports received from the review of DCS.

Finding Number	00-DFA-11
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Special Tests and Provisions
Questioned Costs	None

TennCare's monitoring of the Medicaid Waiver for Home and Community Based Services for the Mentally Retarded has not been adequate

Finding

As noted in the prior audit, the TennCare Bureau's monitoring of the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled under Section 1915(c) of the Social Security Act (HCBS waiver) is still inadequate to provide the federally required assurances of health and welfare and of financial accountability. Management concurred with the prior audit finding and stated,

> Efforts will be made to ensure timely submission of the HCFA [Health Care Financing Administration] 372 Reports and the timely submission of monitoring reports as required in the inter-agency agreement. TennCare will update policies and procedures for monitoring the HCBS Waiver and will evaluate staffing resources in this area or other monitoring options that may be available.

Nevertheless, HCFA 372 Reports and monitoring reports were not submitted timely. Policies and procedures for monitoring the waiver were not updated, and although an additional Long-Term Care staff nurse was temporarily assigned, no permanent change has been made concerning the monitoring staff.

TennCare has not developed a formal monitoring plan (including the necessary policies and procedures) to ensure that all the required areas are adequately monitored and that other procedures are performed to provide the required federal assurances. TennCare has not reported the required assurances in a timely manner and has not adequately documented the support for the health, welfare, and financial accountability section of the report. Furthermore, TennCare has not performed adequate monitoring of the Division of Mental Retardation Services (DMR), which oversees the program for TennCare. DMR is contractually required to monitor the HCBS waiver's Medicaid service providers. (See finding 00-DFA-12 for information concerning DMR's monitoring activities.) Management could not explain why the formal monitoring plan was not developed, required reports were not submitted timely, and TennCare did not perform adequate monitoring of DMR.

Section 1915(c)(2)(A) of the Social Security Act requires that

> necessary safeguards (including adequate standards for provider participation) have been taken to protect the health and welfare of individuals provided services under the waiver and to assure financial accountability for funds expended with respect to such services.

The HCBS waiver which has been in effect since the 1980s requires TennCare to have a formal plan of monitoring in place to ensure the health and welfare of individuals in the waiver. The waiver further requires that all problems identified by the monitoring process will be addressed by TennCare in an appropriate and timely manner, consistent with the severity and nature of deficiencies. The HCBS waiver also requires TennCare to provide assurances of financial accountability for funds expended for home and community based services provided under the State Medicaid Plan. The monitoring plan must include filing the required federal reports.

TennCare still does not appear to have adequate personnel to perform the monitoring needed to support the federally required assurances. Although an additional monitor was temporarily assigned, the TennCare Bureau had only one permanent monitor for the approximately 4,500 recipients of waiver services, 379 service providers, and DMR during the year ended June 30, 2000. The one monitor was a registered nurse. No fiscal personnel were on staff to perform fiscal monitoring for assurance of financial accountability.

Section 1915(c)(2)(E) of the Social Security Act requires the state to provide the Secretary of the U.S. Department of Health and Human Services (HHS) with an annual report, the HCFA 372 report, on the impact of the HCBS waiver on the type and amount of medical assistance provided under the state plan and on the health and welfare of the recipients, including TennCare's assurances of health and welfare and of financial accountability under the waiver.

For the year ended June 30, 1999, TennCare once again did not submit the HCFA 372 Report within 181 days after the last day of the waiver period as required by the HCFA *State Medicaid Manual*, Section 2700.6 E., Submittal Procedures for Due Date. The Home and Community Based Services waiver HCFA 372 reports that should have been submitted in January 2000 were not submitted until September 2000 for the Shelby County waiver and were not submitted until November 2000 for the mentally retarded and developmentally disabled waiver. The report for the ADAPT waiver (Davidson, Hamiliton, and Knox counties) that should have been submitted in May 2000 was not submitted until November 2000. The respective HCFA 372 (S) reports for fiscal year 1998 were submitted at the same time the HCFA 372 reports were submitted and were more than 181 days late. In addition, TennCare once again could not provide adequate documentation to support the health and welfare information in the HCFA 372 report. Without adequate documentation of the work performed in the monitoring process, once again it could not be determined if monitoring was adequate to support health and welfare

assurances, and since no fiscal monitoring was performed, there was no support for financial accountability assurances in the report.

Furthermore, TennCare has not performed adequate monitoring of the waiver. While TennCare has no formal monitoring policies and procedures, TennCare does have monitoring responsibilities for the HCBS waiver in its contract with DMR. The contract specifically includes the following responsibilities for TennCare:

1. TennCare is to review a random sample of Preadmission Evaluations prepared by DMR during the annual state assessment period. TennCare did review a random sample of four Preadmission Evaluations.

2. TennCare is to monitor the plan of care for persons receiving waiver services by reviewing a sample of the plans of care for recipients in the program during the state assessment. Testwork revealed that the TennCare monitoring staff did monitor plans of care during the annual state assessment period.

3. TennCare is required to monitor DMR's policies for implementation and coordination of the waiver services approved by HHS. However, TennCare has not monitored DMR's implementation and coordination of the waiver services. In addition, TennCare had no role in the approval process of the Operations Manual for Community Providers, which is the policy manual used by DMR.

4. Per the contract, TennCare is to provide quality assurance monitoring to evaluate performance of the DMR. However, TennCare has not performed adequate quality assurance monitoring of DMR.

5. TennCare is to perform periodic audits of client records to validate the findings of the DMR Quality Enhancement review, and report the results to DMR with action required or needed to rectify deficiencies in a timely manner. This report is an annual statewide assessment of DMR's overall performance in the waiver. TennCare does not have guidelines to use when performing periodic audits of client records. Furthermore, TennCare has not provided DMR with timely statewide assessment reports. The statewide assessment reports performed for years ended June 30, 1999, and June 30, 1998, have not been submitted to DMR as of December 11, 2000.

6. TennCare is to assure the health and welfare of the individuals served in the waiver, through monitoring of quality control procedures described in the Medicaid Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled. TennCare does not have adequate documentation to indicate this was performed.

Only two of the six responsibilities have been fulfilled. Contractual requirements do not include specific responsibility for assurances of financial accountability. As a

result, TennCare cannot support the required federal assurances for health and welfare and for financial accountability. Also, TennCare's inadequate monitoring increases the risk that federal requirements are not met.

Recommendation

The Director of TennCare should develop waiver monitoring policies and procedures to ensure that a formal monitoring plan exists to provide the required health and welfare and financial accountability assurances to HCFA. The Director should ensure that the HCFA 372 reports and contractually required reports are submitted in a timely manner. The Director should monitor the process to ensure adequate assurances of health and welfare and of financial accountability are made to HCFA. The Director should ensure that an adequate number of appropriately trained staff is available to perform monitoring.

Management's Comment

We concur. The Division of Long Term Care has proposed a Long Term Care Quality Monitoring Unit to develop more formalized Quality Monitoring policies, procedures, and tools and to ensure adequate staff for collection of field data. Some work has been done in regard to drafting policies and procedures for this unit; however, staff resources have not been sufficient to complete this process, particularly in light of the staff resources that have been required to complete complaint investigations requested by HCFA during the past year.

Staff positions for this unit have been included as improvements in the TennCare budget. Additional positions have been assigned to the Division of Long Term Care that will eventually be moved into the Quality Monitoring Unit. In the interim, while we await the legislature's approval for the management positions for this unit, staff are being hired and temporarily assigned to other management staff within the Division of Long Term Care. A Public Health Nurse Consultant 2 with survey experience has been recently hired and is in training to assume the role of Quality Coordinator for MR waiver programs. After she is trained on collection of data in the field, she will intensively work toward development of survey tools and quality monitoring policies. A fiscal staff person has been assigned to work with the Division of Long Term Care to provide advice on fiscal monitoring procedures.

Policies are being drafted to address timely requests of 372 reports from EDS, review of initial 372 reports, and timely submission of the completed report to HCFA. LTC Waiver staff have worked extensively with IS and EDS staff in the past year to ensure that 372 reports accurately reflect service utilization and costs of waiver programs. We concur that the reports were late; however, the time devoted to fine tuning the 372 report process should result in more timely completion and submission of 372 reports in the future.

A random sample of PAEs reviewed by DMRS was reviewed for the 98/99 and 99/00 State Assessment and will be included in the reports for these audits. Because of staffing issues, Quality Monitoring staff have not been able to complete the reports as of yet; however, the 98/99 report is in final draft and the 99/00 report is in initial draft stage. With new staff positions added, the Division of LTC is on track to have all outstanding reports completed by the end of the current fiscal year and will be able to complete reports timely from this point forward. The TennCare DMRS contract will be revised to exclude the responsibility for reviewing a random sample of PAEs as DMRS no longer reviews PAEs. As of June 2000, the PAE review function for MR waiver programs was assumed by the Division of LTC.

A sample of Waiver enrollee's plans of care were reviewed in the 98/99 and 99/00 State Assessments and the results will be included in the state assessment reports.

The Division of LTC will work with DMRS to establish formal policies for review of waiver policies and provider bulletins and to make necessary revisions to contracts and provider agreements. While we concur that the TennCare staff had little input in the development of the current DMRS Operations Manual, TennCare Waiver and Quality Monitoring staff have reviewed portions of the current manual that are under revision. Additional sections of the Operations Manual will be reviewed as they are completed. Waiver and Quality Monitoring staff are providing input to DMRS staff regarding problematic issues and requested changes during the review process.

Timeframe for completion: It will take at least 1-2 years to get all requested positions filled and individuals trained in the Quality Monitoring Unit. It will take 6 months to a year to develop all policies and survey tools needed for this unit.

Finding Number	00-DFA-12
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Special Tests and Provisions
Questioned Costs	None

TennCare should ensure that the Division of Mental Retardation Services provides adequate monitoring of the Medicaid Home and Community Based Services

Finding

As noted in the prior audit, the TennCare Bureau did not ensure that the Division of Mental Retardation Services (DMR) complied with its contract monitoring requirements for the Medicaid Home and Community Based Services (HCBS) for the Mentally Retarded and Developmentally Disabled waiver. The contract between the TennCare Bureau and DMR requires DMR to give assurance that necessary safeguards will be taken to protect the health and welfare of the recipients of home and community based services and assurance of financial accountability for funds expended for home and community based services. Management concurred with the prior-year finding and stated, "TennCare will work with DMR to ensure compliance with the interagency agreement and will provide adequate monitoring policies and procedures to ensure all federal requirements are met." However, DMR did not comply with the interagency agreement and monitoring was not adequate. Furthermore, DMR had no monitoring policies and procedures. Management could not explain to the auditors why there was not adequate monitoring and why the interagency agreement was inadequate.

Testwork revealed that DMR is adequately monitoring to ensure that the traditional long-term care providers have the necessary safeguards in place to protect the health and welfare of waiver recipients. However, testwork revealed that DMR has still not adequately monitored the waiver's alternative providers. Alternative providers are home health agencies and individual providers such as dentists, behavioral therapists, nutritionists, and physical therapists.

In addition, DMR is still not providing necessary assurance of financial accountability for funds expended for all providers. Furthermore, DMR's current monitoring policies have not been revised to include the monitoring process for the alternative providers and do not include the fiscal monitoring process for the financial accountability assurances.

DMR relies on programmatic personnel at the regional offices to perform monitoring for health and welfare assurances of the traditional long-term care providers.

No fiscal monitors were on staff during the year ended June 30, 2000. The contract between the TennCare Bureau and DMR requires DMR to provide assurance of the financial accountability for the funds expended for home and community-based services, which includes the collection of patient liability and the protection of the client's personal funds. In the absence of fiscal monitors, DMR programmatic monitors have performed some fiscal monitoring of the waiver recipients' personal funds. However, on a statewide basis, fiscal monitoring is not effective for financial accountability since there is no fiscal monitoring of the vendor's billing records or collection of patient liability. Programmatic staff may not be adequately trained to perform fiscal monitoring.

Recommendation

The Director of TennCare and the Deputy Commissioner over DMR should ensure that DMR complies with contractual requirements for assurances of health and welfare and of financial accountability of funds expended for home and community based services, including the collection of patient liability and the protection of the clients' personal funds. TennCare should also provide DMR with adequate monitoring policies and procedures to ensure that all federal requirements are met.

Management's Comment

We concur. Based on recommendations from the prior audit, DMRS developed monitoring procedures and instruments for use with home health and other alternative providers. These procedures were implemented on July 1, 2000 and those providers are currently being monitored.

During the audited period, DMRS relied on programmatic personnel and one fiscal monitor at the regional offices to perform fiscal monitoring including monitoring of vendor's billing records and waiver recipients' personal funds. As of July 1, 2000, responsibility for fiscal monitoring was transferred to the Department of Finance and Administration, Program Accountability Review (PAR) unit. The PAR unit is staffed by qualified personnel who conduct thorough fiscal monitoring of provider agencies and the results are communicated to the regional office where action can be taken on the findings when warranted.

Timeframe for completion: The remedies described above have been implemented, but it will take at least a year to evaluate their effectiveness.

Finding Number	00-DFA-13
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	None

Claims for services provided to the mentally retarded and developmentally disabled have not been paid in accordance with the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled

Finding

As noted in the prior audit, TennCare has allowed other state departments to contract with and to pay Medicaid providers in violation of the terms of the Medicaid Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (HCBS waiver). The *Code of Federal Regulations*, Title 42, Part 431, Section 10(e)(3), allows other state and local agencies or offices to perform services for the Medicaid agency. As a result, TennCare, formerly with the Department of Health (TDH) and now with the Department of Finance and Administration (F&A), has contracted with the Division of Mental Retardation Services (DMR), formerly with the Tennessee Department of Mental Health and Mental Retardation (TDMH/MR) and now with the Department of Finance and Administration (F&A), to oversee the HCBS waiver program. Management concurred with the prior finding and stated,

> We will work with HCFA [the Health Care Financing Administration] to ensure that our waiver procedures are in compliance with all federal requirements for the waiver and will work with DMR to ensure their compliance with all waiver requirements. Any procedures necessary to ensure maximum federal participation will be pursued. Provisions will be implemented that allow the provider voluntary reassignment of their service payment to a government agency, i.e., DMR, with the ability to cancel the arrangement should he choose to receive direct payment from the Medicaid agency.

However, management did not implement any of their proposed actions. Management could not explain why they did not implement any of their proposed actions.

The contract between TennCare and DMR states,

> The Contractor (TDMH/MR) should not assign this Contract or enter into a subcontract for any of the services performed under this Contract

> without obtaining the prior written approval of the State (TDH). . . .TDMH/MR must submit complete copies of all subcontracts to TDH. Copies of subcontracts and amendments to subcontracts executed during the term of this contract must be submitted prior to the execution of such subcontract or amendments.

DMR (the Contractor) does not obtain written approval from TennCare before entering into contracts with providers, nor does it submit copies of the provider contracts to TennCare before they are executed.

Section 1902(a)(27) of the Social Security Act and the HCBS waiver also require TennCare to contract directly with the providers. However, TennCare has allowed DMR to contract directly with the Medicaid providers. Furthermore, TennCare has inappropriately paid DMR as a Medicaid provider. DMR in turn has treated the actual Medicaid service providers as DMR vendors. According to Medicaid principles, as described in the Provider Reimbursement Manual, Part I, Section 2402.1, DMR is not a Medicaid provider because it does not perform actual Medicaid services.

Although TennCare can use other state departments to perform services, Sections 1905(a) and 1902(a)(32) of the Social Security Act and the HCBS waiver require TennCare to make direct payments to providers of services covered by the waiver. In addition, the waiver agreement requires provider claims to be processed on an approved Medicaid Management Information System and provider payments to be issued by TennCare. However, TennCare has allowed DMR to process claims on its own system and make payments through the State of Tennessee Accounting and Reporting System (STARS) to providers. As a result, the state contributed funds for the waiver services without receiving federal financial participation. For example, DMR paid providers for services that could not be charged to the federal grantor because they were not allowable under the waiver regulations. Auditor inquiry revealed a situation where DMR provided services for an individual; however, TennCare appropriately denied payment for the services because a Preadmission Evaluation had not been properly completed by DMR.

DMR has paid waiver claims outside the prescribed waiver arrangement. The waiver is designed to afford eligible individuals access to home and community based services as authorized by Section 1915(c) of the Social Security Act. Typically, any claims submitted by providers for services performed for waiver recipients would be processed in accordance with all applicable federal regulations and waiver requirements, and the state would receive the federal match funded at the appropriate federal financial participation rate.

The current billing and payment process is as follows:

1. Medicaid service providers perform services for waiver recipients.
2. Providers bill DMR for services.

3. DMR pays providers based on rates established by DMR but not the rates in the waiver. TennCare has incorrectly allowed DMR to use the Community Services Tracking System and STARS to pay the providers.
4. DMR bills TennCare (as if DMR were a provider) based on the waiver rates.
5. TennCare pays DMR (as if DMR were a provider) the TennCare rates using the TennCare Management Information System (TCMIS) system.

Because TennCare has not ensured that DMR complied with the waiver and federal regulations, TennCare paid DMR more than DMR had paid the providers in 51 of 58 claims examined. TennCare paid DMR less than DMR paid the providers on the other 7 claims. These differences are included in the questioned costs in finding 00-DFA-15.

The HCBS waiver requirements prohibit services for recipients when they are absent from their homes. In addition, the HCBS waiver does not permit recipient leave days because care is home based and not performed in a residential facility. TennCare forwarded DMR a transmittal letter from HCFA of HHS dated October 31, 1994, stating that leave days could not be paid for by the HCBS waiver.

However, DMR implemented a system that would, in essence, permit patient leave days. For example, providers performing services for 300 days are paid the same amount as providers performing services for 365 days. DMR's procedure manual, the *Operations Manual for Community Providers*, chapter 6, states:

> Providers earn funding only for services provided. However, a generous allowance for leave is accommodated in the rate schedule for adult day and residential services.

The DMR payment system has no controls to prevent payment for unperformed services, and TennCare has no controls to detect DMR's billing for unallowable leave days and unperformed services.

Per Office of Management and Budget (OMB) Circular A-133, for costs to be allowable Medicaid costs, claims must be for allowable services rendered that are supported by records or other evidence indicating the services were provided and consistent with a recipient's plan of care for HCBS waiver services. In addition, 42 CFR 1003.102, states that penalties or assessments may be imposed by the Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services (HHS) if an item or service was not provided as claimed. Furthermore, the Federal Register (FR), August 10, 1995, Volume 60, Pages 40847-40851: Notices, *OIG Special Fraud Alerts*, states that claiming unperformed or excessive services is fraud and may be prosecuted by the OIG.

Testwork revealed that DMR used a payment and rate methodology that allowed providers to be paid for days (leave days) in which waiver recipients were not receiving services. For example, the current payment methodology used by DMR pays providers for a maximium of 25 days of service even if the provider has billed for 31 days; then the

provider could bank the 6 days. If, in a future month, the provider's service falls below 25 days, the provider could use the 6 banked days to enable the provider to receive payment for 25 days. In 12 of 60 claims tested (20%), DMR paid Medicaid service providers for fewer units (hours or days) than TennCare paid DMR.

In addition, by not paying providers directly as required, federal reimbursement has been delayed longer than if TennCare had paid providers directly in accordance with federal regulations.

Recommendation

The Director of TennCare should take immediate action to comply with all federal requirements, including those in the waiver, to ensure that all federal financial participation claimed is allowable. The Director must also inform DMR of all federal requirements, including those in the waiver, and ensure that DMR complies with all requirements. The Director should ensure that TennCare pays providers in accordance with the waiver and only for allowable services that are actually performed. TennCare should process claims on the approved Medicaid (TennCare) Management Information System and pay providers directly. DMR provider billings to TennCare should reflect only the actual level of services performed. The Director of TennCare should ensure that staff performs fiscal monitoring of providers to ensure that payments are for services actually provided.

Management's Comment

We concur. The TennCare Division of LTC will continue to work with DMRS to implement policies that ensure TennCare review and approval of subcontracts. A new provider agreement has been developed that allows both TennCare and DMRS to sign an agreement with each provider of waiver services. With the current fiscal agent, there is concern that the TCMIS system is not adequate to process provider claims for services directly. During the request for proposal and contract process with interested new fiscal agents, the possibility for direct provider payment and voluntary reassignment of provider payment to DMRS will be explored.

DMRS continues to pursue federal financial participation to the greatest extent allowable. The Division also receives state appropriations for the purpose of funding certain services that are not covered by the current waiver.

The approved rates listed in the waiver document are estimated rates as required by HCFA in order to complete the waiver budget. Historically, rates reimbursed to MR waiver service providers have been negotiated and HCFA is aware of this rate reimbursement procedure. However, HCFA has been contacted regarding the need for clarification of reimbursing providers at negotiated rates rather than using the approved waiver rates. TennCare is awaiting a response to this issue from HCFA.

Although DMRS did not concur with the prior year finding concerning payment of leave days, the methodology for payment of residential services was changed to ensure that payment is made only for those days during which waiver recipients received direct services. The alternative method was implemented July 1, 2000. Fiscal monitors with the office of Program Accountability Review (PAR), Department of Finance and Administration, currently review vendor billing records to ensure that payments are made only for services actually performed. All traditional provider agencies are monitored annually.

Timeframe for completions: It could take at least 3 years to implement a new system that will accommodate direct payment of waiver providers.

Finding Number	00-DFA-14
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Activities Allowed or Unallowed
Questioned Costs	$18,320,757.00

The TennCare Bureau's failure to establish a cost allocation plan resulted in federal questioned costs of $18,320,757.00

Finding

As noted in the prior audit, TennCare is required to have a Medicaid cost allocation plan to provide for the recovery of administrative costs associated with the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (HCBS/MR) program. Management concurred with the prior audit finding and stated, "The Bureau is currently in the process of developing a cost allocation plan to be submitted for approval as determined necessary." However, according to TennCare's Chief Financial Officer, no cost allocation plan was developed and submitted for approval. Management could not explain why an approved cost allocation plan had not been obtained. Currently the Department of Finance and Administration's Division of Mental Retardation Services (DMR) has the responsibility for day-to-day management of the HCBS/MR waiver program. Our audit revealed that the Bureau of TennCare has allowed DMR to receive indirect costs for the supervision of the HCBS/MR program without an approved cost allocation plan. According to TennCare's records for the year ended June 30, 2000, the indirect costs totaled $29,035,631, of which $18,320,757 is federal questioned costs and $10,714,874 is state funded costs.

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment D, Public Assistance Cost Allocation Plans*, requires an approved cost allocation plan for all direct and indirect administrative costs for public assistance programs. Without an appropriately amended and approved plan, the TennCare Bureau is not eligible to recover these costs from the federal grantor.

Recommendation

The TennCare Director should immediately develop and submit a cost allocation plan in accordance with OMB Circular A-87.

Management's Comment

We concur. A letter was submitted to HCFA in spring of 2000 requesting approval of a cost allocation method for the MR/DD waiver. HCFA responded that the letter should be submitted to the Department of Health and Human Services (HHS). The letter to HHS was submitted in June of 2000. They in turn sent the letter to HCFA financial experts for review. Consequently, we have not received approval from HCFA to proceed with the cost allocation plan.

Timeframe for completion: Unknown. HCFA has indicated that they will not be able to begin reviewing the request until February.

Finding Number	00-DFA-15
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	$38,206.62

TennCare has not ensured that adequate processes are in place for approval of the recipient and for the review and payment of services under the Medicaid Home and Community Based Services Waiver

Finding

As noted in the prior audit, TennCare has not ensured the Division of Mental Retardation Services (DMR) appropriately reviews and authorizes allowable services for recipients of the Medicaid Home and Community Based Services Waiver (HCBS waiver). In addition, DMR has not adequately documented the review and approval of services on the individual's Service Plan. Also, services were provided to recipients without proper preadmission evaluations, and unallowable claims were paid. Management concurred with the prior audit finding and stated,

> The current service authorization process will be reviewed by TennCare staff and if determined appropriate, an amendment to the HCBS Waiver will be submitted to HCFA to clarify the process that will be used to provide documentation of services authorized and approved for waiver participants.

However, TennCare has not amended the HCBS waiver to clarify the process that will be used to provide documentation of services authorized and approved for waiver participants.

Section 13 of the HCBS waiver states that services under the waiver will be furnished pursuant to an approved plan of care. Documentation of approval of the plan of care is performed on the Service Plan based on appendix E of the HCBS/MR waiver document. DMR's *Operation Manual for Community Providers*, chapter two, requires Service Plans to be authorized before entry into DMR's Community Services Tracking System as approved, and chapter one requires a preadmission evaluation to be properly completed for each recipient. In addition, Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, states that costs must be documented.

A sample of 60 individual support plans (ISP) representing claims totaling $61,645 were tested. Thirteen of these (22%) were determined to be improper. Problems

with the ISPs included the ISPs were not signed and dated by those in attendance; there was no ISP signature sheet; or the ISP was missing. None of the 60 ISPs indicated that a formal review was performed as required by chapter two of the *Operations Manual for Community Providers*.

We tested the recipients of the waiver to determine whether they were eligible for the services rendered. A properly approved and completed preadmission evaluation (PAE) serves as documentation of waiver eligibility. Examination of 60 PAEs revealed that 18 (30%) were improper. Problems with the PAEs included:

- the recipient's preadmission evaluation (PAE) was not supported by a physical examination and/or psychological evaluation as required by chapter one of the *Operations Manual for Community Providers*;

- the physician's signature and an approval signature were not within 30 days as required by the waiver; and

- there was no indication that the recipient was mentally retarded prior to age 18 as required by chapter one of the *Operations Manual for Community Providers*.

Also, 13 of the recipients files were missing one or both of the following:

- a completed PAE, or

- a Form 2362, Notice of Disposition or Change Form, used to calculate a recipient's patient liability.

Testwork also revealed that all 60 of the claims were paid based on inappropriate rates. Fifty-eight of the claims were improper because the rates in the Division of Mental Retardation's Community Services Tracking System did not agree with the waiver-approved rates in the TennCare Management Information System (TCMIS). See finding 00-DFA-13 for more details. The other two payments were made directly to the service provider; however, the rates used for these two payments were not waiver-approved rates. Adjusted rates were used to pay the service provider which were supposed to more closely resemble actual expenditures; however, the rates were not HCFA approved. In addition, 15 of these 60 vendor records did not properly support actual performance of services billed. Service plans required by *Operations Manual for Community Providers* are used to list authorized services. Cost plans required by *Operations Manual for Community Providers* list which services will be provided, the frequency of the service, and the cost of the services. Testwork revealed that 88% of service plans tested (53 of 60) and 90% of cost plans (54 of 60) were either not approved, not approved timely, or were missing. The service plans sampled had 55% that were not approved, 23% that were missing, and 10% that were not approved timely. Of the cost plans sampled, 83% were not approved timely, 3% were not approved, 2% had a conflicting date, and 2% were missing.

For 49 of 60 claims paid (82%), the periods covered by the service plans and the cost plans did not agree or there was not a service plan or cost plan. By having the periods covered not agree, there is a risk that services on an approved cost plan would not be listed on an approved service plan for the dates of service and vice versa.

The total of improperly documented claims in the sample was $60,552. Federal questioned costs totaled $38,207. The remaining $22,345 was state matching funds. The total population for the HCBS waiver claims was $191,304,282.

Since TennCare has not ensured that adequate processes are in place for approval of the recipient and for the review and payment of services under the Medicaid Home and Community Based Services Waiver, Medicaid providers of HCBS waiver services have been paid for inadequately documented services.

Recommendation

The Deputy Commissioner over DMR should ensure that approval and review of services under the HCBS waiver is adequately documented. The Director of TennCare should ensure that the eligibility criteria for all individuals are documented on the PAE. Claims without adequate documentation should be denied. Cost plan and service plan dates should be in agreement. A formal review should be performed for all ISPs. TennCare should pay all claims in accordance with waiver-approved rates.

Management's Comment

We concur. Based on recommendations from the prior audit, DMRS modified its Service Plan review and authorization process. DMRS Regional Directors now ensure that approval of services is adequately documented on each individual's service plan. Every service plan is reviewed, approved and signed. The revised process was implemented in the summer of 2000. On site reviews in each Region during October by DMRS central office staff indicated 100% compliance for Service Plans received since June, 2000. Cost plan and service plan date consistency has likewise improved with the revised process. During the past year, a workgroup focusing on Individual Support Coordinator issues developed a process for reviewing all Individual Support Plans (ISPs). The Director of each ISC Agency must review and approve each ISP before it is sent to the Regional Office. During the annual Quality Assurance survey conducted by DMRS, a 10% sample of ISPs is drawn to validate the accuracy of the Director's review. The revised process will be implemented by the second quarter of 2001.

TennCare Quality Monitoring staff reviewed for appropriate care plans and service plan authorization during the 98/99 and 99/00 State Assessments. As previously discussed, the reports are being drafted. The TennCare Division of LTC will include

monitoring for appropriate plans of care and service plan authorizations in developing the survey tool and policies for quality monitoring during the State Assessment.

The PAEs reviewed were done during the period of time DMRS was performing PAE review for the MR Waiver. As of June 2000, the TennCare Division of LTC assumed the PAE review responsibility for MR Waiver applicants. A draft policy has been written to address the review of PAEs for those applying for TennCare reimbursed programs for the mentally retarded. The need for a psychological evaluation is addressed on page 4 of the draft policy. The history and physical and initial plan of care requirement is addressed on page 6 of the draft policy. Physician's signature is addressed on page 7 of the draft policy. The nursing staff assigned to review ICF/ MR PAEs have been instructed to review the psychological evaluation and assure that a diagnosis of mental retardation prior to the age of 18 is documented.

Timeframe for completion: Remedies have been implemented. It will take 6 months to a year to evaluate effectiveness.

Finding Number	00-DFA-16
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Eligibility
Questioned Costs	$5,710,336.35

TennCare paid capitation payments and fee-for-service payments on behalf of incarcerated enrollees, resulting in federal questioned costs of $5,710,336

Finding

As noted in the prior audit, TennCare still has not ensured that adequate controls are in place to prevent capitation payments to managed care organizations and behavioral health organizations and for fee-for-service claims when enrollees become incarcerated. In addition, TennCare still does not have a process to retroactively recover all capitation payments from the Managed Care Organizations (MCOs) when enrollees are incarcerated. Management concurred with the prior finding and stated that TennCare would continue to review and monitor its procedures for identifying incarcerated adults and determine which capitation payments can legally be recovered. However, TennCare has not made changes to the MCO contracts that would allow such a recovery and has not changed the procedures for identifying incarcerated enrollees. Also, management stated that if capitation payments cannot be recovered to the time of incarceration, the state will determine if state dollars should be used to fund the unrecovered dollars. However, the federal Medicaid program has not been reimbursed for the unrecovered dollars.

The capitation payments are made to the MCOs and Behavioral Health Organizations (BHOs) on behalf of TennCare enrollees to cover medical and mental health services. These payments are generated electronically each month by the TennCare Management Information System (TCMIS) based upon the recipient eligibility information contained in the system. If the eligibility information in TCMIS is not updated timely, then erroneous payments will be made. The fee-for-service claims are for payments that were made to providers for services or medical equipment provided to TennCare enrollees.

TennCare personnel stated that data received from the Tennessee Department of Correction is often incomplete and/or inaccurate. Prisoners are often not willing to give complete and/or accurate information regarding their identity (name, social security number, date of birth, etc.). These problems can often cause delays in identifying prisoners and stopping benefits.

Using computer-assisted audit techniques, a search of TennCare's paid claims tapes revealed that TennCare made payments totaling $9,950,293 from July 1, 1999, through June 30, 2000, for approximately 7,600 adult inmates in state prisons. Of this amount, $8,959,494 was paid to MCOs, $90,525 was paid for fee-for-service claims, and $900,274 was paid to BHOs. Of these amounts, $5,710,336 is federal questioned costs. An additional $3,339,683 of state matching funds was related to the federal questioned costs. As explained below, the $900,274 paid to the BHOs is not questioned costs.

BHOs are not to be reimbursed for costs associated with incarcerated adults. However, the total payments to the two BHOs are based on a predetermined budget for mental health services approved by the Health Care Financing Administration (HCFA). These payments are allocated between the BHOs based on the number of eligible clients. Eligibility includes not being incarcerated. When a BHO has included ineligible clients in its population of TennCare-eligible clients, the portion of the money budgeted for that BHO should be reduced to that extent and awarded to the other BHO. The total amount paid to the BHOs is not affected. Thus, the total amount paid to the BHOs is not a questioned cost in this audit.

Although the total amount paid to the BHOs is not affected, future funding might be affected. When ineligible individuals are included in the population, then the population is skewed and could affect assumptions made when determining the amount of the global budget paid to the BHOs in the future.

Under federal regulations 42 CFR 435.1008 and 1009, the state, not the federal government, is responsible for the health care costs of adult inmates.

In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> We recommend 1) procedures be implemented to ensure capitation payments are not made [for] enrollees who become incarcerated and 2) the questioned cost be returned.

Based on discussions with TennCare's Director of Information Services, management's current policies still do not always prevent capitation payments from being made when enrollees are incarcerated and do not allow for recovery of capitation payments made for incarcerated adults. The policies include

- Management's policy decision not to disenroll any SSI (Supplemental Security Income) enrollees, until notification of death or proof that the individual has elected Medicaid coverage in another state. Testwork revealed that many of the individuals noted in fact were not classified as SSI enrollees in TennCare's system. (See finding 00-DFA-04 for more details.) This

situation was communicated to management during the last audit, but management has failed to address it.

- The inclusion of Section 2-7(c) of TennCare's contracts with the MCOs that prevents TennCare from making disenrollments retroactively "except for situations involving enrollment obtained by fraudulent applications or death." For example, if a person was incarcerated in June 1999 and TennCare was notified in September 1999, TennCare would only recover capitation payments made beginning September 1999, rather than going back to the exact date of incarceration in June.

- In May 2000, TennCare was placed under a temporary restraining order that prohibits TennCare from terminating or interrupting TennCare coverage for uninsured or uninsurable enrollees unless the enrollee has been afforded notice and an opportunity for a hearing in compliance with 42 CFR 431 E. In light of this order, TennCare does not rely upon its reverification process as a basis to terminate an individual. (See finding 00-DFA-04 for more information.)

In addition to TennCare's policy, current MCO contract language prevents total recovery of all capitation payments made to them in error. Current contract language with the MCOs allows TennCare to recover payments retroactively only in cases of an enrollee's death or if there has been fraudulent enrollment committed by the enrollee. The contracts, however, do allow for retroactive rate adjustments for up to one year.

Management's current policies do not include a data match to prevent or detect fee-for-service claims that were used to pay for incarcerated adults. The fee-for-service claims are paid based on the eligibility reported on TCMIS. If the eligibility information in TCMIS is not updated timely, then erroneous fee for service payments will be made.

Recommendation

Under the leadership of the Director of TennCare, management should determine which payments, made on behalf of incarcerated adults, can legally be recovered and take the necessary steps to recover all such payments. The Director of TennCare should ensure that the methodology used to detect incarcerated adults and to prevent or recover future capitation payments for adult inmates ensures compliance with federal regulations. Also, the methodology used should include procedures to prevent or recover fee-for-service payments made to providers for adult inmates. In addition, the Director of TennCare should immediately follow up with HCFA to comply with HHS's recommendation. Management should also consider whether any action is necessary regarding the monthly allocation of funds between the BHOs.

TennCare should consider changes in the MCO contract language that would clearly allow full recovery of capitation payments for ineligible enrollees. If this is not

practical, TennCare should develop a mechanism to identify these payments and use state dollars only to pay for incarcerated enrollees.

Management's Comment

We concur in part. With respect to the auditors' judgment that the current MCO contract language should be changed relative to retroactive recoupments for capitation payments made in error, it is important to note that the current contract has been in existence for over 7 years and has received detailed scrutiny from all relevant agencies of the State, as well as federal government. We certainly believe there can be differences of opinion about the best way to pay for services in a managed care model. However, we believe the TennCare program should make the final decision on such matters and should follow the procedures outlined in the contract until there is a determination made that these procedures need to be changed.

TennCare relies on the Department of Correction to provide information as to who and who is not incarcerated. We are working with the Department of Correction and the Program Integrity Unit of the Department of Finance and Administration, Office of Health Services to improve information sharing among our respective agencies. New reports and edits are being developed.

Auditor's Comment

We agree that it is a management decision as to whether the MCO contracts should be amended to allow for retroactive recovery of payments for incarcerated adults. While it would appear that the state would not want to pay capitation payments to MCOs that would be incurring no expenses for incarcerated enrollees, there could be other reasons why the state would want to make these payments. However, as stated in the finding, these incarcerated adults are not eligible for the TennCare program according to the federal regulations. As a result, TennCare should not use federal funds, as they have, to pay for the health care costs of these individuals.

Finding Number	00-DFA-17
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Eligibility
Questioned Costs	$534,491.66

TennCare did not recover over $800,000 of capitation payments and fee-for-service claims paid to managed care organizations and providers for deceased individuals

Finding

As noted in the prior two audits, TennCare has not ensured that adequate controls are in place to recover capitation payments made to the managed care organizations (MCOs) when an enrollee becomes deceased. In addition, TennCare has not ensured that adequate controls are in place to recover fee-for-service payments that are made to providers when an enrollee becomes deceased. Although management concurred with the prior finding and stated that procedures would be established to allow recoveries for capitation payments that exceed the twelve-month reconciliation for identified deceased enrollees, no procedures were implemented to allow such a recovery.

Using computer-assisted audit techniques (CAATs), a search of TennCare's paid claims tapes and eligibility history file revealed that TennCare made payments totaling $842,090 from July 1, 1999, through June 30, 2000, for which the date of death loaded on the TennCare Management Information System (TCMIS) was before the dates of service. Of this amount, $581,700 was paid to MCOs and $260,390 was paid for fee-for-service claims. Of the $842,090 in payments, $531,338 is federal questioned costs and the additional $310,752 is state matching funds.

The fee-for-service payments are for services or medical equipment provided to TennCare enrollees. The fee-for-service claims are paid or denied based on recipient eligibility information listed on TCMIS. Based on discussions with management, the fee-for-service payments occurred because the date-of-death notification occurred after the date of the payment. For example, if an individual were to die on January 1, 2000, and TennCare paid for the use of durable medical equipment after the date of death but before it received a date-of-death notification, TennCare would be required to recover this payment. Although exception reports are produced that alert management of these payments, discussions with management revealed that the reports produced by the system do not include all the payments. According to Information Services staff, the recoveries for fee-for-service claims are performed manually, not automatically by the system. Not using TCMIS to automatically recover these payments increases the risk that payments might not be recovered. In addition, management stated that if more than a year were to

pass before one of these payments were to be identified, then a recovery would never be made. Management could not explain why fee-for-service recoveries were not made automatically by the system or made retroactively past a year.

The capitation payments are made to the MCOs on behalf of TennCare enrollees to cover medical services. These capitation payments are generated electronically each month by TCMIS based upon the recipient eligibility information contained in the system. Fee-for-service claims are paid or denied based on recipient eligibility information contained in the system as well. If the eligibility information in TCMIS is not updated timely, then erroneous capitation and fee-for-service payments will be made. According to TennCare staff, often there can be delays in obtaining information about deceased individuals. Thus, it is important to retroactively recover payments when there is a delay in the death notification. However, the TCMIS is currently set up to recover payments retroactively to only 12 months before the date-of-death notification. Although TennCare does not always receive notification of date of death in a timely manner, timely reverification of eligibility would allow TennCare to detect a change in an individual's eligibility status. However, TennCare has not reverified the eligibility of enrollees timely. (See finding 00-DFA-03 for more details.)

When it takes over a year to detect an enrollee's death, TennCare does not recover all of the previous capitation payments or fee-for-service payments made for deceased individuals.

Testwork on recovery of payments after the date of death also revealed that TennCare had not recovered payments from the MCOs. We performed a data match between TennCare's paid claims tapes and information of the Office of Vital Records in the Department of Health. We found $3,287,906 in payments made on behalf of deceased individuals based on the Office of Vital Records. We selected a sample of 60 of these transactions to verify that these payments had been recovered. For 39 of 60 MCO capitation payments tested (65%), TennCare had not recovered the payment to the MCOs as of September 28, 2000. These individuals were deceased prior to the dates of service, and TennCare has not recovered the payments made on behalf of these individuals.

A total of $8,546 was paid for these individuals. Federal questioned costs totaled $5,392. The remaining $3,154 was state matching funds. We believe that likely federal questioned costs associated with this condition could exceed $10,000.

Recommendation

The Director of TennCare and TennCare management should develop and implement effective controls to recover payments for individuals when the date-of-death notification occurs after the date of payment. In addition, the Director of TennCare should ensure that all capitation and fee-for-service payments made on behalf of deceased recipients are recovered back to the date of death.

Management's Comment

We partially concur. We will review procedures over recovery of fee-for-service claims paid on behalf of deceased enrollees. We do not concur with the finding related to capitation payments. We will review the process of identifying deceased enrollees to minimize delays. However, some delays are inevitable. We believe the contract with the MCOs does not permit retroactive recovery of capitation payments for enrollees greater than twelve months. We will request an opinion from the Attorney General's office on this matter.

Finding Number	00-DFA-18
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Eligibility
Questioned Costs	$367,476.00

TennCare made payments on behalf of full-time state employees, resulting in federal questioned costs of $367,476.00

Finding

TennCare paid over $500,000 in capitation payments on behalf of full-time state employees who are classified as uninsured or uninsurable in the TennCare Management Information System (TCMIS). These payments were made because TennCare has not used controls to prevent or recover payments on behalf of state employees.

According to *Rules of the Tennessee Department of Health* 1200-13-12.02 (3)(b)(5), to be eligible for TennCare as an uninsured or uninsurable, an applicant "must not be eligible for participation in an employer sponsored health insurance plan, either directly or indirectly through a family member." Also, rule 1200-13-12-.02 (5)(b)(1) states that TennCare shall cease when "the enrollee becomes eligible for participation in an employer sponsored health plan, either directly or indirectly through a family member." Management at TennCare has chosen not to use controls to prevent these payments because of the temporary restraining order that was in effect for part of the year ended June 30, 2000. However, the restraining order does allow the removal of enrollees who request to be disenrolled from TennCare. See finding 00-DFA-04 for more information regarding the restraining order. However, in not using controls to prevent payments, TennCare cannot ensure that it is following its own rules.

Using computer-assisted audit techniques to search TennCare's paid claim records, testwork revealed that 852 uninsured and uninsurable TennCare participants were also full-time employees that were eligible for insurance through their employment with the State of Tennessee on the date of service. The auditors submitted the listing of the employees found to management of the Bureau of TennCare and requested management to show the auditors rules that would make these enrollees eligible. However, no such documentation was provided.

The total amount of capitation payments paid for the errors noted above was $582,394. Federal questioned costs totaled $367,476. The remaining $214,918 was state matching funds.

Recommendation

The Director of TennCare should ensure that procedures are developed and implemented to ensure that full-time employees of the State of Tennessee are removed from the TennCare rolls. The temporary restraining order does allow the removal of enrollees who request to be disenrolled from TennCare. The Director of TennCare should work with other state agencies to encourage employees to request removal from TennCare rolls.

Management's Comment

We concur. TennCare currently is operating under a temporary restraining order that does not allow us to terminate any uninsured/uninsurable member for any reason other than a voluntary termination per the member's request or by death. We have worked diligently with the Department of Insurance with this endeavor. There have been many State employees who have wanted to terminate their coverage with TennCare in order to enroll in the State Insurance plan. All State employees must sign up for the State insurance within the first 30 days of their employment or they are not eligible for the State insurance. These employees would have to meet a qualifying event under HIPAA in order to enroll in the State insurance. It is the opinion of the Department of Insurance that voluntary terminations are not considered a qualifying event under HIPAA. Therefore, those State employees who voluntarily terminate their coverage with TennCare are still not being offered coverage under the State Insurance plan. We continue to work with the Department of Insurance in discussing and resolving this issue.

Auditor's Comment

Further analysis of the listing of state employees that TennCare made payments for revealed that over 86% of the individuals identified in this finding had insurance through their employment with the state. Thus, it would appear for this group of individuals that obtaining a voluntary request for termination from TennCare would be easy because they already have insurance through their employment.

Finding Number	00-DFA-19
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Activities Allowed or Unallowed
Questioned Costs	$ 159.36

TennCare continues to disregard its own rules regarding overpayments to providers and needs to improve processing of Medicare cross-over claims

Finding

As noted in the four prior audits, TennCare has not complied with departmental rules, resulting in overpayments to providers caring for enrollees who are both TennCare and Medicare recipients. Management concurred with the prior finding and in February 2000 stated that TennCare staff will continue to review payment procedures that are not in accordance with departmental rules and will modify, as determined appropriate, the rules or the procedures to bring payment methods into compliance with departmental rules. According to the Chief Financial Officer, as of September 2000, TennCare is still researching the rules and has not determined whether or not it is more appropriate to change the rules or the computer system. This is the third year that management has given this same response. Furthermore, as noted in the prior three audits, TennCare has not corrected control weaknesses in processing the Medicare cross-over claims (claims paid partially by both Medicare and Medicaid). Management concurred with the prior finding and stated that it would implement procedures to ensure that the claims pricing and payment subsystem is routinely tested. However, no changes to procedures have been implemented to ensure that the claims pricing and payment subsystem is routinely tested nor have any other changes been made to correct the computer system control weaknesses in processing Medicare cross-over claims.

Medicare recipients are required to pay coinsurance and a deductible to the provider for services received. If the patient is also eligible for Medicaid, Medicare bills TennCare instead of the patient for the coinsurance and deductible. According to the *Rules of the Tennessee Department of Health*, Chapter 1200-13-1.05, the total amount paid by all parties (Medicare, patient, and TennCare) cannot exceed the fee limitations set by TennCare. This rule seems appropriate. Therefore, it appears that the systems rather than the rule should be changed. However, TennCare's computer system always pays the entire deductible or coinsurance billed for outpatient hospitalization services, regardless of how much Medicare or the patient paid or any limitations set by TennCare. In addition, TCMIS does not always ensure that claims from ambulance services, anesthesiologists, clinical psychologists, clinics/groups, and claims for durable medical equipment (DME) from other out-of-state providers comply with this rule. The total

amount of all expenditures for professional and institutional cross-over claims during the year ended June 30, 2000, was approximately $73 million.

Testwork revealed that for 14 of 25 Medicare professional cross-over claims tested (56%) payments exceeded the maximum allowable. The 25 claims totaled $439.95, and $252.56, or 57%, was unallowable. TennCare's payments of $252.56 exceeded the maximum amount allowed according to the Medicaid Fee Schedule and the rule stated above. Federal questioned costs totaled $159.36. The remaining $93.20 consisted of state matching funds. During the year ended June 30, 2000, TennCare paid $46,706,907.05 for Medicare professional cross-over claims. We believe likely questioned costs associated with this condition exceed $10,000.

In addition, the following control weaknesses were noted:

- Although professional cross-over claims from psychologists and social workers have been Medicaid-eligible since the late 1980s, these claims are to be denied if the recipients have other insurance (third-party resources). OMB Circular A-133 requires that "states must have a system to identify medical services that are the legal obligation of third parties." However, TCMIS has not been updated to detect third-party resources on these cross-over claims. Testwork on samples of claims with third-party resources revealed that 16 of 25 social workers' claims (64%), 20 of 25 clinical psychologists' claims (80%), and 20 of 25 other out-of-state provider claims (80%) were paid that should have been denied or reduced due to the availability of third-party resources. Auditor testwork also revealed claims from other out-of-state providers (i.e., durable medical equipment [DME] suppliers) were not being denied or reduced when third-party resources were available. Because insurance plan benefits differ, we could not determine the amount of questioned costs associated with this condition.

- TennCare's policies and procedures manual for pricing cross-over claims is not adequate. Our review of the pricing manual revealed that it does not contain sufficient detail to allow a relatively inexperienced individual to price cross-over claims.

- Despite the complex nature of claims processing, Bureau staff do not routinely perform manual pricing tests to determine if the system is paying claims correctly for institutional cross-over claims. Bureau staff indicated that they perform pricing tests on professional cross-over claims. However, documentation to support the assertion that such claims have been manually priced was not maintained by the Bureau.

- Auditor inquiry revealed that staff at the TennCare Bureau did not have sufficient knowledge of the rules and regulations pertaining to TennCare's financial obligation and responsibility for Medicare cross-over claims to develop effective policies and procedures. In addition, no staff at the

TennCare Bureau were assigned responsibility to monitor changes in laws and regulations regarding Medicare cross-over claims.

- Auditor inquiry revealed that system documentation was inadequate to determine why error code 181, "Invalid Coinsurance Amount," occurs on both professional and institutional cross-over claims. Although TennCare Bureau staff override this error code and manually price the claim, staff were not knowledgeable as to why the error codes occur.

Recommendation

The Director of TennCare should thoughtfully review these long standing conditions and determine why staff have not carried out actions which have been promised in prior responses to these findings. He should decide what action is necessary to ensure compliance with its own rules and then make the necessary changes to the TCMIS to bring the method of payment into compliance with departmental rules. The Director of TennCare should ensure that TCMIS has been updated to detect third-party resources on cross-over claims and should ensure that TennCare's policies and procedures regarding cross-over claims are adequate. Management and staff should keep abreast of new and changing program requirements and should ensure that the Bureau's policies, procedures, and computer systems are updated timely to reflect new developments. Also, the Director of TennCare should ensure that the claims pricing and payment subsystem of TCMIS is routinely tested and that documentation of the testing of these claims is maintained. The Director of TennCare should ensure that the staff responsible for overriding error codes are aware of why the errors occur and that the system documentation for the codes is adequate.

Management's Comment

We concur for the audit period in question, although we have taken steps in recent months to improve these processes. In late November a rule was drafted which stated that the total amount paid by a combination of Medicaid as deductible and coinsurance shall not exceed the amount Medicaid otherwise would have paid for the covered service, or, where there is no Medicaid fee schedule, reasonable billed charges. This proposed rule will be presented at hearing on April 16, 2001. We will review the third party liability issues surrounding cross-over claims noted in this finding.

A Policy staff person has been identified as the person responsible for monitoring changes in Medicare laws that may impact TennCare, including payment of crossover claims. With respect to adequate system documentation, we will address this issue during the course of the Information Systems overhaul described elsewhere in this document.

The Provider Relations Unit's policy and procedure manual is now complete. It includes instructions for pricing and/or the reimbursement methodologies used to calculate TennCare's payment amount for crossover claims. In addition, the Provider Relations Unit is now ordering CPX-50s from the Medicaid fiscal agent to manually price a sample of claims set to pay on the provider's weekly remittance advice. This review allows staff to verify that TennCare's payment amounts are correct.

Finding Number	00-DFA-20
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Procurement and Suspension and Debarment
Questioned Costs	None

TennCare did not require contractors and providers to make necessary disclosures concerning suspension and debarment

Finding

The Bureau of TennCare did not require all providers of goods and services with contracts with TennCare equal to or in excess of $100,000 and all others involved in nonprocurement transactions to certify that their organization and its principals are not suspended or debarred from a government program. Testwork revealed that 4 of 21 contracts with nongovernmental entities (19%) did not include the suspension and debarment certification. In addition, the Division of Mental Retardation within the Department of Finance and Administration did not require providers to certify that their organization and its principals are not suspended or debarred.

According to the Office of Management and Budget "A-133 Compliance Supplement," which references the *Code of Federal Regulations*, Title 45, Part 76,

> Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of $100,000 and all nonprocurement transactions. . . . Contractors receiving individual awards for $100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred.

Because the Bureau does not always require contractors and providers to certify that their organization and its principals are not suspended or debarred, the Bureau would not know if it had contracted with suspended or debarred parties.

Recommendation

The Director of TennCare should require all providers of goods and services with contracts with TennCare equal to or in excess of $100,000 and all others involved in nonprocurement transactions to certify that their organization and its principals are not suspended or debarred from a government program. In addition, the Director of TennCare should ensure that the Division of Mental Retardation requires its providers to certify that they have not been suspended or debarred.

Management's Comment

We concur. The Bureau will ensure that contractors provide certifications related to suspension and debarment. We will work with the Division of Mental Retardation on compliance with this area.

Finding Number	00-DFA-21
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

Controls over access to the TennCare Management Information System need improvement

Finding

As noted in the prior two audits, one of the most important responsibilities, if not the most important, for the official in charge of an information system is security. The Director of TennCare is responsible for, but did not ensure that, adequate TennCare Management Information System (TCMIS) access controls were in place during the audit period. As a result, deficiencies in controls were noted during system security testwork.

In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> This is a material instance of noncompliance and a repeat finding. We recommend procedures be strengthened to ensure access to the TennCare Management Information System is safeguarded.

The TCMIS contains extensive recipient, provider, and payment data files; processes a high volume of transactions; and generates numerous types of reports. Who has access, and the type of access permitted, is critical to the integrity and performance of the TennCare program. Good security controls provide that access to data and transaction screens be limited to a "need-to-know, need-to-do" basis. When system access is not properly controlled, there is a greater risk that individuals may make unauthorized changes to the TCMIS or inappropriately obtain confidential information, such as recipient social security and Medicaid identification numbers, income, and medical information. Audit testwork revealed the following discrepancies.

Justification Forms Not Obtained for Existing Users

Access to TCMIS is controlled by Resource Access Control Facility (RACF) software. The purpose of RACF is to prohibit unauthorized access to confidential information and system transactions. The TennCare security administrator in the

Division of Information Services is responsible for implementing RACF, as well as other, system security procedures.

The security administrator assigns a "username" ("RACF User ID") and establishes at least one "user group" for all TennCare Bureau and TCMIS contractor users. User groups are a primary method by which RACF controls access. Each member of a user group can access a set of TCMIS transaction screens.

On July 12, 1999, TennCare started requiring standardized justification forms to be filled out by all new users to TennCare's system. TennCare required new users to justify their reasons for access to TennCare's system. Although management concurred with the prior finding, the security administrator has not required existing users prior to July 12, 1999, to fill out Justification for TennCare Access Forms documenting the type and level of access requested as well as reasons why access was required. Although it was recommended in the prior audit finding, TennCare's security administrator stated that forms had not been obtained for all existing users because she was not instructed to obtain these forms. As a result, testwork revealed that 52 of 60 users tested (87%) did not have Justification for TennCare Access Forms properly filled out and completed. Of the 52 users, TennCare did not obtain justification forms for 50 of the users. Not requiring existing users to sign Justification for TennCare Access Forms makes it more difficult to monitor and control user access. For example, it is not possible to compare the type and level of access needed and requested with the type and level of access given.

Unnecessary Access to TCMIS

User access testwork revealed, as it did in the prior audits, that all users in the default group (a group automatically assigned to all Department of Health and TennCare RACF users) had the ability to update at least two screens. This could be accomplished by typing over the "function" field and replacing INQ (inquiry) with CHG (change). Then the user could make changes to the screens and press a particular function key to update. Management sent a work request to the contractor, EDS, on August 11, 1999, to explore the problem. Management concurred with the prior audit finding and stated that Information Services is currently in system testing with the facilities manager contractor to correct function deficiency which allows inappropriate access. However, as of September 18, 2000, the EDS had not completed the work.

Security Administration Not Centralized

Testwork also revealed that the security administrator for the Department of Health, who is separate from TennCare's security administrator, has the ability to give users access to TCMIS. Management concurred with the prior audit finding and stated that only the TennCare security administrator can now authorize access to the TCMIS. However, management's assertion to the auditors in response to the prior audit finding was incorrect. An examination of usage logs revealed that there were at least five occasions where the Department of Health administrator acted before consulting TennCare.

Furthermore, if users' RACF user names expire, the TennCare security administrator can reinstate the access of users given by the Department of Health security administrator, and vice versa. When access to TCMIS is decentralized, it is more difficult to monitor and control. Auditors discussed this issue with the statewide RACF system security administrator in the Office of Information Resources. The administrator stated that this access could easily be removed, but that they just need an e-mail request from management from the Bureau of TennCare to remove this access.

In addition, the Department of Health default group to which the Department of Health's security administrator can add people has access to 89 TCMIS screens. Thus, the Department of Health security administrator has the ability to add users to TCMIS transactions without notifying TennCare's security administrator.

Recommendation

The Director of TennCare should ensure that the standardized authorization forms are obtained for all current and future users that have access to TCMIS. Access levels for all screens should be reviewed to guarantee that only authorized users have the ability to make changes. Responsibility for TCMIS security should be centralized under the TennCare security administrator. In addition, Director of TennCare should ensure that information given to auditors is correct. A request should be sent to the statewide RACF security administrator to request that the Department of Health Security Administrator's ability to add and change users on TCMIS be removed. TCMIS transactions in the Department of Health default group should be removed.

Management's Comment

We partially concur with these audit findings.

1. TennCare Information Systems will continue coordinating efforts to ensure that proper access forms are obtained for all TennCare and other users who require interaction with the TennCare system. Since standard forms were developed, TennCare has required all new users and supervisors to complete the standard forms. The TennCare Information Systems security administrator has been working with all existing users of the system since last year's audit findings to obtain completed forms from users and supervisors.

2. Access levels for all screens are authorized to users and supervisors based upon security level access requested by business user group supervisors. TennCare Information Systems has initiated systems maintenance requests to the TennCare facilities manager concerning identified access issues.

3. Centralization of TCMIS security under TennCare Information Systems security administrator was implemented as of November 3, 2000.

4. On November 3, 2000, TennCare sent a request to the statewide RACF security administrator requesting that the Department of Health Security Administrator's ability to add and change users on the TCMIS be removed. TCMIS transactions in the Department of Health default group were removed at that time.

Auditor's Comment

It is not clear from management's comment with which part(s) of the finding they do not concur. It should be noted that the actions taken by management as described in their comments had not occurred at the time of audit fieldwork. We will follow-up in the next audit to verify that the actions listed by management have been taken.

Finding Number	00-DFA-22
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare should ensure adequate contracts and effective monitoring of contracts

Finding

As noted in the previous audit, the Bureau of TennCare needs to ensure adequate contracts and effective monitoring of contracts. Management responded to the portion of the prior-year finding related to the lack of an interdepartmental contract with the Department of Commerce and Insurance by stating that one would be developed; however, an interdepartmental contract has not been established as of October 26, 2000 because, according to TennCare staff, they have not had time. In accordance with the TennCare Waiver, the Department of Commerce and Insurance, TennCare Examiners Division, is responsible for conducting examinations of managed care organizations (MCOs) and behavioral health organizations (BHOs) that contract with the Bureau of TennCare. Commerce and Insurance conducts these examinations of MCOs and BHOs to ensure financial viability and compliance with statutory and contractual provisions, and rules and regulations. The scope of services provided by Commerce and Insurance includes financial review, complaint negotiation, claims process monitoring, and assessments of financial position. Although Commerce and Insurance is performing these services, which are completely funded by the TennCare program, testwork revealed that the Bureau of TennCare has not initiated an interdepartmental contract with the Department of Commerce and Insurance.

The Bureau of TennCare also has a cooperative agreement with the Department of Human Services (DHS) for the determination of Medicaid eligibility. This agreement has not been revised or amended since October 1969, when the original agreement started. The TennCare program was implemented in January 1994 after the state obtained a waiver from the federal Health Care Financing Administration, which allowed the state to replace its basic Medicaid program (Medical Assistance Program) with a managed care system. Since the agreement has not been revised or amended since 1969, the unique features of the TennCare program are not included in the agreement. Furthermore, the cooperative agreement does not provide sufficient detail to ensure that all parties are fully informed of the relevant scope of services and related responsibilities. The agreement states that the Department of Public Welfare (currently known as the Department of Human Services) assumed responsibility for "the determination of eligibility" for Medicaid recipients. However, the agreement does not provide details concerning which

policies, standards, or methods should be used to make the eligibility determinations. In response to this portion of the prior-year finding, management stated that they would update interagency agreements between state agencies to reflect the needs of the current program. However, this has not been done because, according to TennCare staff, they have not had time.

Testwork also revealed that the Bureau's controls over the monitoring of contracts is inadequate. Although management responded to the prior-year finding by indicating that TennCare would review contracts that have not been monitored and determine the most appropriate monitoring efforts, the Bureau has not implemented written policies and procedures to monitor the Bureau's contracts. This was due in large part because TennCare did not assign responsibility for monitoring these contracts until October 2000. In addition to the Commerce and Insurance arrangement, the Bureau contracts with other entities, including state departments, to assist with the TennCare program. As noted in other findings, the Bureau does not have effective monitoring procedures to ensure contract compliance. Examples of these contracts and agreements include the following:

- An agreement with the Department of Commerce and Insurance to conduct examinations of the MCOs and BHOs to ensure financial viability and compliance with statutory and contractual obligations;

- a contract with the Comptroller of the Treasury, Medicaid/TennCare Division, to establish reimbursable cost rates for the Tennessee Medicaid Title XIX and the TennCare Waiver Programs;

- a contract with First Mental Health Incorporated to provide external reviews to monitor quality assurance;

- a contract with the Department of Children's Services to provide non-medical treatment and case management services;

- a contract with the Department of Human Services to provide Medicaid eligibility determinations;

- a contract with the Department of Health's Office of Health Licensure and Regulation to certify healthcare facilities;

- a contract with the University of Tennessee-Memphis and Erlanger Medical Center / T.C. Thompson Children's Hospital in Chattanooga to conduct a high-risk regional perinatal program; and

- a contract with East Tennessee State University in Johnson City, Meharry Medical College in Nashville, University of Tennessee-Memphis, and Vanderbilt University in Nashville to provide graduate medical education.

Without effective monitoring procedures, the Bureau cannot ensure that compliance requirements of the contract are met.

Recommendation

The Bureau of TennCare should establish an interdepartmental contract with the Department of Commerce and Insurance to formally document the existing agreement between the two departments. The Director of TennCare should revise the cooperative agreement with DHS to ensure that all parties are fully informed of the scope of services and specific responsibilities. In addition, this agreement should be revised to reflect the TennCare program and the rules that govern the program. The Director of TennCare should also develop and implement written policies and procedures to monitor contracts.

Management's Comment

We concur. Each contract has been assigned to a specific individual within the Bureau. This will be a priority in the coming year.

We concur. TennCare executed a new contract with Health Services Advisory Group (HSAG) to provide external reviews and to monitor quality and contractual standards for MCOs and BHOs. This contract is now in force. Site visits to all the MCOs are being planned.

While the Bureau of TennCare concurs on this finding for the audit period ending June 30, 2000, we have during the current fiscal year identified a specific staff member to work with TennCare staff, DCS, and F & A Monitors with regards to monitoring DCS' compliance with their current Contract and in addition, will be drafting DCS' 2001 Contract.

The Bureau will review the agreement with DHS and initiate an agreement with Commerce and Insurance. It is not anticipated that these will be completed before the end of FY 2001.

Finding Number	00-DFA-23
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Eligibility
Questioned Costs	None

As required by law, fraud should be reported to the Comptroller of the Treasury

Finding

TennCare did not report an instance of fraud to the Comptroller of the Treasury as required by law. During the audit, it was determined that on July 9, 1999, the Office of Audit and Investigations with the Department of Health had received information that a TennCare clerk with the Bradley County Health Department had committed fraud and forgery in submitting several TennCare applications for herself; her husband, who was in jail at the time; and a friend. The TennCare application review process rejected the husband's application because TennCare staff determined that he was in jail at the time and thus not eligible. However, the applications for the clerk and her friend were accepted because the clerk had falsified the related supporting documentation for those applications. Her falsified documentation included forged signatures. To conceal her actions, the clerk did not record the applications for TennCare on the TennCare enrollment log maintained at the Bradley County Health Department.

The state paid capitation fees to a TennCare Managed Care Organization (MCO) on behalf of the clerk and her friend totaling $1,662 before their ineligible status was discovered. This matter was properly referred for prosecution, which is still pending. However, the department failed to promptly notify the Comptroller of the Treasury. Section 8-19-501, *Tennessee Code Annotated*, states:

> It is the duty of any official of any agency of the state having knowledge of shortages of moneys of the state, or unauthorized removal of state property, occasioned either by malfeasance or misfeasance in office of any state employee, to report the same immediately to the comptroller of the treasury.

The purpose of the statutory requirement to notify the Comptroller is to ensure a thorough investigation and an appropriate resolution in the best interest of the state.

Recommendation

The Director of TennCare should ensure that all instances or suspected instances of fraud are immediately reported to the Comptroller of the Treasury.

Management's Comment

We concur. On July 9, 1999, the fraud incident was reported at a local Health Office, Audit and Investigations did not have in place a formal system of reporting instances of employee misconduct. Effective September 2000, the Office of Audit and Investigations began logging and reporting all suspected employee misconduct resulting in a loss of state resources. Further, written procedures have been developed and implemented for reporting suspected employee misconduct in collaboration with fiscal officials within the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation and the Bureau of TennCare.

Finding Number	00-DFA-24
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Subrecipient Monitoring
Questioned Costs	None

TennCare has not ensured adequate monitoring of the graduate medical schools

Finding

As noted in the previous two audits, TennCare has not monitored the graduate medical schools to ensure that requirements related to graduate medical education (GME) payments are met, nor has TennCare advised the graduate medical schools of the audit requirements of subrecipients. Management concurred with the previous year's audit finding and stated that the Bureau would advise the subrecipients of the audit requirements for subrecipients of federal funds. However, the Bureau did not advise the medical schools of the audit requirements as required by Office of Management and Budget (OMB) Circular A-133. Management also stated that the medical schools were included in the contract-monitoring plan submitted to the Department of Finance and Administration (F&A) in accordance with Policy 22. The current year's GME contracts were included in the interdepartmental agreement with F&A's Division of Resource Development and Support (RDS) to perform the contract monitoring. Although RDS has performed some monitoring duties for the year ended June 30, 1999, it has not begun monitoring the medical schools for the year ending June 30, 2000.

GME payments are made to the state's four graduate medical schools: (1) the University of Tennessee at Memphis, (2) Vanderbilt University, (3) Meharry Medical College, and (4) East Tennessee State University. The GME payments consist of two components: a primary care allocation component and a resident stipend component. The amount of each school's primary care component is awarded to residents in family practice, internal medicine, pediatrics, or obstetrics during the year of residency, for which the school ensures that the dollars follow the students to their training sites. Under the stipend component, the residents agree to serve TennCare enrollees in a "Health Resource Shortage Area" of Tennessee. During the year ended June 30, 2000, GME expenditures were approximately $46 million.

The activities of RDS do not supplant the primary responsibilities of the agencies the division is serving. It is still the primary responsibility of the bureau to ensure compliance with applicable rules. If the division is not effective in its monitoring, the bureau must take other steps to meet these responsibilities.

The contract between TennCare and RDS does not require RDS to perform all the procedures needed to ensure adequate monitoring of the medical schools. Some examples of the deficiencies in the contract between TennCare and RDS include:

- The lists of residents used to determine the primary care component are accurate. The lists of residents are used to calculate the payments to the medical schools. By not verifying the lists of residents, TennCare cannot ensure that it is paying the schools the correct amount.

- The graduate medical schools have taken appropriate action to correct federal noncompliance audit findings. Neither TennCare nor F&A has received audit reports from the graduate medical schools; therefore, they cannot determine if the schools have taken the necessary action to correct audit findings as required by OMB Circular A-133.

- The students stay in the stipend program for the required number of years and serve the stipulated population. If TennCare does not ensure that the students serve the required amount of time, then the medical schools and the students could receive funds to which they are not entitled.

OMB Circular A-133 requires TennCare to monitor subrecipients' activities to provide reasonable assurance that the subrecipients administer federal awards in compliance with federal requirements. OMB Circular A-133 also requires TennCare to ensure that required audits are performed and that subrecipients take prompt corrective action on any findings.

The department cannot determine subrecipients' compliance with applicable regulations if appropriate monitoring procedures are not performed and required audits are not obtained. Furthermore, funds could be used for objectives not associated with the grant, and subrecipient errors and irregularities could occur and not be detected.

Recommendation

The Director of TennCare should immediately advise the graduate medical schools of the audit requirements for subrecipients of federal funds and determine why this step was not taken as was indicated in the prior audit. TennCare should adequately inform RDS of all the areas that are required to be monitored and require RDS to perform these monitoring duties in addition to the monitoring duties stated in the interdepartmental agreement and insist on evidence that the monitoring was performed timely and adequately. All monitoring should be sufficiently documented, and deficiencies should be promptly reported to the graduate medical schools. TennCare should also require the schools to submit corrective action plans.

Management's Comment

We concur in part. Monitoring reviews of the four graduate medical schools for the fiscal year ending June 30, 1999 were performed by Finance and Administration, Division of Resource Development and Support, Office of Program Accountability Review (PAR) during the year ended June 30, 2000 and reports were issued shortly thereafter. During the current fiscal year, PAR has performed one review and will complete the three remaining reviews by the end of the year. While a timeframe for the completion of these monitoring reviews is not mandated, we consider their timeframes for completion of reviews reasonable.

Currently there are nine individuals participating in the stipend program, three of which are still enrolled in medical school. During the fall of 2000, TennCare contacted each of the active providers by letter and requested pertinent information regarding their practice to ensure each was complying with the terms of the stipend program. However, consideration will be given as to whether additional review is needed by PAR and, if deemed appropriate, the contract will be amended.

Although TennCare does receive the Single Audit Report for the State of Tennessee, which includes audit findings for the University of Tennessee and East Tennessee State University, two of the four GME contractors, we will review the GME and PAR contracts and revise where necessary to ensure compliance with A-133 requirements. In addition, corrective action plans will be requested as appropriate from the GME contractors.

Finding Number	00-DFA-25
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Program Income
Questioned Costs	None

TennCare needs to improve policies and procedures for accounts receivable

Finding

As noted in the two prior audits, TennCare has not established adequate overall policies and procedures for accounts receivable. Management concurred with the prior-year finding and stated, "Policies and procedures are being developed to include monitoring, collecting, writing off, and recording in STARS the TennCare accounts receivable. . . ." Management also stated that they would "work with other state agencies to document the establishment of accounts receivable at year end." However, testwork for the third straight year revealed a continued inadequacy of policies and procedures.

Accounts receivable policies and procedures that were developed in response to the prior audit consisted of brief general statements of the methods of calculating the amounts to be included in the State of Tennessee Accounting and Reporting System (STARS). There were no written procedures for monitoring, collecting, or writing off any of TennCare's receivables.

Management stated that the organization's polices and procedures were the same as those described in *Rules of the Department of Finance and Administration*, and therefore they did not need additional policies and procedures. However, as noted below, they did not follow *Rules of the Department of Finance and Administration*, Division of Accounts, Chapter 0620-1-9, entitled "Policies and Procedures Governing the Write-Off of Accounts Receivable." Furthermore, these rules are very general and do not tell how gross and net receivable amounts are determined as well as how to determine the amounts to be reported.

TennCare's failure to comply with *Rules of the Department of Finance and Administration*, Division of Accounts, Chapter 0620-1-9, is demonstrated in the area of cost settlement accounts receivable. In accounting for these receivables, the Bureau still failed to comply with the requirement for the establishment of an "Allowance for Estimated Uncollectibles where appropriate," since there was no allowance for estimated uncollectibles. In addition, the rule that "a certain length of time must pass before an account is considered uncollectible" was violated. The average age of "active" cost settlement accounts receivable was approximately four years, according to TennCare's

records. Furthermore, testwork and discussions with TennCare fiscal staff revealed that there was no "minimum age" rule regarding consideration of accounts for write-off.

TennCare also violated provisions of Chapter 0620-1-9 in the area of premium accounts receivable. An allowance for uncollectible accounts was not established. A $15 million audit adjustment was made for the State of Tennessee Comprehensive Annual Financial Report to reflect the uncollectible accounts that were not recorded on STARS. In addition, TennCare violated the chapter in the area of drug rebate receivables, since an aging of the accounts was not performed.

Testwork again revealed several discrepancies in the controls over enrollee premiums receivable. Premiums are collected from enrollees who are classified as uninsured and uninsurable. These enrollees are required to pay premiums in order to receive health services under the program. TennCare is responsible for maintaining the enrollee's premium account and for determining the applicable monthly premium amount based on an enrollee's income and family size. Testwork revealed that TennCare still has the following inadequate controls to ensure the accuracy of premium reporting:

- The TennCare Bureau prepares a cumulative premium report each month to track the total premiums billed to enrollees, the total amount remitted by enrollees, the total amount due from enrollees, and the total premium statements mailed to enrollees for each month. Management uses this report to develop premium estimates for financial reporting purposes. Our review of this cumulative report revealed several inconsistencies that jeopardize the reliability of this report. The report provided to the auditors during this audit period contained differences from the report used in the prior audit. For example, the amount of premiums billed for the month of January 1994 was different on the two reports. Although the amount should not have changed, the report auditors received in 2000 showed January 1994 billings as $485,444.08, and the 1999 report showed January 1994 billings as $485,645.03. Such an inconsistency, while immaterial, shows that the report is unreliable. Management indicated that this difference was the result of computer programming errors.

- In addition, the column that summarizes total due from enrollees reported balances when, in fact, management had written off these receivable balances. Management indicated that this difference was the result of computer programming errors.

- There are no written procedures for the comparison of a list of deposits prepared by the fiscal agent Electronic Data Systems (EDS) with STARS transactions listings. Not having written procedures results in a review that is not consistently documented.

- TennCare management does not perform analytical procedures on projected enrollee premium income on a month-to-month basis. By not performing

such an analysis, TennCare cannot ensure that all individuals who are required to pay premiums are actually billed and that all premiums billed are accurate. For example, TennCare does not compare enrollment to the total amount billed.

- Testwork revealed that TennCare was not properly verifying and reverifying eligibility for the purpose of premiums (see finding 00-DFA-03 for more information). Therefore, proper premiums may not be charged to enrollees.

Recommendation

The Director of TennCare should ensure that policies and procedures for overall accounts receivable and premium functions are completed and implemented. In addition, the Director of TennCare should strengthen controls over premiums for the uninsured and uninsurable enrollees. Controls should include accurate premium reporting, analytical review, and proper write-off of uncollectible premiums receivable. Furthermore, TennCare's management should establish an estimate for uncollectible accounts where appropriate, establish a specific length of time that must pass before an account is deemed uncollectible, and perform an aging for all accounts receivable.

Management's Comment

We concur. Policies and procedures are being developed to include monitoring, collecting, writing off and recording in STARS the TennCare accounts receivable, which includes premium collections. TennCare staff will work with other agencies to document the establishment of accounts receivable at year end. TennCare will review the current controls and procedures relative to premium reporting.

Finding Number	00-DFA-27
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

Controls over checks should be strengthened

Finding

As noted in the prior audit, the TennCare Bureau needs to improve controls over manual and system checks. For the year ended June 30, 2000, these checks totaled over $3.9 billion.

Management concurred with the prior audit finding and stated that they would monitor the fiscal agent to ensure adequate segregation of duties. However, based on conversations with management, this monitoring was not performed. Testwork revealed that the segregation of duties is still not adequate and the controls are still weak. Electronic Data Systems (EDS), the fiscal agent, is responsible for preparing the checks. However, EDS has not established adequate controls over checks. The following deficiencies were noted:

- Physical security over the manual and system check stock is compromised because the room key and the key logs are not kept together. The key could be obtained without anyone signing the log. The *Tennessee MIS Financial Procedure Manual*, Section K (Check Storage and Check Logs), states that the log and key to the vaults are to be kept together at all times.

- EDS does not record receipt of blank system checks for accountability. The *Tennessee MIS Financial Procedure Manual*, Section K (Inventory and Control of Checks), part D, states that a "blank stock check log" is to be used "to establish control for blank check stock received from the vendor. A clerk and witness will store blank checks received from the vendor in the vault and complete the Blank Stock Check Log." Not recording the receipt of blank system checks makes it more difficult to conduct physical check inventories and to monitor and investigate checks.

- Systems check logs were not reconciled to the TennCare Management Information System (TCMIS) to ensure that all checks were accounted for properly.

- Although EDS employees indicated that they perform an inventory of checks, such inventories are not documented. *The Tennessee MIS Financial Procedure Manual*, Section K (Inventory and Control of Checks), "Maintaining Check Stock," states that "an inventory of all checks will be maintained."

- EDS does not reconcile the manual check log to checks that are completed to ensure that all checks are accounted for. There is a possibility that a manual check could be completed that does not show up on the check log. Without reconciliations, the unlogged check could go unnoticed for an extended period of time.

- Testwork revealed that because of a system error, a manual check was issued without being entered into the Basic Accounting Reconciliation System (BARS), causing the check not to be included on the TCMIS check register report. When this occurs, there is a possibility that an unauthorized manual check could be issued without detection.

- The individual who manages the checks and the key logs has the potential to control the whole manual check process. This person is responsible for the strong box, which includes the rubber stamp and partially completed checks.

These weaknesses in controls over checks could permit an individual to gain access to checks without detection. In addition, a lack of appropriate segregation of duties could permit an individual to control the whole check process and issue a check for unauthorized purposes.

The only compensating control used was a reconciliation of checks issued and cleared each month. This reconciliation involves records from the Department of the Treasury (Treasury), the Department of Finance and Administration's Division of Accounts, and TennCare. This reconciliation ensures that TennCare's and Treasury's records of checks issued and cleared correspond to the State of Tennessee Accounting and Reporting System (STARS).

Effective internal controls require that physical security and accountability over checks be maintained and that no one person have the ability to control the entire check-issuance process.

Recommendation

The Director of TennCare should determine why the monitoring of the fiscal agent promised in the last audit was not performed. He should also ensure that the fiscal agent has adequate controls over access to manual and system checks. EDS should keep the keys to the vaults together with the vault key logs, and system check logs should be reconciled to TCMIS. The Director of TennCare should ensure that inventories of checks

are performed and the results of the inventory are documented. Check logs should be reconciled to checks issued to ensure accountability. Manual check logs should always be used to record the receipt and issuance of manual checks, and controls should be strengthened to prevent checks being issued without being entered into BARS. The Director of TennCare should also ensure that there is adequate segregation of duties to prevent someone from controlling the entire check process.

Management's Comment

We concur. The Bureau has requested a review of controls over manual checks be performed by Internal Audit and will continue monitoring implementation of these recommendations.

Finding Number	00-DFA-28
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

Controls over financial change requests should be strengthened

Finding

The TennCare Bureau needs to improve controls and policies over financial change requests (FCRs). FCRs are used by the Bureau to make adjustments or corrections to payments made to providers. Electronic Data Systems (EDS), the fiscal agent, is responsible for keying FCRs into the TennCare Management Information System (TCMIS). However, TennCare has not established adequate controls for FCRs. The following deficiencies were noted:

- There are no procedures to ensure that all FCRs are entered into TCMIS properly. Per discussions with TennCare personnel, any TennCare employee is able to initiate an FCR, and it is the initiator's responsibility to make sure that the FCR has been keyed in correctly by EDS personnel. There is a risk that the initiator may not follow up on the FCR, which may result in an FCR being entered improperly or not entered at all.

- TennCare does not reconcile FCR forms with what has been entered into the system. Without a reconciliation, there is a possibility that an adjustment has been entered into the system incorrectly or entered for unauthorized purposes. The *Tennessee MIS Financial Procedures Manual*, Section D, "Review and Log Requests," states that the fiscal agent must log each FCR received onto a "Financial Control Sheet" by each FCR category. These amounts should be totaled, and then after all documents are entered, an audit trail should be printed to determine that the amounts are equal to the "Financial Control Sheet."

These weaknesses in controls over FCRs could permit an individual to enter a change into TCMIS for unauthorized purposes. In addition, these weaknesses in controls could allow incorrect changes to be keyed into TCMIS without detection.

Recommendation

The Director of TennCare should assign responsibility for ensuring that all FCRs have been entered into TCMIS properly and correctly. Also, the Director of TennCare should ensure that FCRs and information entered into the TCMIS system are reconciled to ensure that all changes keyed into TCMIS are supported by an FCR.

Management's Comment

We concur. The Bureau will review controls and procedures over FCRs and implement changes as needed.

Finding Number	00-DFA-29
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Activities Allowed or Unallowed
Questioned Costs	None

TennCare allowed providers to submit old claims and did not pay provider claims in a timely manner

Finding

The Bureau of TennCare allowed providers to submit claims later than 12 months from the date of service and did not pay all Medicaid Home and Community Based Services for the Mentally Retarded and Developmentally Disabled Waiver (HCBS-MR waiver), Department of Children's Services (Children's Services), and long-term care provider claims within 24 months of the date of service. In addition, the Bureau did not pay Medicare cross-over provider claims within 6 months after receiving notice of the disposition of the Medicare claim.

The *Code of Federal Regulations* (CFR), Title 42, Part 447, Section 45 (d), "Timely processing of claims," states,

> (1) The Medicaid agency must require providers to submit all claims no later than 12 months from the date of service…(4) The agency must pay all claims [received] within 12 months of the date of receipt….(ii) If a claim for payment under Medicare has been filed in a timely manner, the agency may pay a Medicaid claim relating to the same services within 6 months after the agency or the provider receives notice of the disposition of the Medicare claim.

The Bureau of TennCare pays long-term care and Medicare cross-over providers directly. The Division of Mental Retardation (DMR) within the Department of Finance and Administration pays providers under the HCBS-MR waiver. Children's Services providers are paid directly by Children's Services. After paying their providers, DMR and Children's Services submit their provider claims to the Bureau for reimbursement. Review of support for paid claims revealed that the Bureau accepted claims that were submitted later than 12 months after the date of service. Computer assisted auditing techniques revealed that the Bureau paid $21,617,055.49 for claims past 24 months or past six months for Medicare cross-over claims. Of this amount, $9,240,391.11 was paid

to DMR, $12,267,619.40 was paid to Children's Services, $50,307.87 was paid to long-term care institutions, and $58,737.11 was paid for Medicare cross-over claims.

The Bureau has system edits within the TennCare Management Information System (TCMIS) that appropriately prevent the payment of claims filed 12 months after the service dates for Children's Services, DMR, long-term care claims, and Medicare cross-over provider claims, consistent with federal regulations. However, according to TennCare staff, personnel knowingly override these edits for Children's Services, long-term care, and Medicare cross-over provider claims. In addition, TennCare does not use the system edit necessary to prevent payments of untimely filed claims from DMR.

When claims are not received in a timely manner, the computer edits could be utilized to halt payments to Children's Services, DMR, Medicare cross-over providers, and long-term care providers. By not using edits and overriding edits, TennCare cannot ensure that these claims are denied, and enables the state departments to continue to defy federal regulations with no consequences. When claims are received in a timely manner, late processing of claims by the Bureau could result in use of state funds for payment of the old claims, without federal participation.

Recommendation

The Director of TennCare should ensure that HCBS-MR waiver, Children's Services, and long-term care provider claims are received within 12 months of the date of service, that the claims are paid within 24 months of the date of service, and that Medicare cross-over provider claims are paid within six months after receiving notice of the disposition of the Medicare claim. In addition, the Director should ensure that the system edit within TCMIS for the timely filing of claims is used and not overridden.

Management's Comment

We do not concur. While it is true that some claims were processed outside of the timelines quoted in the finding, we need to review the claims in question in order to determine the reasons for the delay. Processing can appropriately occur outside of the timelines listed for a variety of reasons. We will review our policies surrounding this to ensure they are appropriate.

Rebuttal

As stated in the audit finding, federal regulations require that TennCare require providers to submit all claims no later than 12 months from the date of service. TennCare must pay all claims within 12 months of the date of receipt. Thus, TennCare's paying of claims over 24 months after the dates of service violates this regulation. This regulation also requires that Medicare cross-over claims be paid within 6 months after

receipt of the claim. The audit revealed that TennCare paid $21,617,055.49 for claims that fall into these categories.

Finding Number	00-DFA-30
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Special Tests and Provisions
Questioned Costs	None

The Bureau's overall compliance with the special terms and conditions of the TennCare program needs improvement

Finding

As noted in the prior audit, the TennCare Bureau has not complied with all of the TennCare waiver's Special Terms and Conditions (STCs). There are 37 special terms and conditions for the TennCare Waiver; however, only 24 were applicable for the audit period. These special terms and conditions required by the federal Health Care Financing Administration (HCFA) describe in detail the nature, character, and extent of anticipated federal involvement in the TennCare waiver. HCFA's approval of the waiver and federal matching contributions are contingent upon the Bureau's compliance with the STCs.

A review of the Bureau's controls and procedures to ensure compliance with the STCs revealed that many areas still need improvement. Management concurred with the prior-year audit finding stating that the Bureau was working with HCFA to ensure compliance with the STCs. Although management stated they would work with HCFA to ensure compliance, evidence of this effort was limited. However, the testwork performed revealed instances of noncompliance for nine of the 24 applicable special terms and conditions. Seven of the nine STCs were out of compliance in the prior-year audit. The nine STCs that require improvement are

- STC 1 – All contracts and modifications of existing contracts between the state and managed care organizations must be approved by HCFA prior to the effective date of the contract or modification of an existing contract. No federal financial participation will be available for any contract or modification of an existing contract not approved by HCFA in advance of its effective date. In order to comply with this STC, the Bureau must submit a final contract or modification of an existing contract 30 days prior to the effective date of the contract. The Bureau did not provide proposed contract amendments to HCFA in a timely manner to allow HCFA the full 30 days for review.

- STC 3 – The state will conduct beneficiary surveys each operational year of the demonstration. The state shall conduct a statistically valid sample of all

TennCare enrollees. Results of the survey and an electronic file containing the raw data collected must be provided to HCFA by the ninth month of each operational year. As noted in the last audit, the Bureau still did not include all TennCare enrollees in its sample methodology. The survey was conducted with a Computer Assisted Telephone Interviewing System, utilizing a random-digit dialing based sample that did not include hard-to-reach beneficiaries who were not included in the sample methodology (e.g., homeless beneficiaries). In addition, the survey results and an electronic file containing the raw data collected were not provided to HCFA by the ninth month of the operational year ended September 30, 2000.

- STC 4 – The state must perform periodic reviews, including validation studies, in order to ensure compliance. The state shall have provisions in its contracts with health plans to provide the data and be authorized to impose financial penalties if accurate data are not submitted in a timely fashion. The STC requires validation studies to ensure accuracy. Validation of encounter data should include medical record reviews. In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS noted that this was a material instance of noncompliance and a material weakness. HHS recommended "procedures be implemented . . . to ensure the review of medical records be conducted in a timely manner." According to staff at TennCare, although MCOs and BHOs were penalized for not providing encounter data timely, the MCOs and BHOs still did not provide encounter data in a timely manner. Furthermore, the Bureau did not have any plans to conduct validation studies to include medical record reviews during the audit period.

- STC 5 – The state's plan for using encounter data to pursue health care quality improvement must focus on the following priority areas: childhood immunizations, prenatal care, pediatric asthma, and two clinical conditions based upon the population served. It appears that the Bureau has still not established an exact deadline for the MCOs to submit the encounter data for the studies. Furthermore, annual updates have not been provided for the childhood immunizations and pediatric asthma studies. The continuation of these studies is required by the STC.

- STC 9 – The state must develop internal and external audit plans to monitor the performance of the program. The Bureau has created a written comprehensive internal plan for monitoring the performance of the TennCare program and submitted the internal monitoring plan to HCFA for approval on December 3, 1999. Although the Bureau has some reasonable external monitoring procedures in place, management has chosen not to implement the internal monitoring plan to evaluate the performance of the TennCare program because HCFA has not given feedback to the Bureau.

- STC 12 – HCFA will provide federal funding to the Bureau for actual expenditures for providing services to a TennCare enrollee residing in an Institution for Mental Diseases (IMD) for the first 30 days of an inpatient episode, subject to an aggregate annual limit of 60 days. Testwork revealed that the Bureau's method of determining expenditures for a TennCare enrollee residing at an IMD is based upon estimated expenditures rather than actual. Therefore, the Bureau of TennCare may be under- or overbilling actual expenditures for providing services to a TennCare enrollee residing in an IMD.

- STC 23 – The state must continue to ensure that an adequate management information system is in place. The TennCare Management Information System still needs improvement. See finding 00-DFA-02.

- STC 24 – The state must continue to assure that its eligibility determinations are accurate. The Bureau's internal control over eligibility determinations is still inadequate. See finding 00-DFA-03.

- STC 35 – The state must provide a detailed explanation of the grievance procedures currently in place at the state level and at each MCO, as well as planned modifications to those procedures, including a timetable for any changes. The Bureau still had only a draft version of the grievance procedures in place during the audit period.

Without adequate controls to ensure overall compliance with the Special Terms and Conditions, TennCare may lose federal participation in the program.

Recommendation

The Director of TennCare should ensure compliance with all Special Terms and Conditions. The Director should consider holding regular meetings with personnel responsible for monitoring the STCs to ensure the Bureau complies with the Special Terms and Conditions.

Management's Comment

We concur in part. The Bureau is currently in compliance with STC #1. With respect to STC #3, we respectfully disagree with the auditors' position that the annual beneficiary survey should be redesigned. This survey has been done every year since 1993 and provides valuable longitudinal data for comparison from year to year. It is a telephone survey, but it is weighted for people at lower incomes to insure that people at all income levels—including those who do not have telephone—are represented. Both

the survey results and an electronic file containing the raw data were provided to HCFA on schedule, by the end of September 2000.

STC #23 will be addressed as part of the overall review of the TCMIS. Work is ongoing on STC #24. The grievance procedures required by STC #35 are now incorporated in state rules, although they may have been in draft form at the time of the audit because the State was responding to a lawsuit regarding updating the appeals procedures.

We concur with STC #12. We have requested updated information from Mental Health and Mental Retardation.

Auditor's Comment

Management fully concurred with this audit finding last year. Regarding STC #3 it was HCFA, the federal grantor, not State Audit, that originally voiced the concern regarding the telephone survey not including hard to reach beneficiaries. It would seem to be very difficult to adequately weight a telephone survey to represent individuals who do not have telephones.

Management's comments regarding the survey results and an electronic file containing the raw data pertained to dates outside the scope of this audit. For the current audit period, TennCare did not submit the survey results that were due on September 30, 1999, until October 15, 1999.

Management did not address STCs 4, 5, and 9 in their comments.

Finding Number	00-DFA-31
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Material Weakness, Special Tests and Provisions
Questioned Costs	$12,510.11

Internal control over provider eligibility and enrollment was not adequate to ensure compliance with Medicaid provider regulations

Finding

As noted in the prior audit, the TennCare program did not have adequate internal controls for provider eligibility and enrollment to ensure compliance with Medicaid provider regulations. TennCare had the following internal control weakness and noncompliance issues:

- the licensure status of out-of-state Medicare cross-over providers was not verified at enrollment;
- the licensure status of Medicare cross-over, managed care organization (MCO), and behavioral health organization (BHO) providers was not reverified after the providers were enrolled;
- the Division of Mental Retardation Services (DMR) did not reverify the licensure of individual and Home Health Care Agency providers;
- TennCare's contract with the Department of Children's Services (Children's Services) did not require this department to comply with Medicaid provider rules and regulations, and as a result, Children's Services did not comply;
- TennCare did not provide DMR with the Medicaid provider rules and regulations that they should follow, and as a result, DMR did not comply;
- TennCare did not monitor the enrollment of Medicaid providers at Children's Services and DMR;
- provider agreements did not comply with all applicable federal requirements;
- departmental rules were not followed;
- not all providers had a provider agreement, as required; and

- documentation that the providers met the prescribed health and safety standards was not maintained for all long-term care facilities.

Compliance with applicable rules and regulations, as well as a system of internal control to ensure compliance, is necessary to ensure that the providers participating in the TennCare program are qualified and that they meet all eligibility requirements.

Responsibility for TennCare provider eligibility and enrollment is divided among the Provider Enrollment Unit in the Division of Provider Services, Bureau of TennCare; the Division of Resource Management in Children's Services; and the East, Middle, and West Tennessee regional offices in DMR. The Provider Enrollment Unit is responsible for enrolling MCO and BHO providers; Medicare cross-over individual and group providers (providers whose claims are partially paid by both Medicare and Medicaid/TennCare); and long-term care facilities, which include skilled nursing facilities and intermediate care facilities.

Children's Services is responsible for the eligibility of the providers it pays to provide Medicaid-covered services to eligible children. DMR is responsible for the eligibility of the providers it pays to provide services under the Home and Community Based Services Waiver for the Mentally Retarded (HCBS-MR waiver) program. (DMR is responsible for the daily operations of this Medicaid program.) TennCare reimburses Children's Services and DMR for payments to these providers.

Provider Licensure Not Verified

The TennCare Provider Enrollment Unit did not require out-of-state Medicare cross-over providers to submit a copy of their license when enrolling. Without obtaining a copy of the providers' license, the Provider Enrollment Unit cannot ensure that only licensed providers are enrolled. The *Rules for the Tennessee Department of Health*, Section 1200-13-1-.05, "Providers," states that participation in the TennCare/Medicaid program is limited to providers that "Maintain Tennessee, or the State in which they practice, medical licenses and/or certifications as required by their practice."

Provider Licensure Not Reverified

The TennCare Provider Enrollment Unit and DMR enroll providers licensed by the Division of Health Related Boards in the Department of Health. Although the Division of Health Related Boards does not notify the Provider Enrollment Unit and DMR when a provider's license is suspended or terminated, the Division of Health Related Boards has two systems, one on the Internet and an automated telephone system, so that the current status of a provider's license can be verified. During the year ended June 30, 2000, neither the Provider Enrollment Unit nor DMR used either system to reverify licensure.

The TennCare Provider Enrollment Unit, DMR, and Children's Services also enroll providers licensed or certified by the Board for Licensing Health Care Facilities

(Health Care Facilities) in the Department of Health. Health Care Facilities notified the Provider Enrollment Unit when a provider's certification was suspended or terminated; however, Health Care Facilities did not notify Children's Services or DMR when a provider's license was suspended or terminated. Although these departments were not notified, Children's Services took the initiative to reverify licensure, but DMR did not.

Because of the lack of reverification of providers, the Provider Enrollment Unit and DMR cannot ensure that only licensed providers are enrolled in the TennCare program as required by the *Rules of the Tennessee Department of Health*, Section 1200-13-1-.05.

Children's Services and DMR Did Not Always Comply With Medicaid Provider Rules and Regulations

The contract between TennCare and Children's Services does not state, as it should, that Children's Services is required to follow Medicaid federal and state provider rules and regulations. Also, TennCare did not provide DMR with the Medicaid federal and state provider rules and regulations that DMR should follow. The contract between TennCare and DMR requires TennCare "To provide TDMH/MR (DMR) with complete and current information which relates to pertinent statutes, regulations, policies, procedures and guidelines affecting the operation of this contract." In addition, TennCare did not monitor the enrollment of Medicaid providers at Children's Services and DMR. The Financial Systems Consulting Group within F&A performed fiscal monitoring procedures at Children's Services during the year ended June 30, 2000, for the Bureau of TennCare. At that time, F&A verified that providers had a current license. However, TennCare did not require F&A to monitor Children's Services' provider enrollment procedures.

As a result, Children's Services and DMR did not always comply with Medicaid provider rules and regulations. For example, as discussed in the next two sections of the finding, Children's Services and DMR did not comply with criteria (3) of the *Code of Federal Regulations* (CFR), Title 42, Part 431, Section 107, "Required Provider Agreement," and criteria 4 and 6 of the *Rules of the Tennessee Department of Health*, 1200-13-1-.05, "Providers."

Provider Agreements Not Adequate

Children's Services and DMR's provider agreements did not comply with federal requirements. In addition, TennCare's provider agreements did not comply with federal requirements, except for its agreements with long-term care facilities. Section 4.13(a) of the Tennessee Medicaid State Plan says, "With respect to agreements between the Medicaid agency and each provider furnishing services under the plan, for all providers, the requirements of 42 CFR 431.107. . . are met." *Code of Federal Regulations*, Title 42, Part 431, Section 107 (b)(1)(2)(3) states,

> A State plan must provide for an agreement between the Medicaid agency and each provider or organization furnishing services under the plan in which the provider or organization agrees to: (1) Keep any records necessary to disclose the extent of services the provider furnishes to recipients; (2) On request, furnish to the Medicaid agency, the Secretary, or the State Medicaid fraud control unit . . . any information maintained under paragraph (b)(1) of this section and any information regarding payments claimed by the provider for furnishing services under the plan; (3) Comply with the disclosure requirements specified in part 455, subpart B of this chapter.

Children's Services and DMR provider agreements did not meet the criteria in (3) which refers to 42 CFR 455, subpart B, "Disclosure of Information by Providers and Fiscal Agents," and requires providers to disclose ownership and control information and information on a provider's owners and other persons convicted of criminal offenses against Medicare or Medicaid. TennCare's agreement for individual cross-over, MCO, and BHO providers did not meet the criteria in (1), (2), and (3). The agreement for group cross-over providers did not meet the criteria in (1) and (2).

The Medicare program, which is administered by the federal government, enrolls cross-over providers before the Provider Enrollment Unit enrolls them in Medicaid/TennCare. According to the manager of the Provider Enrollment Unit, Medicare providers must also meet the requirements of 42 CFR 431.107, and Medicaid/TennCare has relied on Medicare's enrollment procedures since the beginning of the Medicaid program. Auditors requested that management provide documentation from the grantor that would indicate it was permissible for TennCare to rely on Medicare in this area; however, no documentation was provided. In addition, the auditors did not find any references in the CFR or Tennessee Medicaid State Plan that indicated that reliance on Medicare is permitted.

Departmental Rules Not Followed

The TennCare Provider Enrollment Unit, Children's Services, and DMR did not limit participation to providers that complied with the *Rules of the Tennessee Department of Health*, Section 1200-13-1-.05 (1)(a), "Providers." This rule states,

> Participation in the Medicaid program will be limited to providers who:
> 1. Accept, as payment in full, the amounts paid by Medicaid or paid in lieu of Medicaid by a third party . . . ; 2. Maintain Tennessee, or the State in which they practice, medical licenses and/or certifications as required by their practice; 3. Are not under a federal Drug Enforcement Agency (DEA) restriction of their prescribing and/or dispensing certification for scheduled drugs…; 4. Agree to maintain and provide access to Medicaid and/or its agency all recipient medical records for five (5) years from the date of service or upon written authorization from Medicaid following an audit, whichever is shorter; 5. Provide medical assistance at or above

recognized standards of practice; and 6. Comply with all contractual terms and Medicaid policies as outlined in federal and state rules and regulations and Medicaid provider manuals and bulletins.

The TennCare Provider Enrollment Unit did not require Medicare cross-over, MCO, and BHO providers to comply with the criteria in 1, 3, 4, 5, and 6. In addition, Children's Services and DMR did not require providers to comply with the criteria in 4 and 6.

Not All Providers Had an Agreement, and TennCare Did Not Have Documentation That All Providers Met Prescribed Health and Safety Standards

Samples of payments to skilled nursing facilities and to intermediate care facilities were tested to determine if TennCare had documentation that the provider met the prescribed health and safety standards and that a provider agreement was on file for the dates of services for which each payment was made. Skilled nursing facilities and intermediate care facilities are long-term care providers. Each time the Board for Licensing Health Care Facilities recertifies a long-term care provider, it sends TennCare a Certification and Transmittal Form (C&T), and TennCare issues a new provider agreement to the long-term care provider for the certification period. The Office of Management and Budget A-133 Compliance Supplement requires long-term care providers to meet the prescribed health and safety standards. The C&T form is TennCare's documentation that the provider has met the prescribed health and safety standards. As mentioned above, the State Plan and 42 CFR 431.107 require that providers have a provider agreement. TennCare paid approximately $945 million to long-term care facilities for the year ended June 30, 2000.

Of the 61 payments to skilled nursing facilities tested, totaling $194,662.82, testwork revealed that for seven payments (11%), TennCare did not have a provider agreement with the provider for the dates of service tested. Also, for three of the 61 tested (5%), TennCare did not have a C&T form. The original dollar error amount totaled $20,870.76. However, after testwork was performed, five of seven provider agreements were negotiated with providers, and two of three C&T forms were obtained from the Board for Licensing Health Care Facilities to correct the errors. The total amount of uncorrected errors noted above was $7,154.34. Federal questioned costs totaled $4,514.21. An additional $2,640.13 of state matching funds was related to the federal questioned costs. We believe likely questioned costs would exceed $10,000.

Of the 26 payments to intermediate care facilities tested totaling $70,884.54, testwork revealed that for four payments (15%), TennCare did not have a provider agreement. Also, for three of 25 payments (12%), TennCare did not have the C&T form for the dates of service tested. The original dollar error amount totaled $19,015.75. However, after testwork was performed, three of four provider agreements were negotiated with providers, and three of three C&T forms were obtained from the Board for Licensing Health Care Facilities to correct the errors. The total amount of uncorrected errors noted above was $12,672.29. Federal questioned costs totaled

$7,995.90. An additional $4,676.39 of state matching funds was related to the federal questioned costs. We believe likely questioned costs would exceed $10,000.

In addition, of the six long-term care providers that did not have a provider agreement on file for the dates of service tested in the prior-year audit, testwork revealed that for two the of six (33%), TennCare was unable to locate the provider agreements that covered the fiscal year ended June 30, 2000.

Recommendation

The Director of TennCare should ensure that adequate internal control exists for determining and maintaining provider eligibility. Management and staff should comply with all Medicaid federal and state provider rules and regulations. Participation should be limited to providers that meet the requirements of the departmental rules. Out-of-state Medicare cross-over providers should submit a copy of their license when enrolling. The Director should ensure that procedures are implemented to reverify licensure and to prevent future payments to non-licensed providers.

Children's Services and DMR should comply with all Medicaid federal and state provider rules and regulations. The Director of TennCare should ensure that these departments are informed of their responsibilities for compliance, and these requirements are added to the contract with Children's Services. The Director should ensure that a knowledgeable staff monitors the enrollment of Medicaid providers at Children's Services and DMR.

In addition, all Medicaid/TennCare providers should have a provider agreement and otherwise be properly enrolled before they are allowed to participate in the program. Management should ensure that documentation is maintained showing that the long-term care providers have met the prescribed health and safety standards. The provider agreements should be revised to comply with the State Plan and the *Code of Federal Regulations.* Management should also consider obtaining permission from the grantor to change the State Plan to allow reliance on Medicare for cross-over provider agreements.

Management's Comment

We concur. Effective immediately all out-of-state providers submitting applications to enroll in the TennCare/Medicaid program must submit a copy of their current license and/or license renewal. The licensure status of out-of-state Medicaid crossover providers cannot be verified by our TDH Licensure Verification system. Therefore, we will use the internet web-site for those out-of-state providers to verify license status. We will also maintain a phone list of states to contact for verification when update information is unavailable on the web-site. All documentation and verification information will be filed in the provider's permanent file.

The Provider Enrollment unit is currently working on procedures to implement a license reverification process. This process will ensure providers participating in the Medicaid program maintain a valid license. In addition, we are working with the TDH, to obtain monthly reports of providers due to renew their license. This report will be used to verify all provider licenses requiring renewal. The new license renewal information will be updated on the mainframe provider file. This change may require changes to the mainframe provider file.

Providers participating in the Medicaid program were previously notified of the Medicaid participation requirement through the Provider manual. These manuals were routinely sent to all providers upon enrollment under the old Medicaid program. Providers are now mailed provider manuals by request only. We will begin working with Bureau staff to develop a provider participation agreement form to mail with all enrollment applications requiring the provider's signature.

The Enrollment unit uses the internet service to verify the status of provider's licenses. Providers are required to submit a copy of their license and/or renewal with the initial application. This information is maintained in the provider's permanent file.

The audit finding reflected cases of SNF and ICF provider files missing the required provider agreement forms and/or documentation. To ensure all intermediate care and skilled nursing facilities provider files contain the required documents; effective immediately the reviewer must complete an enrollment checklist. The reviewer must verify that all required documents are present and correct. In addition, we are working with the TDH to obtain monthly reports of all nursing home facilities needing recertification. The Enrollment Unit will also create an Excel database to track all nursing facilities recertification due dates.

With respect to DMRS, we concur. DMRS will revise policies and procedures to verify at least annually that all Home Health Agencies and providers licensed by Department of Health continue to have a valid license.

Many of the providers who provide services to enrollees in the MR waiver are not traditional Medicaid or Medicare providers. The Division of Long Term Care will work with the Provider Enrollment Division and DMRS to establish procedures for TennCare enrollment and maintenance of provider agreements with non-Medicare providers. Other states will be contacted to determine best practices for enrollment of providers who participate in the waiver who do not otherwise provide Medicaid/Medicare services.

DMRS and the TennCare Division of Long Term Care have established a schedule of twice monthly meetings to discuss operational issues for the MR waiver programs. Provider rules and regulations will be addressed in these meetings. Necessary revisions to the TennCare/DMRS contract and DMRS provider agreements will be discussed and made. Monitoring of DMRS' enrollment procedures will be included in the TennCare Waiver State Assessment process.

Time frame for completion: Revision of policies for reverification of licensure will be completed within 2 months. Enrollment of providers and possible revisions of all provider agreements is expected to take 1 to 2 years with direct payment of providers taking at least 3 years. TennCare/DMRS contract revisions will be completed within 6 months.

With respect to DCS, we concur in part. The agency itself is the Medicaid provider, rather than its individual contractors. DCS contracts with residential providers for a comprehensive array of services to children in its custody. These services include room and board, social services, educational services, and other kinds of services other than medical care. These agencies are licensed and monitored by DCS, and they are paid a single daily rate that includes the treatment and the non-treatment portions of their services. The treatment portion is calculated according to a cost allocation plan approved by HCFA and is billed to TennCare by DCS. Treatment services must be delivered according to requirements outlined in the Medicaid/Title V Agreement.

TennCare completed, as mentioned in the prior audit finding, a written provider eligibility and enrollment policies and procedures manual.

Auditor's Comment

We do not believe the Department of Children's Services is a provider. As stated in management's response Children's Services contracts with various residential providers to perform various services for children in state custody. Management has concurred with issues concerning DMR even though DMR also contracts with providers and pays for services in a similar manner as Children's Services.

We asked management for any documentation that would exempt providers of Medicaid services enrolled by Children’s Services from being considered Medicaid providers. No such documentation was provided. We believe the entities providing the direct services for treatment are Medicaid providers and should be enrolled as providers under Medicaid regulations. Since Medicaid/TennCare funds are used to reimburse Children’s Services for Medicaid-covered services provided to Medicaid-eligible recipients, Children’s Services' providers should be subject to the Medicaid provider requirements as are the providers enrolled by TennCare’s provider enrollment unit. Also, because of the decentralized nature of provider enrollment, it is important for TennCare to adequately monitor Medicaid provider eligibility and enrollment procedures at Children’s Services.

Finding Number	00-DFA-32
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Special Tests and Provisions
Questioned Costs	None

TennCare did not comply with federal regulations and the Tennessee Medicaid State Plan concerning unnecessary utilization of care and services and suspected fraud

Finding

As noted in the previous audit, the Bureau of TennCare has not complied with federal regulations and the Tennessee Medicaid State Plan concerning unnecessary utilization of care and services and suspected fraud for areas of the program that are still under the fee-for-service arrangement. Management concurred with the finding and stated that,

> TennCare will review current procedures for compliance with federal regulations and the Tennessee Medicaid State Plan relative to unnecessary utilization of care and services and suspected fraud. As determined necessary, amendments to the Tennessee Medicaid State Plan will be submitted to HCFA for approval to address changes in procedures that have occurred to the Medicaid/TennCare Program.
>
> However, the State Plan was not amended.

In a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Tennessee Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> This is a material instance of noncompliance. We recommend procedures be implemented to ensure a surveillance and utilization control program be implemented.

In 1994, the state received a waiver from the Health Care Financing Administration to implement a managed care demonstration project. However, the services provided in the long-term care facilities, services provided to children in the state's custody, and services provided under the Medicaid Home and Community Based

Waiver for the Mentally Retarded and Developmentally Disabled are still processed on a fee-for-service basis. Discussions with key TennCare management revealed that

- TennCare has no "methods or procedures to safeguard against unnecessary utilization of care and services," except for long-term care institutions;

- for all types of services, including long-term care, there are no procedures for the "ongoing post-payment review . . . of the need for and the quality and timeliness of Medicaid services"; and

- there are no methods or procedures to identify suspected fraud related to "children's therapeutic intervention" claims and claims for the Home and Community Based Services waiver for the mentally retarded.

According to the Office of Management and Budget "A-133 Compliance Supplement," which references the *Code of Federal Regulations,* Title 42, parts 455, 456, and 1002,

> The State Plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have: (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and, (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials….
>
> The State Medicaid agency must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services. The agency must have procedures for the ongoing post-payment review, on a sample basis, of the need for and the quality and timeliness of Medicaid services.

In addition, the TennCare Bureau has told the federal grantor in the Tennessee Medicaid State Plan that

> A Statewide program of surveillance and utilization control has been implemented that safeguards against unnecessary or inappropriate use of Medicaid services available under this plan and against excess payments, and that assesses the quality of services.

However, audit testwork revealed there is no statewide program of surveillance and utilization control.

Management stated that the program-wide surveillance and utilization control program was eliminated when the state began the managed care program under the TennCare waiver. Auditors requested that management provide documentation from the grantor that would indicate that the federal regulations concerning utilization control and

fraud were not applicable to the fee-for-service based areas of the TennCare program. However, no documentation was provided. Although much of the TennCare program operates differently than the former Medicaid fee-for-service program, for areas that still operate under the Medicaid fee-for-service program, effort is needed in the form of program-wide surveillance and utilization control and identification of suspected fraud, to help ensure that state and federal funds are used only for valid medical assistance payments.

Recommendation

The Director of TennCare should either take the appropriate steps to ensure compliance with the federal regulations and State Plan provisions concerning utilization control and identification of fraud for the areas of the program that are still fee-for-service based or obtain documentation from the grantor that compliance is not required and amend the State Plan.

Management's Comment

We concur. A number of the procedures that have been developed to date are discussed in other sections of this audit, under findings having to do with the relationship of TennCare to DCS and to the Division of Mental Retardation Services. Nevertheless, the TennCare Bureau will develop and implement within the next twelve months a comprehensive plan to address surveillance and utilization control and identification of suspected fraud in those areas of the program that still operate on a fee-for-service basis.

Finding Number	00-DFA-33
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Special Tests and Provisions
Questioned Costs	None

TennCare did not comply with audit requirements for long-term care facilities

Finding

As noted in the previous audit, the Bureau of TennCare did not ensure that audits of long-term care facilities were performed as required by the Tennessee Medicaid State Plan and the departmental Rules for Medicaid. Management concurred with the finding and stated, "TennCare will submit a state plan amendment to delete the requirement for independent CPA audits of nursing home cost reports and require audits as determined reasonable and necessary. The Comptroller will continue to perform desk reviews and field audits as determined reasonable and necessary." Management did submit a State Plan amendment, with a proposed effective date of April 1, 2000, to the Health Care Financing Administration (HCFA) on June 29, 2000, to delete the requirement for independent CPA audits of nursing home cost reports and require audits as determined reasonable and necessary. However, HCFA has not approved the amendment as of September 29, 2000.

According to the existing State Plan, "Each cost report [of the long-term care facilities] submitted in accordance with the Plan shall be audited by a Certified Public Accountant or a licensed Public Accountant, engaged by the provider, and shall include the auditor's report." Until April 5, 2000, the departmental *Rules for Medicaid* (Rule 1200-13-6-09, item 32) stated, "It is the responsibility of the management of the facility to engage an independent certified public accountant or public accountant to audit the facility. . . . The audit must be completed in accordance with the agreed upon procedures explained in the auditor's report which is a part of the cost report." The Bureau of TennCare has not required these audits for several years.

The Bureau amended the departmental *Rules for Medicaid* (Rule 1200-13-6-09, item 32), effective April 5, 2000, deleting the requirement for independent CPA audits of nursing home cost reports.

Audits of long-term care facilities are required by the *Code of Federal Regulations*, Title 42, Part 447, Section 253(g), which states, "The Medicaid Agency must provide for periodic audits of the financial and statistical records of participating providers." The March 2000 Office of Management and Budget *Compliance Supplement*

references this citation and states, "The specific audit requirements will be established by the State Plan. . . . Such audits could include desk audits of cost reports in addition to field audits. These audits are an important control for the State Medicaid agency in ensuring that established payment rates are proper."

According to the State Plan,

> on-site audits of the financial and statistical records will be performed each year in at least 15% of the participating facilities. At least 5% of these shall be selected on a random sample basis and the remainder shall be selected on the basis of the desk review or other exception criteria. The audit program shall meet generally accepted auditing standards. This program shall provide procedures to certify the accuracy of the financial and statistical data on the cost report and to insure that only those expense items that this Plan has specified as allowable costs have been included by the provider.

The Bureau of TennCare contracts with the Medicaid/TennCare Section of the Comptroller's Office for the provision of these auditing services and establishment of reimbursable cost rate(s) for the Tennessee Medicaid Title XIX and TennCare Waiver Programs. The Medicaid/TennCare Section of the Comptroller's Office performs desk reviews of all long-term care facility cost reports. However, 15% of the long-term care facilities do not receive field audits as indicated in the State Plan. Only four audit reports, for the field audits of three intermediate care facilities for the mentally retarded (ICF/MR) and one intermediate care facility (ICF), were released in the year ended June 30, 2000.

There are 322 long-term care facilities (including intermediate care facilities for the mentally retarded) in Tennessee that receive Medicaid funds. During the year ended June 30, 2000, TennCare paid approximately $946 million to these facilities for long-term care services. The cost reports are used to set the rates that the facilities are paid. If the cost information is not verified through the required audit process, errors, fraud, illegal acts, and other noncompliance may not be detected. Potentially a facility could record inaccurate information on its cost report in order to receive a higher rate. The result of inaccurate cost reports of the intermediate care facilities could be added cost for the TennCare program.

Recommendation

The Director of TennCare should take the appropriate steps to ensure compliance with the provisions of the State Plan concerning audits of long-term care facilities. Otherwise, the Director should obtain approval from HCFA for the amendment to the State Plan that deletes these requirements.

Management's Comment

Bureau of TennCare

We concur. The state plan amendment submitted was approved in July 2000. Under Medicaid regulations regarding approval of state plan amendments, a plan is "deemed approved" if no response is received after ninety days of submission. The ninety days expired in July 2000.

Medicaid/TennCare Section

We concur. The TennCare Bureau has filed the requisite state plan amendments and the expectation is that the Health Care Financing Administration will approve the amendments. It should be noted that each nursing facility and mental retardation center cost report is subject to a thorough desk review before rates are set.

Finding Number	00-DFA-34
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition, Special Tests and Provisions
Questioned Costs	None

TennCare has not established a coordinated program for ADP risk analysis and system security review

Finding

As noted in the prior three audits, TennCare does not have a coordinated program for ADP (automated data processing) risk analysis and system security review of the TennCare Management Information System (TCMIS). Management concurred with the prior-year finding and stated that the HCFA Regional Office Staff Analyst confirmed that TennCare's procedures are a coordinated program for ADP analysis. However, auditors requested that documentation be provided to support this claim. No such documentation was provided. Furthermore, TennCare's procedures do not comply with the requirements specified for such programs by federal regulations. For example, the review is to be followed by a "written summary of the State's findings and determination of compliance with these ADP security requirements." These reports are to be produced by TennCare along with supporting documentation to be available for federal onsite reviews. However, TennCare has not filed such a summary. In addition, in a letter of correspondence from the U.S. Department of Health and Human Services (HHS) to the Commissioner of the Department of Finance and Administration regarding the Single Audit of the State of Tennessee for the period July 1, 1998, through June 30, 1999, HHS stated:

> This is a material instance of noncompliance and a repeat finding. We recommend that procedures be strengthened to ensure an ADP risk analysis and system security review is performed periodically and appropriate action is taken in a timely manner.

The Bureau has relied on the Department of Finance and Administration's Office for Information Resources (OIR) for security of TCMIS. However, the Bureau has not complied with federal regulations which require establishing a program for ADP risk analysis and system security review.

According to Office of Management and Budget (OMB) Circular A-133 and the *Code of Federal Regulations*, Title 45, Subtitle A, Part 95, Section 621, such an analysis and a review must be performed on all projects under development and on all state

operating systems involved in the administration of the Department of Health and Human Services' programs. TCMIS is such an operating system and is one of the largest in the state.

The risk analysis is to ensure that appropriate, cost-effective safeguards are incorporated into the new or existing system and is to be performed "whenever significant system changes occur." The system security review is to be performed biennially and include, at a minimum, "an evaluation of physical and data security operating procedures, and personnel practices."

If TennCare is to rely on TCMIS for the proper payment of benefits, a security plan, which includes risk analysis and system security review, must be performed for this extensive and complex computer system. OMB Circular A-133 requires the plan to include policies and procedures to address the following:

- Physical security of ADP resources;
- Equipment security to protect equipment from theft and unauthorized use;
- Software and data security;
- Telecommunications security;
- Personnel security;
- Contingency plans to meet critical processing needs in the event of short- or long-term interruption of service;
- Emergency preparedness; and
- Designation of an agency ADP security manager.

Recommendation

The Director of TennCare should ensure that the Director of Information Services promptly develops and implements procedures for ADP risk analysis and system security review. The Director of TennCare should look to staff to take the initiative in analyzing and reviewing these important areas with or without guidance from HCFA. Otherwise, the Director of TennCare should obtain documentation of concurrence by HCFA of TennCare's actions as a valid ADP risk analysis and system security review. Once procedures are in place, the Director of TennCare should monitor the procedures implemented and ensure that the appropriate actions have been taken.

Management's Comment

We do not concur with the findings of this audit.

1. As provided in previous audit findings, TennCare received verbal approval from the HCFA regional office for TennCare to implement their BCCP (Business Continuity and Contingency Plan) for all system infrastructures.

2. HCFA has documented that the TennCare BCCP fulfills all federal requirements associated with infrastructure risk mitigation.

3. The TennCare BCCP is periodically reviewed and updated as per procedures detailed in the document.

4. TennCare updates the BCCP any time events occur which would dictate the necessity for such action.

5. Procedures for mitigating the ADP risks which could be anticipated at TennCare are detailed in the TennCare BCCP.

6. Procedures for returning to normal operations after emergency operations are detailed within the TennCare BCCP.

7. System recovery procedures are included as a component of the TennCare BCCP.

8. The TennCare BCCP includes events which will cause the associated section(s) of the document to be activated as well as conditions which must occur in order to define the associated emergency as concluded.

9. A personnel hierarchy, chain of command, and detailed contact information for vital personnel is detailed within the TennCare BCCP.

Rebuttal

This is the fourth consecutive year that TennCare has not complied with the requirements for ADP risk analysis and system security review. Management has concurred with the audit finding in each of the previous three audits.

Although HCFA may have given verbal approval to implement the BCCP, it is not clear that they confirmed that TennCare's procedures qualify as an ADP risk analysis and system security review. TennCare has not provided documentation to support the claim that "HCFA has documented that the TennCare BCCP fulfills all federal requirements associated with infrastructure risk mitigation".

The federal government has also recognized TennCare's non-compliance with this requirement through their response to the 1999 Single Audit Report. Compliance with

this requirement is also dependent upon submission of a summary report. TennCare has never filed such a report.

TennCare management has also acknowledged not fully complying with this federal regulation in the filing of the "State of Tennessee Summary Schedule of Prior Audit Findings for years 1999 and prior" required by the *Office of Management and Budget Circular A-133*. In this report they reported the status as of June 30, 2000, of the finding as "partially" corrected.

Finding Number	00-DFA-35
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-9905TN5028; 05-0005TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare did not follow its own rules and has not revised its rules

Finding

As noted in the prior four audits, the Bureau of TennCare has not followed several of the departmental rules it has created. Among the reasons cited for bypassing the rules were that some rules were out-of-date and no longer addressed the situation and that adherence to some of the rules was not feasible. Management concurred with each of the prior four findings and stated in the 1998 response that during 1997 the Bureau and the Office of General Counsel began an extensive review to identify rules that needed to be revised to reflect current policy. Management stated that, as determined appropriate, the rules or procedures would be modified accordingly. However, once again the rules have not been modified. Also, management stated that monitoring efforts would be established to ensure that departmental rules are consistent with operating procedures. However, such monitoring efforts were not performed.

Tennessee Code Annotated prescribes the method for adopting departmental rules. Except for emergency or public-necessity rules, an agency must publish its proposed rule in the Secretary of State's monthly administrative register and include the time and place of a hearing on the rule. The legality of all proposed rules, including emergency and public-necessity rules, must be approved by the Attorney General and Reporter. Emergency and public-necessity rules are effective upon filing with the Secretary of State, and other rules are effective 75 days after filing.

Testwork revealed the following discrepancies:

- The Bureau is paying some providers more than is allowed by departmental rules. The method used to calculate outpatient hospitalization payments to providers caring for enrollees who are both TennCare and Medicare recipients sometimes results in payments that exceed limits.

- The Bureau has not revised its rules to include changes in the method it uses to determine payments to the state's medical schools for graduate medical education.

- The rules pertaining to the Home and Community Based Services waiver program have not been revised to reflect the changes in the program. For example, TennCare no longer pays provider claims based on a per diem rate.

Generally, rules are used to state a department's position on important matters, provide standard definitions of technical words and phrases, and define regulations and policies that affect parties outside state government. Departmental rules are to be developed in an open forum, using due process, so that the interests of all parties can be considered.

Recommendation

TennCare management and staff should comply with the Bureau's rules, and the Director of TennCare should determine why the actions previously promised by management of TennCare have not been taken. He should take appropriate measures, including a system for monitoring relevant program changes, to ensure that the rules are revised as needed.

Management's Comment

We concur.

- Policy staff attended November 20, 2000 meeting in which a rule change was agreed upon. Rule 1200-13-1-.05(3)(c) has been modified to assure that the systems activities correspond with the rules. The rule will state:

  > "(c) the total amount paid by a combination of Medicaid as deductible and co-insurance shall not exceed the limit of the Medicaid fee schedule for the covered services in question *or, where there is no Medicaid fee schedule for the covered service, reasonable billed charges, and:"*

- The Graduate Medical Education Waiver period ended June 30, 2000. The Bureau has requested an extension of this waiver. The Bureau will draft rules to reflect the program as submitted.

- HCBS Rules are in Office of General Counsel for revisions to include Grier/appeals language, however, a letter has been drafted to withdraw the SPA. HCBS Rules have been revised to reflect changes in the HCBS Waiver programs. Proposed rules went through rulemaking hearing and were sent to the Attorney General's Office on December 11, 1998. The rules were returned to the Office of General Counsel for review to amend language to comply with the Grier Consent Decree Order.

Finding Number	00-TDH-01
CFDA Number	93.959
Program Name	Block Grants for Prevention and Treatment of Substance Abuse
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition, Equipment and Real Property
Questioned Costs	None

The department did not record correct grant-funding information in the state's property records

Finding

As noted in the previous audit, the Department of Health did not record correct grant-funding information in the state's property records. Management concurred with the prior finding and stated that the department's policy of recording correct grant-funding information on the purchase request for all equipment would be reinforced.

However, testwork revealed that the department still does not always record the grant number and percentage of federal funds into POST, the state's property and equipment-tracking system, for some equipment items purchased with federal funds. Five of 22 federally funded equipment items (23%) were incorrectly listed as state funded in POST. Of the five equipment items, three were purchased with federal Special Supplemental Food Program for Women, Infants, and Children (WIC) funds and two were purchased with federal Block Grant for Prevention and Treatment of Substance Abuse (SAPT) funds. Incorrect funding information resulted because requesting employees did not follow the department's policy of recording accurate information on the purchase request and there was not a reconciliation of federally funded equipment purchases from the accounting system to the property records.

The department must be able to distinguish between state and federal property. According to the *Code of Federal Regulations* for WIC at Title 7, Part 3016, Section 32 (d)(1), and for SAPT at Title 45, Part 92, Section 32(d)(1), the property records have to include the "percentage of Federal participation in the cost of the property," regardless of the price. If the equipment is damaged beyond repair, lost, or stolen, the recipient may be accountable to the awarding agency of the federal government for a calculated amount of the federal participation of the original purchase price times the fair market value. If equipment purchased with federal funds is not correctly identified in the property records, the department's ability to transfer equipment, dispose of equipment, or reimburse the federal government in accordance with federal laws and regulations is greatly diminished.

Recommendation

Employees who initiate equipment purchases that are to be funded with federal funds should include correct grant information on the face of the purchase documents. Supervisors should verify that all funding information is complete and correct prior to approving the purchase documents. Also, the Information System Analyst in Fiscal Services should provide a listing of all federally funded equipment purchases based on information from the State of Tennessee Accounting and Reporting System (STARS) to the Property Officer. The Property Officer should then reconcile POST to the listing to ensure that the appropriate grant information is recorded in the property system. This reconciliation should be done at least annually. The Director of the Division of General Services should ensure that this reconciliation is performed.

Management's Comment

We concur and have changed our internal process. The Division of Fiscal Services furnishes the Division of Central Procurement and Payments a quarterly listing of equipment purchases utilizing federal funds. This list gives the correct grant information which is reconciled to POST by the Property Officer. The Property Officer changes any incorrect grant information in POST, and returns the list to the Division of Fiscal Services.

Finding Number	00-TDH-03
CFDA Number	93.959
Program Name	Block Grants for Prevention and Treatment of Substance Abuse Federal Agency
State Agency	Department of Health Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition, Subrecipient Monitoring
Questioned Costs	None

Monitoring of subrecipients' audit reports is not adequate

Finding

As noted in the eight prior audits, the Department of Health does not adequately monitor subrecipients' audit reports. Management concurred with the prior findings and stated the department would more aggressively pursue the receipt of the audit reports within the required time frames, attempt to ensure that all required supporting documentation is provided, put more emphasis on reviewing questioned and disallowed costs, and issue timely management decisions.

Testwork on 29 subrecipients' audit reports received in the audit period that were subject to the Office of Management and Budget Circular A-133 reporting standards revealed the following deficiencies:

- Twenty-six audit reports (90%) were not received within the nine-month deadline. The reports were received 12 to 471 days late, or an average of 200 days late. Thirteen of the audit reports were due on March 31, 2000; 11 audit reports were due on March 31, 1999; and 2 audit reports were due on September 30, 1999.

- One audit report (3%) did not have the required Schedule of Findings and Questioned Costs. Only after the auditors informed the department about the missing schedule did the department obtain the schedule.

- Only one audit report contained findings, and no evidence could be provided that a management decision had been issued regarding the findings. A management decision is the evaluation by the awarding agency of the subrecipient's audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

- No actions were taken against subrecipients for not obtaining timely audits in accordance with OMB Circular A-133.

OMB Circular A-133 states that the audit report should be submitted within nine months after the end of the audit period. It also states that "the auditor's report(s) shall . . . include . . . a schedule of findings and questioned costs." The three required components of the schedule are a summary of auditor's results, findings related to the financial statements, and findings and questioned costs for federal awards.

The circular also states that it is the pass-through entity's (Department of Health's) responsibility to "issue a management decision on audit findings within six months of receipt of the subrecipient's audit report." The circular requires that the management decision "shall clearly state whether or not the audit finding is sustained, the reasons for the decision, . . . any appeal process," and the audit finding reference numbers. The management decision shall also include "the expected auditee action to repay disallowed costs." Furthermore, it states that "in cases of continued inability or unwillingness to have an audit conducted in accordance with this part, . . . pass-through entities shall take appropriate action using sanctions such as . . . withholding a percentage of Federal awards until the audit is completed satisfactorily" or "suspending Federal awards until the audit is conducted."

Recommendation

The department should ensure that subrecipients' required audit reports are received no later than nine months following their fiscal year end, the reports are reviewed for completeness, and the management decisions on audit findings are issued, as required by OMB Circular A-133. The Office of Audit and Investigations should develop a checklist of the required information for this type of audit report. The checklist could also be used to document the review of the audit report. The Commissioner should take appropriate action using such sanctions as withholding a percentage of funding from any subrecipient when the required audit is not conducted or the audit report is not submitted to the department timely.

Management's Comment

We concur. Additional personnel have been devoted to the monitoring of subrecipient audits. The Department has also begun sending written notification to subrecipients for their audits 3 months before the 9-month deadline required by OMB A-133. We will develop a checklist of required information for audits of subrecipients and will obtain the Schedule of Findings and Questioned Costs when audits lack this schedule. Further, timely management decisions on audit findings will be issued. In addition, consideration will be given to imposing the sanctions suggested by OMB Circular A-133 in cases of continued inability or unwillingness of a subrecipient to have an audit conducted in accordance with the Circular. However, it should be noted, the only instance where subrecipients failed to provide us with their audit was when the subrecipient organization became defunct.

Lastly, the Department is writing a policies and procedures manual for monitoring audits of subrecipients.

Finding Number	00-APS-01
CFDA Number	84.032
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	Austin Peay State University
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Cost	None

Differences between university records and NSLDS have not been resolved

Finding

Loan information recorded on the university's records did not always agree with information reported on the National Student Loan Data System (NSLDS). NLSDS is a national database of recipients; enrollment data; and loan, Federal Pell Grant, and overpayment information on student aid disbursed under Title IV of the Higher Education Act of 1965, as amended. Information in NSLDS is provided by schools, guaranty agencies, and federal Department of Education agencies. The NSLDS reported loans totaling $4,847 awarded by Austin Peay State University for 5 of 44 students tested (11.4%). Although the students were awarded these funds, university records indicated that the students did not receive the funds. The university returned these funds to the lenders, but NSLDS was not updated. University records indicated that an additional 7 of 44 students tested (15.9%) received loans totaling $31,049 that were not reported on NSLDS.

The Student Financial Aid Handbook, Student Eligibility, page 64, states that "a school is responsible for reconciling all information it receives about a student before disbursing aid . . . schools must resolve any conflicts between the NSLDS information and information received from the student."

Because Financial Aid Administrators nationwide rely on NSLDS information to determine a student's status regarding loan limits, incorrect information could result in an overaward or an underaward of financial aid funds.

Recommendation

Financial Aid personnel should ensure that university records for students applying for financial aid are compared with information provided on NSLDS. Any differences should be corrected before aid is disbursed.

Management's Comment

We concur with the finding and recommendation. A step has been added to our certification process to check that the NSLDS information is in agreement with APSU data. Any differences found will be corrected.

Finding Number	00-APS-02
CFDA Number	84.032
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	Austin Peay State University
Grant/Contract No.	N/A
Finding Type	Eligibility
Questioned Costs	$1,276.00

One student was overawarded a subsidized Stafford Loan

Finding

One student was overawarded a subsidized Stafford Loan during the 1999-2000 academic year. According to the *Student Financial Aid (SFA) Handbook*, Direct Loan and FFEL Programs Reference, page 21, "a dependent undergraduate student who has completed the first and second years of study but has not completed the remainder of the program may borrow up to $5,500 per academic year of study for a program that is at least an academic year in length." The *SFA Handbook* further states on page 24 that "once the student has reached the annual loan limit, he or she cannot receive another Stafford Loan until he or she begins another academic year."

The *SFA Handbook* also describes on pages 25 and 26 two types of academic years a school can use in determining the beginning of an academic year: a scheduled academic year and a borrower-based academic year. The university uses the borrower-based academic year.

> A [borrower-based academic year] is not a set period . . . instead the beginning and end dates depend on an individual student's enrollment and progress. . . . The [borrower-based academic year] must meet the minimum statutory requirements for an academic year. . . . The [borrower-based academic year] must contain at least 30 weeks of instructional time and the appropriate number of credit or clock hours (24 semester or trimester hours, 36 quarter hours, or 900 clock hours). The [borrower-based academic year] does not end until the student has completed the number of weeks and the number of hours in the academic year. A student who is attending less-than-full-time will take longer to complete the academic year than a full-time student.

Financial Aid counselors failed to determine the student's progress in the borrower-based academic year, which resulted in an overaward of subsidized Stafford

Loans. This error resulted in questioned costs of $1,276. Likely questioned costs associated with this condition could exceed $10,000.

Recommendation

The Financial Aid counselors should monitor loan amounts to ensure they are within statutory limits. The counselors need to pay particular attention to the borrower-based academic year beginning and ending dates. The Financial Aid director should develop and implement a procedure to track borrower-based academic year beginning and ending dates for each student.

Management's Comment

We concur with the finding and recommendation. This was a case of human error in certifying this student's loan application. Financial Aid counselors have been reminded as a part of the certification process to ensure that loan amounts are within statutory limits and to review academic year beginning and ending dates. The Financial Aid director has developed and implemented a procedure to track borrower based academic year beginning and ending dates for each student. This procedure is included in the Financial Aid office procedures manual.

Finding Number	00-APS-03
CFDA Number	84.032
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	Austin Peay State University
Grant/Contract No.	N/A
Finding Type	Eligibility
Questioned Costs	$11,220.00

An ineligible student was awarded an unsubsidized loan

Finding

An ineligible student was awarded unsubsidized loans during the 1999-2000 and 1998-99 academic years. According to the *Student Financial Aid Handbook*, School-Based Requirements, page 13, "an individual must be enrolled as a regular student . . . someone who is enrolled (or accepted for enrollment) for the purpose of obtaining a degree or certificate offered by the school" in order to receive student financial aid funds.

The student in question was awarded a Bachelor of Science (BS) degree from Austin Peay State University in December 1996. The student is currently enrolled in classes that qualify for a BS degree, but since a BS degree has already been conferred, the student will only receive an endorsement to the existing degree for the classes completed. The Registrar's office misclassified this student as a second-degree seeking student. The Financial Aid office used this incorrect information to determine the student's eligibility and award the loans. This error resulted in questioned costs of $11,220.

Recommendation

The Registrar's office needs to ensure that each student's status is properly classified and communicated to the Financial Aid office.

Management's Comment

We concur with the finding and recommendation. The registrar has developed a program to identify all of the students that apply for admission as second-degree seeking students. They will confirm that the students are actually pursuing a second degree and not an endorsement to an existing degree. This information will be communicated to the Financial Aid office.

Finding Number	00-TSU-01
CFDA Number	84.063
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	Tennessee State University
Grant/Contract No.	P063P991600
Finding Type	Reportable Condition, Reporting
Questioned Costs	None

The university did not report Pell Payment Data to the Department of Education within the required time frame

Finding

Pell Payment Data was not reported to the federal government as required. Pell Payment Data is the term used to refer to the electronic or magnetic payment record used to report to the U.S. Department of Education (ED) the Pell payments to students. The record contains various information about each student, including enrollment status and disbursement information. Chapter 3 of the Pell portion of the *Student Financial Aid Handbook* specifies the reporting deadline as follows:

> A school must submit a disbursement record within 30 days of the date the school becomes aware of a Pell change (for example, a new recipient, or an increased award). Schools may do this by reporting once every 30 calendar days (or more frequently), or may set up their own system to ensure that changes are reported in a timely manner.
>
> If a school doesn't report any data for a period of 30 or more calendar days, the Department will consider that the school had no data to report for that period, and any actions (such as changes in authorization levels) will be based only on the data reported up to that time.

For 30 of 42 students whose Pell Payment Data was tested (71.43%), the university did not report Pell Payment Data to ED within 30 days of disbursement to students. Discussions with university personnel revealed that the university had not sent any Pell Payment Data for the spring and summer 2000 terms. The university's technical support person and financial aid director left during March and May 2000, respectively, and there was no other person with experience that fully understood the Recipient Financial Management Service, which is used to report Pell Payment Data. The Financial Aid Office was unaware that the Pell Payment Data had not been reported until ED contacted the office in October 2000 because the university's authorization level was out of balance with the payments that had been reported.

When the failure to report was brought to the university's attention, the university requested administrative relief from the U.S. Department of Education and was given a deadline of December 29, 2000, to submit the required data in order to receive payment for the Pell grants that had been awarded. Pell Payment Data was submitted for spring and summer 2000. ED has accepted the information for summer 2000, but the university is still working with ED to resolve reconciliation problems with the information for spring 2000. If the problems cannot be resolved by the deadline, the university may be unable to receive full reimbursement for all of the Pell aid that was awarded.

Recommendation

The Financial Aid staff should monitor Pell reporting more closely to ensure that Pell Payment Data is reported within the time frame required. Policies and procedures should be reviewed to ensure that proper reporting requirements have been established.

Management's Comment

We concur with the finding and recommendation. Procedures have been implemented which establish routine, regular reporting of Pell Payment Data. We submit origination records on the first and fifteenth of each month (or the closest weekday). Once the origination records are returned, we submit the disbursement records. We have also hired a full-time Counselor/Technical Support staff member effective February 1, 2001.

Finding Number	00-UTK-01
CFDA Number	84.007, 84.032, 84.038, 84.063
Program Name	Student Financial Aid Cluster
Federal Agency	U.S. Department of Education
State Agency	University of Tennessee
Grant/Contract No.	Various
Finding Type	Special Tests and Provisions
Questioned Costs	$1,526.00

Failure to properly calculate Title IV refunds

Finding

The financial aid office at the University of Tennessee at Knoxville failed to correctly calculate 5 of 40 Title IV financial aid refunds tested (12.5%) according to the refund requirements in the 1999-2000 *Federal Student Financial Aid Handbook*. Chapter 3, page 96, describes a "fair and equitable" refund policy as one that provides for a refund of at least the largest amount under

- applicable state law;
- specific refund requirements established by the school's nationally recognized accrediting agency, as approved by the Department; or
- the pro rata refund calculation defined in the Higher Education Amendments of 1992 if the student is attending the school for the first time, and withdrew on or before the 60% point of the period of enrollment for which the student has been charged.

If none of the three options above applies to a particular student, the school must then calculate a refund according to the Federal Refund Policy found in the regulations. The school must compare the Federal Refund Policy with the refund amount under its own institutional refund policy (if any), and issue the larger of the two refunds.

The university incorrectly calculated these Title IV refunds because of an error in its computerized refund worksheet which was discovered upon recalculation of the refunds by the auditors. The school returned the amount calculated under its institutional refund policy rather than the larger amount calculated by using the Federal Refund Policy. As a result, the school refunded an inadequate amount to the Title IV programs.

Recommendation

The university should ensure it complies with the Title IV refund regulations. The financial aid office should institute a review process to ensure the accuracy of refund worksheets.

Management's Comment

The university concurs with the finding. Current procedures dictate the Office of Financial Aid performs a computerized calculation of the Title IV refund owed by a student upon total withdrawal from classes. The calculations are reviewed by Bursar's Office staff and are then processed by the Bursar's Office to refund Title IV funds to the appropriate accounts as required by federal regulations.

The university is reviewing all refund calculations made during the 1999-2000 academic year to ensure that proper calculations were made and that appropriate levels of funding were refunded to the federal accounts. The review of all files should be completed by December 22, 2000.

New refund calculation software from the U.S. Department of Education has been installed and is being utilized to determine the proper calculation of Title IV refunds effective for fall 2000. Software calculations have been checked and verified for accuracy.

New office staff responsible for calculating refunds have received training regarding the proper procedures for refund calculations.

Finding Number	00-UTS-01
CFDA Number	Various
Program Name	Research and Development Cluster
Federal Agency	Various
State Agency	University of Tennessee
Grant/Contract No.	Various
Finding Type	Subrecipient Monitoring
Questioned Costs	None

Single audit requirements were not communicated to federal subrecipients

Finding

Three of 33 agreements with subrecipients of federal awards tested (9.09%) did not include a clause conveying the single audit requirements under Office of Management and Budget Circular A-133. The contracts were drafted at the Institute of Agriculture, the Knoxville campus, and the Memphis campus. Office of Management and Budget (OMB) Circular A-133, Subpart B, Section 210(a), states that "federal awards expended as a subrecipient . . . would be subject to audit under this part." Subrecipients expending $300,000 or more in federal subawards during the subrecipient's fiscal year should have audits conducted in accordance with OMB Circular A-133.

If the university does not communicate the single audit requirements to each subrecipient, its subrecipients may not be aware of the audit requirements and noncompliance could result.

Recommendation

University management should take steps to ensure that single audit requirements are communicated to each subrecipient of federal awards.

Management's Comment

The university concurs with the finding. The university will instruct all offices that prepare subcontracts to be certain that the single audit requirements are communicated to each subrecipient.

Finding Number	00-UTS-02
CFDA Number	Various
Program Name	Research and Development Cluster
Federal Agency	Various
State Agency	University of Tennessee
Grant/Contract No.	Various
Finding Type	Reportable Condition, Allowable Costs/Cost Principles
Questioned Costs	None

Effort certification reports are not prepared on a timely basis

Finding

The university uses after-the-fact effort certification forms to document distribution of payroll costs to sponsored agreements. This type of certification is required of all salaried personnel whenever a portion of their salary is charged to a grant or contract account through the university's payroll system. The university distributes the forms either on an academic term or monthly basis to applicable staff. The forms are submitted by departmental personnel to a campus business office for review and then forwarded to the university-wide controller's office. As of October 10, 2000, for the 1999 fiscal year (which ended on June 30, 1999), 9% of effort certification reports (1,260) had not been returned to the controller's office by departmental personnel. In addition, another 16.8% of the 1999 forms (2,355) had been returned to the Knoxville Office of the Director of Finance but had not been forwarded to the controller's office. These Knoxville campus forms had not been reviewed to ensure that any necessary payroll adjustments had been made. For the 2000 fiscal year (which ended on June 30, 2000), 10.2% of effort certification reports had not been returned to the controller's office by departmental personnel.

Office of Management and Budget (OMB) Circular A-21, Section J.8, Subsection c.(2)(c), states that these "reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed."

Salary transfer vouchers (Form T-17) are prepared by departmental personnel whenever actual certified time or effort on a grant or contract varies by 5% or more from the percentage of estimated salary charged. Therefore, the failure to prepare effort certification forms on a timely basis and to conduct timely reviews could lead to incorrect charges to federal programs. In addition, if supporting effort reports are never submitted, federal payroll costs are not documented as required per OMB A-21.

Recommendation

The university should take steps to ensure that effort certification forms are prepared and are returned to the controller's office on a timely basis. Campus business offices should review and submit the forms on a timely basis. The outstanding forms related to the 1999 and 2000 fiscal years should be submitted, and any necessary transfer vouchers should be prepared.

Management's Comment

The university concurs with the finding. The university will print another effort certification form for all those forms which have not been returned for FY 1999 and FY 2000 and will make appropriate changes to the related accounting records.

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, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
		U.S. Department of Agriculture			
Direct Programs					
10.001	University of Tennessee	Agricultural Research--Basic and Applied Research			$ 2,155,730.17
10.025	Agriculture	Plant and Animal Disease, Pest Control, and Animal Care		$ 245,563.43	
10.025	University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care		23,323.61	268,887.04
10.064	Agriculture	Forestry Incentives Program			4,678.00
10.153	Agriculture	Market News			18,000.00
10.163	Agriculture	Market Protection and Promotion			12,636.56
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants			7,004.69
10.214	Tennessee State University	Morrill-Nelson Funds for Food and Agricultural Higher Education			3,210.99
10.216	Tennessee State University	1890 Institution Capacity Building Grants			7,875.00
10.218	Tennessee State University	Buildings and Facilities Program		$ 44,754.46	
10.218	University of Tennessee	Buildings and Facilities Program		177,874.47	222,628.93
10.220	Tennessee State University	Higher Education Multicultural Scholars Program		$ 18,500.00	
10.220	University of Tennessee	Higher Education Multicultural Scholars Program		14,078.37	32,578.37
10.224	University of Tennessee	Fund for Rural America--Research, Education, and Extension Activities			63,698.64
10.443	Tennessee State University	Small Farmer Outreach Training and Technical Assistance Program			195,992.77
10.500	Tennessee State University	Cooperative Extension Service		$ 2,534,658.99	
10.500	University of Tennessee	Cooperative Extension Service		9,376,883.62	11,911,542.61
10.550	Education	Food Distribution (Noncash Award)			15,196.02
10.557	Health	Special Supplemental Nutrition Program For Women, Infants, and Children			81,159,671.34
10.558	Human Services	Child and Adult Care Food Program			31,608,205.16
10.560	Agriculture	State Administrative Expenses for Child Nutrition		$ 155,681.69	
10.560	Education	State Administrative Expenses for Child Nutrition		1,582,860.32	1,738,542.01
10.564	Education	Nutrition Education and Training Program			10,735.87
10.565	Health	Commodity Supplemental Food Program		$ 546,924.21	
10.565	Health	Commodity Supplemental Food Program (Noncash Award)		3,685,737.00	4,232,661.21
10.570	Commission on Aging	Nutrition Program for the Elderly (Commodities)			1,806,077.00
10.574	Education	Team Nutrition Grants			75,010.99
10.652	Agriculture	Forestry Research		$ 245,247.80	
10.652	University of Tennessee	Forestry Research		1,558.81	246,806.61
10.664	Agriculture	Cooperative Forestry Assistance		$ 1,497,304.00	
10.664	Environment and Conservation	Cooperative Forestry Assistance		13,278.15	1,510,582.15
10.766	Tennessee Technological University	Community Facilities Loans and Grants			7,208.77
10.769	University of Tennessee	Rural Development Grants			783.85
10.902	University of Tennessee	Soil and Water Conservation			43.08
10.950	Agriculture	Agricultural Statistics Reports			25,914.63
N/A	Tennessee State University	Promoting & Enhancing Entrepreneurship & Small Business Development	RBS-99-34	$ 76,654.73	
N/A	Tennessee State University	Promoting & Enhancing Entrepreneurship & Small Business Development	RBS-98-58	57,036.71	133,691.44

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
N/A	Tennessee State University	USDA/1890 National Scholars Program	N/A		1,580.75
N/A	University of Tennessee	USDA FOREST SERV 23-9742RJVA	B11997434		756.72
Total U.S. Department of Agriculture					$ 137,477,931.37
		U.S. Department of Commerce			
Direct Programs					
11.550	University of Tennessee	Public Telecommunications Facilities--Planning and Construction			$ 12.00
11.552	University of Tennessee	Technology Opportunities			106,594.09
11.609	University of Tennessee	Measurement and Engineering Research and Standards			1,882,926.48
N/A	University of Tennessee	NTL INSTITUTE STANDARDS&TEC 96	B13996321		53,047.00
Total U.S. Department of Commerce					$ 2,042,579.57
		U.S. Department of Defense			
Direct Programs					
12.002	University of Tennessee	Procurement Technical Assistance for Business Firms			$ 292,320.36
12.106	University of Tennessee	Flood Control Projects			750.00
12.112	Finance and Administration	Payments to States in Lieu of Real Estate Taxes			536,567.09
12.113	Environment and Conservation	State Memorandum of Agreement Program for the Reimbursement of Technical Services			204,984.38
12.400	Military	Military Construction, National Guard			1,941,230.27
12.401	Military	National Guard Military Operations and Maintenance (O&M) Projects			14,348,139.79
N/A	Dyersburg State Community College	Least Tern Study	DACW6697P0498	$ 12,361.24	
N/A	Dyersburg State Community College	Least Tern Study	DACW6698P0498	6.88	12,368.12
N/A	Education	Troops to Teachers	N/A		68,740.71
N/A	Tennessee State University	AFROTC	N/A		34,995.31
N/A	University of Memphis	Mathematics and Science Summer Camp	DABT11-99-2-07CS		1,358.21
N/A	University of Tennessee	ARMY-MIPRGUTAHRB09 FAMILY ASST	B12996602		9,409.85
N/A	University of Tennessee	ARMY MIPR-07 FAIMLY EMPLY ASST	B12996627		207,688.72
Subtotal Direct Programs					$ 17,658,552.81
Passed Through Academy of Applied Science					
12.431	University of Tennessee	Basic Scientific Research	B01996857	$ 10,526.85	
12.431	University of Tennessee	Basic Scientific Research	B01997009	526.74	$ 11,053.59
Passed Through GTE Foundation					
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B01997367		48,256.99
Passed Through Logicon Information & Systems Services, Incorporated					
N/A	Tennessee State University	Programming Environment & Training Using Systems Engineering Prin	DAHC94-96-C-0008		70,560.63
N/A	Tennessee State University	MSRC Programming Environment and Training	DAHC94-96-G0008		24,591.56

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Passed Through San Diego State University					
N/A	University of Memphis	San Diego State University Foundation--Student Support Services Subcontract	522935/N6600196D004		1,438.13
N/A	University of Memphis	San Diego State University Foundation--Task No. 283	N66001-96-D-0046		7,095.99
N/A	University of Memphis	San Diego State University Foundation--Task No. 319	ADVANCE		559.51
Subtotal Pass-Through Programs					$ 163,556.40
Total U.S. Department of Defense					$ 17,822,109.21
U.S. Department of Housing and Urban Development					
Direct Programs					
14.228	Economic and Community Development	Community Development Block Grants/State's Program			$ 26,087,426.86
14.231	Human Services	Emergency Shelter Grants Program			1,253,914.07
14.239	Tennessee Housing Development Agency	HOME Investment Partnerships Program			12,149,487.53
14.241	Health	Housing Opportunities for Persons with AIDS			445,185.86
14.243	State Technical Institute at Memphis	Opportunities for Youth--Youthbuild Program			395,767.92
14.400	Human Rights Commission	Equal Opportunity in Housing		$ 205,200.00	
14.400	University of Memphis	Equal Opportunity in Housing		13,864.00	219,064.00
14.511	East Tennessee State University	Community Outreach Partnership Center Program		$ 70,469.78	
14.511	University of Tennessee	Community Outreach Partnership Center Program		47,690.02	118,159.80
14.512	University of Memphis	Community Development Work-Study Program		$ 45,302.26	
14.512	University of Tennessee	Community Development Work-Study Program		103,091.94	148,394.20
N/A	East Tennessee State University	Interest Subsidies	CH-TENN-132-D	$ 49,526.00	
N/A	East Tennessee State University	Interest Subsidies	CH-TENN-144-D	45,110.00	
N/A	Tennessee Technological University	Interest Subsidies	423J4630560A	34,586.00	129,222.00
N/A	University of Tennessee	SUTHERLAND VILLAGE APTS	K01996111		172,203.00
Subtotal Direct Programs					$ 41,118,825.24
Passed Through City of Jackson					
14.854	Jackson State Community College	Public and Indian Housing Drug Elimination Program	TN-43-DEP-0070197		$ 25,534.31
Passed Through Memphis Housing Authority					
14.866	State Technical Institute at Memphis	Demolition and Revitalization of Severely Distressed Public Housing	AG00C0003		11,092.91
Subtotal Pass-Through Programs					$ 36,627.22
Total U.S. Department of Housing and Urban Development					$ 41,155,452.46
U.S. Department of the Interior					
Direct Programs					
15.252	Environment and Conservation	Abandoned Mine Land Reclamation (AMLR) Program			$ 1,135,791.69
15.608	Environment and Conservation	Fish and Wildlife Management Assistance			32,831.74

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
15.615	Environment and Conservation	Cooperative Endangered Species Conservation Fund		$ 165,086.93	
15.615	Tennessee Wildlife Resources Agency	Cooperative Endangered Species Conservation Fund		607,522.00	772,608.93
15.616	Tennessee Wildlife Resources Agency	Clean Vessel Act			344,298.00
15.617	Tennessee Wildlife Resources Agency	Wildlife Conservation and Appreciation			313,869.00
15.618	Tennessee Wildlife Resources Agency	Administrative Grants for Federal Aid in Sport Fish and Wildlife Restoration			4,380.70
15.808	Environment and Conservation	U.S. Geological Survey--Research and Data Acquisition			27,493.96
15.904	Environment and Conservation	Historic Preservation Fund Grants-In-Aid			583,333.37
15.916	Middle Tennessee State University	Outdoor Recreation--Acquisition, Development and Planning			149,201.46
15.921	Environment and Conservation	Rivers, Trails and Conservation Assistance			1,418.32
N/A	Tennessee Wildlife Resources Agency	Big South Fork Gauging Station	1443-CA5130-98-001		15,000.00
N/A	Tennessee Wildlife Resources Agency	FmHA Wetland Habitat Restoration	1448-004-96-960		12,900.00
N/A	Tennessee Wildlife Resources Agency	Propogation And Reintroduction Of Endangered Mussells	1448-40181-97-G-013		52,500.00
N/A	Tennessee Wildlife Resources Agency	Lilly Bridge Gauging Station	1443-CA5640-97-001		11,600.00
N/A	Tennessee Wildlife Resources Agency	Big South Fork Gauging Station	1443-CA5130-98-001		15,000.00
N/A	University of Tennessee	NTL FISH & WILDL 96-093-053 98	B04999078		11.12
Total U.S. Department of the Interior					$ 3,472,238.29
		U.S. Department of Justice			
Direct Programs					
16.540	Children's Services	Juvenile Justice and Delinquency Prevention--Allocation to States		$ 1,223,323.00	
16.540	Commission on Children and Youth	Juvenile Justice and Delinquency Prevention--Allocation to States		1,482,511.89	$ 2,705,834.89
16.550	Tennessee Bureau of Investigation	State Justice Statistics Program for Statistical Analysis Centers			14,291.39
16.554	Finance and Administration	National Criminal History Improvement Program (NCHIP)			2,019,211.30
16.564	Tennessee Bureau of Investigation	National Institute of Justice Crime Laboratory Improvement Program			17,892.68
16.575	Finance and Administration	Crime Victim Assistance			5,983,560.73
16.576	Treasury	Crime Victim Compensation			1,959,000.00
16.579	Correction	Byrne Formula Grant Program		$ 5,289,041.12	
16.579	Finance and Administration	Byrne Formula Grant Program		10,890,073.07	16,179,114.19
16.580	District Public Defenders Conference	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		$ 77,801.18	
16.580	Finance and Administration	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		75,540.00	153,341.18
16.588	Finance and Administration	Violence Against Women Formula Grants		$ 3,035,693.01	
16.588	University of Memphis	Violence Against Women Formula Grants		12,878.90	3,048,571.91
16.589	Finance and Administration	Rural Domestic Violence and Child Victimization Enforcement Grant Program			199,638.00
16.592	Finance and Administration	Local Law Enforcement Block Grants Program		$ 391,120.24	
16.592	University of Tennessee	Local Law Enforcement Block Grants Program		58,490.20	449,610.44

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
16.593	Finance and Administration	Residential Substance Abuse Treatment for State Prisoners			923,466.21
16.597	Safety	Motor Vehicle Theft Protection Act Program			29,205.67
16.598	Finance and Administration	State Identification Systems Grant Program			277,957.91
16.610	Tennessee Bureau of Investigation	Regional Information Sharing Systems			3,871,442.00
16.615	Tennessee State University	Public Safety Officers' Educational Assistance			43,325.33
16.710	Austin Peay State University	Public Safety Partnership and Community Policing Grants		$ 658.12	
16.710	East Tennessee State University	Public Safety Partnership and Community Policing Grants		44,624.82	
16.710	Middle Tennessee State University	Public Safety Partnership and Community Policing Grants		140,302.30	
16.710	Safety	Public Safety Partnership and Community Policing Grants		145,071.74	330,656.98
16.727	Children's Services	Enforcing Underage Drinking Laws Program			248,362.07
16.729	University of Tennessee	Drug-Free Communities Support Program Grants			70,371.19
N/A	Safety	Appalachia High Intensity Drug Trafficking Area	9-33-4086		93,396.30
N/A	State Technical Institute at Memphis	FCI Instruction Contract	J128C-165		27,231.64
N/A	State Technical Institute at Memphis	Federal Prison Camp	J128C-190		24,670.41
N/A	Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	99-79	$ 439,154.84	
N/A	Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	2000-86	177,957.20	617,112.04
N/A	University of Memphis	National Drug Court Institute	N/A		13,820.00
N/A	University of Memphis	Domestic Violence Training	N/A		13,744.98
N/A	University of Memphis	Violent Crimes Task Force Graduate Assistant	N/A		2,000.00
N/A	University of Tennessee	US DEPT JUSTICE- LEIC2000-TAYLOR	B13996476		35,804.73
N/A	Walters State Community College	Cops Universal	1999UMWX3115		18,524.92
Subtotal Direct Programs					$ 39,371,159.09
Passed Through Shelby County Government					
16.579	State Technical Institute at Memphis	Byrne Formula Grant Program	CA002511	$ 60,827.20	
16.579	State Technical Institute at Memphis	Byrne Formula Grant Program	CA002512	76,846.36	$ 137,673.56
16.593	State Technical Institute at Memphis	Residential Substance Abuse Treatment for State Prisoners	CA002788		88,941.48
Passed Through LaVergne, TN Police Department					
N/A	District Attorneys General Conference	Domestic Violence	97WEVX0083		13,661.04
Passed Through State Justice Institute					
N/A	University of Memphis	Leadership Institute in Judicial Education-1999	SJI-91-N-021-C99-1	$ 69,196.07	
N/A	University of Memphis	Leadership Institute in Judicial Education-2000	SJI-91-N-021-C00-1	135,644.71	204,840.78
Subtotal Pass-Through Programs					445,116.86
Total U.S. Department of Justice					$ 39,816,275.95

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
		U.S. Department of Labor			
Direct Programs					
17.002	Labor and Workforce Development	Labor Force Statistics			$ 902,573.68
17.005	Labor and Workforce Development	Compensation and Working Conditions			98,681.27
17.203	Labor and Workforce Development	Labor Certification for Alien Workers			103,664.02
17.225	Labor and Workforce Development	Unemployment Insurance			355,349,431.41
17.235	Commission on Aging	Senior Community Service Employment Program			1,856,416.98
17.245	Labor and Workforce Development	Trade Adjustment Assistance--Workers			16,475,849.52
17.253	Human Services	Welfare-to-Work Grants to States and Localities			6,197,104.90
17.257	Labor and Workforce Development	One-Stop Career Center Initiative			2,691,322.17
17.503	Labor and Workforce Development	Occupational Safety and Health--State Program			2,623,056.07
17.504	Labor and Workforce Development	Consultation Agreements			847,797.83
17.600	Labor and Workforce Development	Mine Health and Safety Grants			92,619.62
17.802	Labor and Workforce Development	Veterans' Employment Program			79,012.25
N/A	Education	School-to-Work Opportunities Act of 1994	V278E970003		5,521,332.49
N/A	Labor and Workforce Development	National Occupational Information Coordinating Committee	E-9-4-8-39-47		128,136.50
Subtotal Direct Programs					$ 392,966,998.71
Passed Through North Tennessee Private Industry Council					
17.253	Volunteer State Community College	Welfare-to-Work Grants to States and Localities	C0593		$ 24,764.93
Subtotal Pass-Through Programs					$ 24,764.93
Total U.S. Department of Labor					$ 392,991,763.64
		U.S. Department of State			
Passed Through The College Fund/UNCF					
N/A	Tennessee State University	Linkage Grant-Human Resources and Curriculum Development	N/A		$ 7,673.16
Total U.S. Department of State					$ 7,673.16
		U.S. Department of Transportation			
Direct Programs					
20.005	Tennessee Wildlife Resources Agency	Boating Safety Financial Assistance			$ 984,152.00
20.106	Transportation	Airport Improvement Program			5,307,679.33
20.215	Tennessee State University	Highway Training and Education			2,996.00
20.218	Revenue	National Motor Carrier Safety		$ 17,617.60	
20.218	Safety	National Motor Carrier Safety		2,338,429.27	2,356,046.87
20.219	Environment and Conservation	Recreational Trails Program			188,640.91
20.308	Transportation	Local Rail Freight Assistance			108,000.00
20.505	Transportation	Federal Transit--Metropolitan Planning Grants			471,371.01
20.509	Transportation	Formula Grants for Other Than Urbanized Areas			7,888,386.41
20.516	Transportation	Job Access/Reverse Commute Program			335,994.85
20.700	Tennessee Regulatory Authority	Pipeline Safety			156,008.50
20.703	Military	Interagency Hazardous Materials Public Sector Training and Planning Grants			164,456.97
N/A	University of Tennessee	FHA-DTFH61-99-T-56009-NHI	B01997099		53,905.63

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
N/A	University of Tennessee	FHA-DTFH61-99-T-56006-WRK ZONE	B01997107		32,185.45
N/A	University of Tennessee	FHA-DTFH61-99-T-56013 ITS	B01997143		13,160.27
N/A	University of Tennessee	FHA-DTFH61-99-T-56014 ITS	B01997360		12,936.82
N/A	University of Tennessee	FHA-DTFH61-98-T-56003-TRNG PRG	B01997701		70,999.50
N/A	University of Tennessee	FHA-DTFH61-98-T-56004-ZACHARIA	B01997779		10,026.37
Total U.S. Department of Transportation					$ 18,156,946.89
		U.S. Department of Treasury			
Direct Programs					
N/A	University of Tennessee	U.S. ARMY ROTC SCHOLARSHIPS	B05997870		$ 50,014.00
Total U.S. Department of Treasury					$ 50,014.00
		Appalachian Regional Commission			
Direct Programs					
23.001	East Tennessee State University	Appalachian Regional Development (See individual Appalachian Programs)		$ 12,387.02	
23.001	University of Tennessee	Appalachian Regional Development (See individual Appalachian Programs)		198,013.09	$ 210,400.11
23.002	Economic and Community Development	Appalachian Area Development			521,000.89
23.011	Economic and Community Development	Appalachian State Research, Technical Assistance, and Demonstration Projects			50,967.74
Total Appalachian Regional Commission					$ 782,368.74
		Equal Employment Opportunity Commission			
Direct Programs					
30.001	Human Rights Commission	Employment Discrimination--Title VII of the Civil Rights Act of 1964			$ 167,250.00
Total Equal Employment Opportunity Commission					$ 167,250.00
		General Services Administration			
Direct Programs					
39.003	General Services	Donation of Federal Surplus Personal Property (Noncash Award)			$ 7,030,817.00
Total General Services Administration					$ 7,030,817.00
		National Aeronautics and Space Administration			
Direct Programs					
N/A	Tennessee State University	Undergraduate Student Awards for Research	NCTS-90013		$ 3,180.80
N/A	University of Tennessee	NASA NGT5-50206 SAYLER	B01996854		22,341.96
N/A	University of Tennessee	NASA H-01890T MSFC TURBO&AERO	B02997158		1,624.19
N/A	University of Tennessee	NASA NAS8-97301	B02997252		57,298.90
N/A	University of Tennessee	NASA PRESR TCHR ENHAN BENSON00	B04999396		1,141.61

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Subtotal Direct Programs					$ 85,587.46
Passed Through Vanderbilt University					
43.002	Tennessee State University	Technology Transfer	NGT5-40054		$ 44,365.80
Subtotal Pass-Through Programs					$ 44,365.80
Total National Aeronautics and Space Administration					$ 129,953.26
National Foundation of Arts and the Humanities					
Direct Programs					
45.025	Arts Commission	Promotion of the Arts--Partnership Agreements			$ 548,630.06
45.026	Arts Commission	Promotion of the Arts--Leadership Initiatives			25,000.00
45.129	University of Memphis	Promotion of the Humanities--Federal/State Partnership			602.57
45.130	University of Tennessee	Promotion of the Humanities--Challenge Grants			2,405.21
45.149	University of Tennessee	Promotion of the Humanities--Division of Preservation and Access			126,935.55
45.161	University of Tennessee	Promotion of the Humanities--Research			78,931.57
45.310	State	State Library Program			2,389,358.02
N/A	Tennessee Technological University	Rural Education Research & Service Consortium: Department of Music & Art	99-6200-3069		5,334.14
Subtotal Direct Programs					$ 3,177,197.12
Passed Through University of Georgia					
N/A	University of Tennessee	UNIV GA RT265-106-9264094-LLOYD	B01999545		$ 24,943.84
Subtotal Pass-Through Programs					$ 24,943.84
Total National Foundation of Arts and the Humanities					$ 3,202,140.96
National Science Foundation					
Direct Programs					
47.049	Tennessee State University	Mathematical and Physical Sciences			$ 596,624.59
47.050	University of Tennessee	Geosciences			90,330.41
47.074	University of Memphis	Biological Sciences		$ 24,526.55	
47.074	University of Tennessee	Biological Sciences		73,346.06	97,872.61
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences			78,937.67
47.076	East Tennessee State University	Education and Human Resources		$ 31,533.60	
47.076	Jackson State Community College	Education and Human Resources		1,510.17	
47.076	Middle Tennessee State University	Education and Human Resources		73,583.57	
47.076	Nashville State Technical Institute	Education and Human Resources		336,032.43	
47.076	Pellissippi State Technical Community College	Education and Human Resources		1,164.56	
47.076	Tennessee Technological University	Education and Human Resources		90,401.54	
47.076	University of Tennessee	Education and Human Resources		70,544.88	604,770.75
47.077	University of Tennessee	Academic Research Facilities and Instrumentation			10,683.67
47.078	University of Tennessee	Polar Programs			43,992.01
N/A	University of Tennessee	NSF LPA-0001391 GARRITANO	B17996197		46,016.12
Subtotal Direct Programs					$ 1,569,227.83

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Passed Through LeMoyne-Owen College					
47.041	State Technical Institute at Memphis	Engineering Grants	HRD9553315		$ 45,572.93
47.049	University of Memphis	Mathematical and Physical Sciences	HRD-9553315		107,716.73
Passed Through Kentucky Science and Technology Council					
47.076	University of Tennessee	Education and Human Resources	B01991380	$ (798.63)	
47.076	University of Tennessee	Education and Human Resources	B01997102	0.01	
47.076	University of Tennessee	Education and Human Resources	B01997393	(931.96)	(1,730.58)
Passed Through San Diego State University					
47.076	Middle Tennessee State University	Education and Human Resources	5226858512		37,633.00
Subtotal Pass-Through Programs					$ 189,192.08
Total National Science Foundation					$ 1,758,419.91
Small Business Administration					
Direct Programs					
59.005	East Tennessee State University	Business Development Assistance to Small Business			$ 250.00
59.006	Tennessee Technological University	8(a) Business Development			5,564.42
59.037	Tennessee Board of Regents	Small Business Development Center		$ 406,367.04	
59.037	University of Memphis	Small Business Development Center		918,665.13	1,325,032.17
N/A	University of Memphis	Tennessee Small Business Development Center Southwest Region-2000	N/A		54,135.72
N/A	University of Memphis	Tennessee Small Business Development Center International Trade Center-2000	N/A		54,125.99
Total Small Business Administration					$ 1,439,108.30
Tennessee Valley Authority					
Direct Programs					
62.004	Pellissippi State Technical Community College	Tennessee Valley Region--Community Development		$ 15,766.80	
62.004	Tennessee State University	Tennessee Valley Region--Community Development		3.34	$ 15,770.14
N/A	Environment and Conservation	TVA Ocoee Trust Fund	TV-63501A		151,750.74
N/A	Tennessee State University	Nashville Business Incubation Center	N/A		39,560.64
N/A	Tennessee State University	Weekend Academy	99BB4-250691		41,399.65
N/A	Tennessee Technological University	Gift Investment Challenge	N/A		1,352.94
N/A	Tennessee Technological University	RiverWare River Scheduling Software	N/A		7,200.00
N/A	Tennessee Technological University	Business Technologies Incubator	98BKY-234427		10,164.69
N/A	Tennessee Technological University	Marketing CD-ROM for TVA Incubator Network	98BKY-234427		14,673.02
N/A	Tennessee Wildlife Resources Agency	Aquatic Plant Harvesting Tools and Techniques	99RE3-257553		12,000.00
N/A	Tennessee Wildlife Resources Agency	Oak Ridge Wildlife Management Area	N/A		58,956.31
N/A	University of Tennessee	TVA SUSTAINABLE LNDSCPE-ROGERS	B01993048		30,259.80
N/A	University of Tennessee	TVA TV77105A SUPP#12 BUNTING97	B01993740		52,326.85
N/A	University of Tennessee	TVA-SAMAB	B01996997		213,736.96
N/A	University of Tennessee	TVA TV-96BKX-185335 DISTANCE97	B04998910		636.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
N/A	University of Tennessee	TVA 98RKW-22S781-WAGN WHL STAB	B04999120		2,413.03
N/A	University of Tennessee	TVA STUDENT PRG ENGINEERING 00	B04999341		18,815.03
Total Tennessee Valley Authority					$ 671,015.80
		U.S. Department of Veterans' Affairs			
Direct Programs					
64.015	Tennessee State Veterans Homes Board	Veterans State Nursing Home Care			$ 3,536,238.81
64.022	East Tennessee State University	Veterans Home Based Primary Care			384,539.50
64.101	Veterans Affairs	Burial Expenses Allowance for Veterans			170,700.00
64.124	Tennessee Higher Education Commission	All-Volunteer Force Educational Assistance			195,014.93
N/A	Tennessee State University	Localization of Ventricular Arrhythmogenic Foci	N/A		11,011.63
N/A	University of Memphis	Veterans Education Reporting Fee	N/A		3,903.00
Total U.S. Department of Veterans' Affairs					$ 4,301,407.87
		Environmental Protection Agency			
Direct Programs					
66.001	Environment and Conservation	Air Pollution Control Program Support		$ 956,319.36	
66.001	University of Tennessee	Air Pollution Control Program Support		114,318.71	$ 1,070,638.07
66.032	Environment and Conservation	State Indoor Radon Grants			157,364.03
66.419	Environment and Conservation	Water Pollution Control--State and Interstate Program Support			1,397,553.53
66.432	Environment and Conservation	State Public Water System Supervision			893,370.36
66.454	Environment and Conservation	Water Quality Management Planning			142,028.01
66.458	Environment and Conservation	Capitalization Grants for State Revolving Funds			16,556,271.55
66.460	Agriculture	Nonpoint Source Implementation Grants			1,455,998.24
66.461	Environment and Conservation	Wetlands Protection--Development Grants			76,222.53
66.463	Environment and Conservation	National Pollutant Discharge Elimination System Related State Program Grants			13,572.05
66.468	Environment and Conservation	Capitalization Grants for Drinking Water State Revolving Fund			2,098,036.18
66.600	University of Tennessee	Environmental Protection Consolidated Grants--Program Support			54,539.93
66.605	Agriculture	Performance Partnership Grants			647,382.77
66.606	Economic and Community Development	Surveys, Studies, Investigations and Special Purpose Grants		$ 1,919.92	
66.606	Environment and Conservation	Surveys, Studies, Investigations and Special Purpose Grants		40,128.64	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants		(264.21)	41,784.35
66.607	Environment and Conservation	Training and Fellowships for the Environmental Protection Agency			137,823.31
66.701	Environment and Conservation	Toxic Substances Compliance Monitoring Cooperative Agreements			131,219.23
66.708	Environment and Conservation	Pollution Prevention Grants Program			58,620.03
66.710	University of Tennessee	Environmental Justice Community/University Partnership Grants Program			5,943.76
66.713	Environment and Conservation	State and Tribal Environmental Justice			39,414.08

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
66.801	Environment and Conservation	Hazardous Waste Management State Program Support			2,375,499.14
66.802	Environment and Conservation	Superfund State Site--Specific Cooperative Agreements			3,557,512.55
66.804	Environment and Conservation	State and Tribal Underground Storage Tanks Program			234,931.24
66.805	Environment and Conservation	Leaking Underground Storage Tank Trust Fund Program			1,701,750.88
66.808	Environment and Conservation	Solid Waste Management Assistance		$ 85,881.01	
66.808	University of Tennessee	Solid Waste Management Assistance		42.08	85,923.09
66.809	Environment and Conservation	Superfund State Core Program Cooperative Agreements			895,074.86
66.951	Middle Tennessee State University	Environmental Education Grants			53.80
N/A	Tennessee Wildlife Resources Agency	State Wetlands Development Program	CD994917-96-0	$ 36,247.08	
N/A	Tennessee Wildlife Resources Agency	State Wetlands Development Program	CD994986-96-0	13,223.60	49,470.68
N/A	University of Tennessee	EPA U-915633-01 HORN	B01997419		4,685.34
Subtotal Direct Programs					$ 33,882,683.59
Passed Through Project Learning Tree					
66.950	Middle Tennessee State University	Environmental Education and Training Program	00-0325		$ 1,399.05
Subtotal Pass-Through Programs					$ 1,399.05
Total Environmental Protection Agency					$ 33,884,082.64
		U.S. Department of Energy			
Direct Programs					
81.041	Economic and Community Development	State Energy Program			$ 530,570.74
81.042	Human Services	Weatherization Assistance for Low-Income Persons			2,176,186.85
81.049	Tennessee Technological University	Office of Science Financial Assistance Program		$ 3,533.86	
81.049	University of Tennessee	Office of Science Financial Assistance Program		47,958.65	51,492.51
81.086	University of Tennessee	Conservation Research and Development			168,482.62
81.092	Environment and Conservation	Environmental Restoration			1,825,870.37
81.502	Environment and Conservation	Miscellaneous Federal Activities Actions		$ 1,630,128.89	
81.502	Military	Miscellaneous Federal Activities Actions		861,326.14	
81.502	Pellissippi State Technical Community College	Miscellaneous Federal Activities Actions		47,954.44	
81.502	Roane State Community College	Miscellaneous Federal Activities Actions		14,222.03	2,553,631.50
N/A	Economic and Community Development	Institutional Conservation Program-Section 155	N/A		13,920.00
N/A	Economic and Community Development	Petroleum Violation Escrow-Exxon	N/A		347,260.85
N/A	Economic and Community Development	Petroleum Violation Escrow-Stripper	N/A		(311,684.29)
N/A	Environment and Conservation	Tennessee Health Studies	DEFG05910R21981		846,059.84
N/A	Military	Southern States Energy Board	DE-FC04-93AL82966	$ 3,240.68	
N/A	Military	Southern States Energy Board	DE-FC04-93AL82966	52,522.00	55,762.68
N/A	Tennessee State University	Department of Energy Chair of Excellence Professorship	DE-FG02-94EW11428		(1,481.00)
N/A	University of Tennessee	DOE-ORNL TRANSITION-RIEDINGER	B01992555		161,750.87
Subtotal Direct Programs					$ 8,417,823.54

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues
Passed Through American Chemical Society				
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01998198	$ 20,610.74
Passed Through Battelle Limited Liability Company				
N/A	University of Tennessee	UT-BATTELLE	B0199BTTL	10,861,912.95
Passed Through Lawrence Livermore National Laboratory				
N/A	University of Tennessee	JIEE-EC2 SECRETARIAT-FED LABS	B01992741	17,246.51
Passed Through Lockheed Martin Energy Research Corporation				
N/A	Tennessee State University	Oak Ridge National Laboratory CFO Mentorship Program	DE-AC05-960R22464	6,509.44
N/A	Roane State Community College	Learning Center at Y12CCE Training Center	22Y-DDX49C	12,616.40
Passed Through Lockheed Martin Energy Systems, Incorporated				
N/A	Tennessee State University	Resumption Operations Organization Y-12 Plant	DE-AC05-840R21400	29,158.90
N/A	University of Tennessee	LOCKHEED MARTIN	B0199LCMA	2,314,498.52
Passed Through National Renewable Energy Laboratory				
81.087	Tennessee State University	Renewable Energy Research and Development	DEAC36-83CH1009302	3,019.14
Passed Through Oak Ridge Institute for Science and Education				
N/A	Tennessee State University	HBCU Nuclear Energy Training	N/A	37,705.81
Subtotal Pass-Through Programs				$ 13,303,278.41
Total U.S. Department of Energy				$ 21,721,101.95
Federal Emergency Management Agency				
Direct Programs				
83.011	Military	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986		$ 46,374.44
83.105	Economic and Community Development	Community Assistance Program--State Support Services Element (CAP--SSSE)		72,370.50
83.536	Military	Flood Mitigation Assistance		6,087.23
83.544	Military	Public Assistance Grants		24,134,199.39
83.546	Military	National Arson Prevention Initiative		7,858.20
83.547	Military	First Responder Counter-Terrorism Training Assistance		15,283.45
83.548	Military	Hazard Mitigation Grant		3,721,318.10
83.550	Environment and Conservation	National Dam Safety Program		24,757.01
83.551	Military	Project Impact--Building Disaster Resistant Communities		45,938.12
83.552	Military	Emergency Management Performance Grants		2,458,749.15
Total Federal Emergency Management Agency				$ 30,532,935.59

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
		U.S. Department of Education			
Direct Programs					
84.002	Labor and Workforce Development	Adult Education--State Grant Program			$ 8,108,955.08
84.010	Education	Title I Grants to Local Educational Agencies			125,773,095.80
84.011	Education	Migrant Education--Basic State Grant Program			275,585.00
84.013	Education	Title I Program for Neglected and Delinquent Children			506,634.27
84.016	University of Memphis	Undergraduate International Studies and Foreign Language Programs			803.69
84.021	University of Memphis	International: Overseas--Group Projects Abroad			26,082.00
84.024	East Tennessee State University	Handicapped Early Childhood Assistance			104,892.67
84.025	Education	Handicapped Innovative Programs--Deaf-Blind Centers			67,713.90
84.029	Education	Handicapped Personnel Preparation		$ 176,455.04	
84.029	University of Tennessee	Handicapped Personnel Preparation		279,851.15	456,306.19
84.031	Columbia State Community College	Higher Education--Institutional Aid		$ 14,412.45	
84.031	Dyersburg State Community College	Higher Education--Institutional Aid		91,950.25	
84.031	Northeast State Technical Community College	Higher Education--Institutional Aid		8,933.19	
84.031	Tennessee State University	Higher Education--Institutional Aid		2,490,364.57	2,605,660.46
84.032	Tennessee Student Assistance Corporation	Federal Family Education Loans			36,442,252.63
84.048	Education	Vocational Education--Basic Grants to States			20,585,949.69
84.069	Tennessee Student Assistance Corporation	Leveraging Educational Assistance Partnership			413,559.00
84.078	University of Tennessee	Regional Education Programs for Deaf and Other Handicapped Persons			1,067,483.02
84.116	East Tennessee State University	Fund for the Improvement of Postsecondary Education		$ 83,527.84	
84.116	Roane State Community College	Fund for the Improvement of Postsecondary Education		55,562.81	139,090.65
84.126	Human Services	Rehabilitation Services--Vocational Rehabilitation Grants to States			61,218,617.31
84.129	University of Memphis	Rehabilitation Long-Term Training		$ 149,516.36	
84.129	University of Tennessee	Rehabilitation Long-Term Training		234,991.47	384,507.83
84.141	University of Tennessee	Migrant Education--High School Equivalency Program			407,314.73
84.154	State	Library Services and Construction Act--Construction			221,841.33
84.158	Education	Secondary Education and Transitional Services for Handicapped Youth			685,309.14
84.160	University of Tennessee	Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind			191,744.51
84.162	Education	Immigrant Education			433,273.28
84.169	Human Services	Independent Living--State Grants			508,682.53
84.177	Human Services	Rehabilitation Services--Independent Living Services for Older Individuals Who are Blind			237,538.85
84.181	Education	Special Education--Grants for Infants and Families with Disabilities			5,826,590.48
84.185	Education	Byrd Honors Scholarships			733,500.00
84.186	Education	Safe and Drug-Free Schools and Communities--State Grants		$ 8,432,883.06	
84.186	Shelby State Community College	Safe and Drug-Free Schools and Communities--State Grants		28,244.28	8,461,127.34
84.187	Human Services	Supported Employment Services for Individuals With Severe Disabilities			626,777.50

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
84.194	Education	Bilingual Education Support Services			118,379.50
84.196	Education	Education for Homeless Children and Youth			525,993.22
84.213	Education	Even Start--State Educational Agencies			1,695,075.13
84.216	Education	Capital Expenses			109,345.00
84.224	Mental Health/Mental Retardation	Assistive Technology			305,689.94
84.243	Education	Tech-Prep Education			1,571,655.38
84.257	University of Tennessee	National Institute for Literacy			481,496.30
84.264	University of Tennessee	Rehabilitation Training--Continuing Education			371,626.78
84.265	Human Services	Rehabilitation Training--State Vocational Rehabilitation Unit In-Service Training			138,553.56
84.270	Education	Teacher Corps			150.00
84.276	Education	Goals 2000--State and Local Education Systemic Improvement Grants			7,631,370.61
84.281	Dyersburg State Community College	Eisenhower Professional Development State Grants		$ 20,277.16	
84.281	Education	Eisenhower Professional Development State Grants		4,599,499.10	
84.281	Walters State Community College	Eisenhower Professional Development State Grants		232.00	4,620,008.26
84.298	Education	Innovative Education Program Strategies			6,528,551.06
84.314	Education	Even Start--Statewide Family Literacy Program			4,312.30
84.318	Education	Technology Literacy Challenge Fund Grants			4,752,320.11
84.325	Tennessee State University	Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities		$ 417,014.88	
84.325	University of Memphis	Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities		122,765.29	
84.325	University of Tennessee	Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities		189,978.92	729,759.09
84.332	Education	Comprehensive School Reform Demonstration			910,183.85
84.334	Dyersburg State Community College	Gaining Early Awareness and Readiness for Undergraduate Programs		$ 112,664.93	
84.334	University of Memphis	Gaining Early Awareness and Readiness for Undergraduate Programs		25,687.68	
84.334	University of Tennessee	Gaining Early Awareness and Readiness for Undergraduate Programs		58,252.51	196,605.12
84.335	East Tennessee State University	Child Care Access Means Parents in School		$ 44,595.63	
84.335	University of Tennessee	Child Care Access Means Parents in School		24,594.61	69,190.24
84.336	Education	Teacher Quality Enhancement Grants		$ 41,183.66	
84.336	University of Tennessee	Teacher Quality Enhancement Grants		229,815.81	270,999.47
84.340	Education	Class Size Reduction			13,472,145.02
84.342	Tennessee Technological University	Preparing Tomorrow's Teachers to Use Technology		$ 182,648.87	
84.342	University of Tennessee	Preparing Tomorrow's Teachers to Use Technology		41,649.25	224,298.12
N/A	Roane State Community College	Teacher Educators	331.450-033		4,585.96
N/A	Roane State Community College	Veterans Administration Reporting Fees	N/A		229.00
Subtotal Direct Programs					$ 321,243,411.90

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Passed Through Council of Chief State School Officers					
84.215	Education	Fund for the Improvement of Education	R215U960011-98	$ 1,934.83	
84.215	Education	Fund for the Improvement of Education	R215U960011-99	27,758.95	$ 29,693.78
Passed Through Clarksville-Montgomery County School System					
84.276	Austin Peay State University	Goals 2000 - State and Local Education Systemic Improvement Grants	N/A		54,264.60
Passed Through Appalachian Educational Laboratory					
84.319	Middle Tennessee State University	Eisenhower Regional Mathematics and Science Education Consortia	C993141346		1,937.72
Passed Through City of Memphis					
84.334	State Technical Institute at Memphis	Gaining Early Awareness and Readiness for Undergraduate Programs	N/A		17,749.75
Passed Through University of Western Kentucky					
84.336	Middle Tennessee State University	Teacher Quality Enhancement Grants	WKU523362000		20,973.78
Subtotal Pass-Through Programs					$ 124,619.63
Total U.S. Department of Education					$ 321,368,031.53
U.S. Department of Health and Human Services					
Direct Programs					
93.006	Health	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program			$ 22,890.84
93.041	Commission on Aging	Special Programs for the Aging--Title VII, Chapter 3-- Programs for Prevention of Elder Abuse, Neglect, and Exploitation			71,863.94
93.042	Commission on Aging	Special Programs for the Aging--Title VII, Chapter 2--Long Term Care Ombudsman Services for Older Individuals			168,788.00
93.043	Commission on Aging	Special Programs for the Aging--Title III, Part F--Disease Prevention and Health Promotion Services			234,780.00
93.046	Commission on Aging	Special Programs for the Aging--Title III, Part D--In-Home Services for Frail Older Individuals			80,478.00
93.048	Commission on Aging	Special Programs for the Aging--Title IV--Training, Research, and Discretionary Projects and Programs			69,020.26
93.104	Mental Health/Mental Retardation	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)			555,287.00
93.110	Health	Maternal and Child Health Federal Consolidated Programs		$ 152,113.19	
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs		56,169.85	208,283.04
93.116	Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs			950,816.85

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.119	Mental Health/Mental Retardation	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services--Technical Assistance Centers for Evaluation			6,042.67
93.121	University of Tennessee	Oral Diseases and Disorders Research			28,725.34
93.124	University of Tennessee	Nurse Anesthetist Traineeships			35,973.10
93.127	Health	Emergency Medical Services for Children			59,006.03
93.130	Health	Primary Care Services--Resource Coordination and Development--Primary Care Offices			82,786.59
93.150	Mental Health/Mental Retardation	Projects for Assistance in Transition from Homelessness (PATH)			295,805.00
93.197	Health	Childhood Lead Poisoning Prevention Projects--State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children			265,235.37
93.217	Health	Family Planning--Services			5,246,433.05
93.224	Health	Community Health Centers			1,481,332.78
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes			368,549.75
93.230	Mental Health/Mental Retardation	Consolidated Knowledge Development and Application (KD&A) Program		$ 616,283.67	
93.230	University of Tennessee	Consolidated Knowledge Development and Application (KD&A) Program		515,130.40	1,131,414.07
93.235	Health	Abstinence Education			713,749.58
93.268	Health	Immunization Grants		$ 2,673,741.15	
93.268	Health	Immunization Grants (Noncash Award)		13,987,795.80	16,661,536.95
93.283	Health	Centers for Disease Control and Prevention--Investigations and Technical Assistance			2,017,539.13
93.299	University of Tennessee	Advanced Nurse Education			60,571.00
93.358	Tennessee State University	Advanced Education Nursing Traineeships		$ 33,572.00	
93.358	University of Tennessee	Advanced Education Nursing Traineeships		90,419.00	123,991.00
93.359	East Tennessee State University	Basic Nurse Education and Practice Grants			214,332.44
93.371	University of Tennessee	Biomedical Technology			10,000.00
93.379	East Tennessee State University	Grants for Graduate Training in Family Medicine			189,413.29
93.551	University of Tennessee	Abandoned Infants			443,945.34
93.556	Children's Services	Promoting Safe and Stable Families			8,805,751.06
93.558	Human Services	Temporary Assistance for Needy Families			152,528,672.27
93.563	Human Services	Child Support Enforcement			31,206,677.68
93.566	Human Services	Refugee and Entrant Assistance--State Administered Programs			1,246,001.56
93.568	Human Services	Low-Income Home Energy Assistance			15,096,598.26
93.569	Human Services	Community Services Block Grant			10,776,492.90
93.571	Human Services	Community Services Block Grant Discretionary Awards--Community Food and Nutrition			12,013.45
93.576	Health	Refugee and Entrant Assistance--Discretionary Grants		$ 43,015.03	
93.576	Human Services	Refugee and Entrant Assistance--Discretionary Grants		171,621.76	214,636.79
93.584	Human Services	Refugee and Entrant Assistance--Targeted Assistance			325,877.59
93.585	Human Services	Empowerment Zones Program		$ 691,947.85	
93.585	Jackson State Community College	Empowerment Zones Program		356.38	692,304.23
93.586	Court System	State Court Improvement Program			211,881.71
93.597	Human Services	Grants to States for Access and Visitation Programs			167,190.95

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.600	Education	Head Start		$ 148,497.40	
93.600	Tennessee State University	Head Start		1,038,366.50	1,186,863.90
93.630	Mental Health/Mental Retardation	Developmental Disabilities Basic Support and Advocacy Grants			1,197,776.85
93.632	University of Tennessee	Developmental Disabilities University Affiliated Programs			14,589.90
93.643	Children's Services	Children's Justice Grants to States			19,450.67
93.645	Children's Services	Child Welfare Services--State Grants			4,781,454.05
93.647	Human Services	Social Services Research and Demonstration			13,020.26
93.648	University of Tennessee	Child Welfare Services Training Grants			1,018,834.63
93.652	Children's Services	Adoption Opportunities			126,797.38
93.656	Mental Health/Mental Retardation	Temporary Child Care and Crisis Nurseries			217,243.46
93.658	Children's Services	Foster Care--Title IV-E			27,433,699.35
93.659	Children's Services	Adoption Assistance			6,892,783.85
93.667	Human Services	Social Services Block Grant			42,424,113.13
93.669	Children's Services	Child Abuse and Neglect State Grants			716,552.14
93.671	Finance and Administration	Family Violence Prevention and Services/Grants for Battered Women's Shelters--Grants to States and Indian Tribes			1,133,774.18
93.674	Children's Services	Independent Living			302,338.56
93.779	Commission on Aging	Health Care Financing Research, Demonstrations and Evaluations		$ 215,184.17	
93.779	Tennessee State University	Health Care Financing Research, Demonstrations and Evaluations		1,587.48	216,771.65
93.822	East Tennessee State University	Health Careers Opportunity Program		$ 149,383.14	
93.822	Tennessee State University	Health Careers Opportunity Program		112,490.88	
93.822	University of Tennessee	Health Careers Opportunity Program		272,483.87	534,357.89
93.837	East Tennessee State University	Heart and Vascular Diseases Research		$ 772.90	
93.837	University of Tennessee	Heart and Vascular Diseases Research		281,587.38	282,360.28
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research			113,690.40
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders			2,565.09
93.856	University of Tennessee	Microbiology and Infectious Diseases Research			78,057.96
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training			35,139.19
93.867	University of Tennessee	Vision Research			528.37
93.880	Tennessee State University	Minority Access to Research Careers			276,947.89
93.895	East Tennessee State University	Grants for Faculty Development in Family Medicine			113,800.51
93.896	East Tennessee State University	Predoctoral Training in Primary Care (Family Medicine, General Internal Medicine/General Pediatrics)		$ 95,823.78	
93.896	University of Tennessee	Predoctoral Training in Primary Care (Family Medicine, General Internal Medicine/General Pediatrics)		40,162.99	135,986.77
93.913	Health	Grants to States for Operation of Offices of Rural Health			212,286.96
93.917	Health	HIV Care Formula Grants			4,411,750.07
93.919	Health	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs			464,240.58
93.938	Education	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems			200,388.20

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.940	Health	HIV Prevention Activities--Health Department Based			2,940,004.12
93.944	Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			741,009.23
93.945	Health	Reducing the Burden of Arthritis and Other Rheumatic Conditions			11,672.60
93.958	Mental Health/Mental Retardation	Block Grants for Community Mental Health Services			4,755,821.75
93.959	Health	Block Grants for Prevention and Treatment of Substance Abuse			27,760,372.42
93.977	Health	Preventive Health Services--Sexually Transmitted Diseases Control Grants			1,554,553.39
93.982	Mental Health/Mental Retardation	Mental Health Disaster Assistance and Emergency Mental Health			11,796.00
93.984	East Tennessee State University	Academic Administrative Units in Primary Care		$ 153,720.99	
93.984	University of Tennessee	Academic Administrative Units in Primary Care		84,584.61	238,305.60
93.988	Health	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems			246,001.30
93.991	Health	Preventive Health and Health Services Block Grant			3,665,119.67
93.994	Health	Maternal and Child Health Services Block Grant to the States			9,930,498.95
N/A	Agriculture	Food Sanitation Inspection	223-98-4105		30,290.80
N/A	Agriculture	Tobacco Investigations	223-98-4845		136,785.00
N/A	Health	Development of Collaborative Partnerships for the State of Tennessee Hispanic Network	98T262665		271.80
Subtotal Direct Programs					$ 399,663,355.61
Passed Through University of North Carolina					
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	B01998036		$ 8,554.88
Passed Through Vanderbilt University					
93.110	Tennessee State University	Maternal and Child Health Federal Consolidated Programs	2T83MC008-43	$ 37,691.65	
93.110	Tennessee State University	Maternal and Child Health Federal Consolidated Programs	6T73MC0005001R1	41,763.67	79,455.32
Passed Through Signal Centers, Incorporated					
93.558	Chattanooga State Technical Community College	Temporary Assistance for Needy Families	N/A		9,524.73
Passed Through Southeast Tennessee Private Industry Council					
93.558	Chattanooga State Technical Community College	Temporary Assistance for Needy Families	N/A		53.04
Passed Through National Collegiate Athletic Association					
93.570	University of Memphis	Community Services Block Grant--Discretionary Awards	NCAA 99-404	$ 63,615.66	
93.570	University of Memphis	Community Services Block Grant--Discretionary Awards	NCAA 00-1247	18,876.21	
93.570	University of Memphis	Community Services Block Grant--Discretionary Awards	NCAA 98-404	3,290.00	$ 85,781.87
N/A	Tennessee State University	National Youth Sports Program - Girls Sport Clinic	N/A		5,869.86
N/A	Tennessee State University	National Youth Sports Program	NCAA 93-150	$ 539.06	
N/A	Tennessee State University	National Youth Sports Program	N/A	49,475.38	50,014.44

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Passed Through LeMoyne-Owen College					
93.960	Shelby State Community College	Special Minority Initiatives	HRD-9553315		28,533.64
Passed Through Meharry Medical College					
93.960	Tennessee State University	Special Minority Initiatives	2 R25 GM51759-04	$ 9,474.48	
93.960	Tennessee State University	Special Minority Initiatives	2R25GM5179-03	43,162.45	52,636.93
93.969	Tennessee State University	Grants for Geriatric Education Centers	5D31AH70061-04		10,759.83
Subtotal Pass-Through Programs					$ 331,184.54
Total U.S. Department of Health and Human Services					$ 399,994,540.15
Corporation for National and Community Service					
Direct Programs					
94.003	Finance and Administration	State Commissions			$ 239,177.04
94.004	Education	Learn and Serve America--School and Community Based Programs		$ 366,694.14	
94.004	Finance and Administration	Learn and Serve America--School and Community Based Programs		94,865.97	461,560.11
94.005	East Tennessee State University	Learn and Serve America--Higher Education			176,931.31
94.006	East Tennessee State University	AmeriCorps		$ 3,170.38	
94.006	Finance and Administration	AmeriCorps		2,651,956.84	
94.006	Roane State Community College	AmeriCorps		7,698.25	2,662,825.47
94.007	Finance and Administration	Planning and Program Development Grants			123,977.21
94.009	Finance and Administration	Training and Technical Assistance			125,167.00
94.013	Education	Volunteers in Service to America			238,635.96
Total Corporation for National and Community Service					$ 4,028,274.10
Other Federal Assistance					
Corporation for Public Broadcasting					
Direct Programs					
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 99	B04999230	$ 78,355.16	
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 99	B13996441	11,750.34	$ 90,105.50
N/A	University of Tennessee	CORP PUBLIC BROAD-PROD&ACQ 99	B04999231		26,715.66
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 01	B04999366		2,318.85
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 00	B13996475		119,359.28
Subtotal Corporation for Public Broadcasting					$ 238,499.29
U.S. Postal Service					
Direct Programs					
N/A	University of Memphis	Energy Audits of U.S. Postal Facilities	475630-98-T-0095		$ 4,672.51
Subtotal U.S. Postal Service					$ 4,672.51
Federal Reserve Bank of St. Louis					
Direct Programs					
N/A	University of Memphis	Federal Reserve Bank Project	N/A		$ 30,286.74
Subtotal Federal Reserve Bank of St. Louis					$ 30,286.74

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
		Office of National Drug Control Policy			
Passed Through Laurel County Fiscal Court					
N/A	Alcoholic Beverage Commission	Appalachia High Intensity Drug Trafficking Area	I8PAPP501-17	$ 78,395.33	
N/A	District Attorneys General Conference	Appalachia High Intensity Drug Trafficking Area	I9PAPP501	66,389.49	
N/A	District Attorneys General Conference	Appalachia High Intensity Drug Trafficking Area	I0PAPP501	27,855.07	
N/A	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I8-PAPP501	325,408.96	
N/A	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I9-PAPP501	379,498.49	
N/A	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I0-PAPP501	118,544.46	
N/A	Safety	Appalachia High Intensity Drug Trafficking Area	I0PAPP501	53,524.88	
N/A	Safety	Appalachia High Intensity Drug Trafficking Area	I0PAPP501-CVE	18,550.82	
N/A	Safety	Appalachia High Intensity Drug Trafficking Area	I9PAPP501-14	211,630.41	$ 1,279,797.91
Subtotal Office of National Drug Control Policy					$ 1,279,797.91
		U.S. Agency for International Development			
Passed Through American Council on Education					
N/A	Middle Tennessee State University	Sustainable Environment	HNEA00970005900		$ 15,260.99
Subtotal U.S. Agency for International Development					$ 15,260.99
Total Other Federal Assistance					$ 1,568,517.44
		Research and Development Cluster			
		U.S. Department of Agriculture			
Direct Programs					
10.001	East Tennessee State University	Agricultural Research--Basic and Applied Research	5812359066	$ 1,972.24	
10.001	Tennessee State University	Agricultural Research--Basic and Applied Research	58-66129026	9,625.68	
10.001	University of Memphis	Agriculture Research--Basic and Applied Research	58-6408-6-029	40,226.60	
10.001	University of Tennessee	Agricultural Research--Basic and Applied Research	B11996263	113,852.54	
10.001	University of Tennessee	Agricultural Research--Basic and Applied Research	B11997104	3,637.77	
10.001	University of Tennessee	Agricultural Research--Basic and Applied Research	B11997484	61,475.81	
10.001	University of Tennessee	Agricultural Research--Basic and Applied Research	B11997555	23,045.04	$ 253,835.68
10.025	University of Tennessee	Plant and Animal Disease, Pest Control. and Animal Care	B11997546		13,586.15
10.055	University of Tennessee	Production Flexibility Payments for Contract Commodities	B11997240		2,920.23
10.069	University of Tennessee	Conservation Reserve Program	B11997355		6,246.19
10.156	University of Tennessee	Federal-State Marketing Improvement Program	B11997444	$ 48,694.80	
10.156	University of Tennessee	Federal-State Marketing Improvement Program	B11997547	24,047.78	72,742.58
10.200	Tennessee State University	Grants for Agricultural Research, Special Research Grants	95-38818-1354	$ 53,061.76	
10.200	University of Memphis	Grants for Agricultural Research, Special Research Grants	97-38500-4124	1,178.58	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	B11997458	31,503.12	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	B11997474	10,458.63	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	B11997486	65,762.96	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	B11997550	8,840.72	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	B11997623	120.49	170,926.26
10.202	University of Tennessee	Cooperative Forestry Research	B04999351	$ 73,179.33	
10.202	University of Tennessee	Cooperative Forestry Research	B01999987	81,211.01	
10.202	University of Tennessee	Cooperative Forestry Research	B11997540	56,669.59	
10.202	University of Tennessee	Cooperative Forestry Research	B11997542	8,325.00	
10.202	University of Tennessee	Cooperative Forestry Research	E111008	501,230.50	720,615.43
10.203	University of Tennessee	Payments to Agricultural Experiment Stations Under the Hatch Act	E110105		4,608,354.77
10.205	Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	N/A		1,987,895.32
10.206	East Tennessee State University	Grants for Agricultural Research--Competitive Research Grants	96-35200-3134	$ 11,159.08	
10.206	East Tennessee State University	Grants for Agricultural Research--Competitive Research Grants	98-35204-6636	45,512.01	
10.206	East Tennessee State University	Grants for Agricultural Research--Competitive Research Grants	98-35301-6514	48,272.07	
10.206	Tennessee State University	Grants for Agricultural Research--Competitive Research Grants	99-35208-8326	11,846.92	
10.206	Tennessee Technological University	Grants for Agricultural Research-Competitive Research Grants	99-35102-8523	6,296.26	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B01993946	61,666.50	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B01996887	21,692.74	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B01997689	13,599.00	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B01998144	62,766.19	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B01999993	34,220.77	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B01999994	56,753.93	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B01999995	32,157.53	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B01999996	50,025.85	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B04999087	3,298.47	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B07996501	68,118.91	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997133	35,038.14	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997333	53,382.29	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997429	48,822.09	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997439	25,075.07	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997471	32,895.25	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997527	22,017.07	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997548	2,300.95	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997549	43,058.16	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997552	28,308.00	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997556	25,104.00	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997557	11,967.81	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B11997559	6,042.25	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B18997512	63,206.82	
10.206	University of Tennessee	Grants for Agricultural Research--Competitive Research Grants	B18997571	29,651.90	954,256.03
10.207	University of Tennessee	Animal Health and Disease Research	B18997608	$ 85.70	
10.207	University of Tennessee	Animal Health and Disease Research	E111610	51,873.35	51,959.05
10.216	Tennessee State University	1890 Institution Capacity Building Grants	98-38814-6239	$ 77,582.60	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	98-38814-6236	35,180.67	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	98-38814-6238	25,447.77	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	99-38814-8201	50,456.54	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	99-38814-8362	1,049.37	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	94-38814-0640	12,196.80	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	94-38820-0598	12,800.00	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	95-38820-1753	12,932.53	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	95-38820-1737	45,175.21	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	95-38814-1719	35,677.96	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	95-38814-1718	11,705.43	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	96-38820-2864	70,698.71	390,903.59
10.217	Tennessee Technological University	Higher Education Challenge Grants	11-CCS-98-151	$ 6,378.60	
10.217	University of Tennessee	Higher Education Challenge Grants	B01993917	12,593.57	
10.217	University of Tennessee	Higher Education Challenge Grants	B18997601	34,927.50	53,899.67
10.250	University of Tennessee	Agricultural and Rural Economic Research	B11997197	$ 1,975.39	
10.250	University of Tennessee	Agricultural and Rural Economic Research	B11997266	3,345.31	
10.250	University of Tennessee	Agricultural and Rural Economic Research	B11997459	6,831.39	
10.250	University of Tennessee	Agricultural and Rural Economic Research	B11997561	346.21	
10.250	University of Tennessee	Agricultural and Rural Economic Research	B11997575	10,840.92	23,339.22
10.652	University of Tennessee	Forestry Research	B01991091	$ 2,850.62	
10.652	University of Tennessee	Forestry Research	B01996871	33,735.70	
10.652	University of Tennessee	Forestry Research	B01999082	45,189.52	
10.652	University of Tennessee	Forestry Research	B01999659	62,392.26	
10.652	University of Tennessee	Forestry Research	B01999998	19,318.71	
10.652	University of Tennessee	Forestry Research	B11997257	(3.00)	
10.652	University of Tennessee	Forestry Research	B11997438	23,174.86	
10.652	University of Tennessee	Forestry Research	B11997461	7,348.83	
10.652	University of Tennessee	Forestry Research	B11997503	33,817.26	
10.652	University of Tennessee	Forestry Research	B11997525	105,541.39	
10.652	University of Tennessee	Forestry Research	B11997535	5,398.04	
10.652	University of Tennessee	Forestry Research	B11997541	2,837.03	
10.652	University of Tennessee	Forestry Research	B11997545	18,414.85	
10.652	University of Tennessee	Forestry Research	B11997570	531.15	
10.652	University of Tennessee	Forestry Research	B11997614	5,343.69	
10.652	University of Tennessee	Forestry Research	B11997617	784.92	
10.652	University of Tennessee	Forestry Research	B11997622	1,198.22	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
10.652	Tennessee Technological University	Forestry Research	SRS 00-CA-11330138-072	2,747.05	370,621.10
10.773	Middle Tennessee State University	Rural Business Opportunity Grants	N/A		10,693.36
10.902	University of Tennessee	Soil and Water Conservation	B11997228	$ 40,124.70	
10.902	University of Tennessee	Soil and Water Conservation	B11997448	11,826.55	51,951.25
10.962	University of Tennessee	International Training--Foreign Participant	B07996872	$ 15,050.20	
10.962	University of Tennessee	International Training--Foreign Participant	B11997507	1,500.00	
10.962	University of Tennessee	International Training--Foreign Participant	B11997568	13,132.86	29,683.06
N/A	Tennessee Technological University	Bat Ecosystem Management	08-99-10-CCS-012		9,097.82
Subtotal Direct Programs					$ 9,783,526.76
Passed Through Southern Regional Aquaculture Center					
10.200	University of Memphis	Grants for Agricultural Research, Special Research Grants	95-38500-1411	$ 160.06	
10.200	University of Memphis	Grants for Agricultural Research, Special Research Grants	95-38500-1411	9,035.46	$ 9,195.52
Passed Through University of Vermont					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	B01998187		2,660.00
Passed Through Texas Tech University					
10.206	University of Memphis	Grants for Agricultural Research--Competitive Research Grants	1300/4527-01		15,753.70
Passed Through Mississippi State University					
10.250	Tennessee State University	Agricultural and Rural Economic Research	98-1-940-06		9,668.07
N/A	Tennessee State University	Access to and Use of Non-Profit Food Assistance Programs	43-3AEM-8-80044		1,488.90
Subtotal Pass-Through Programs					$ 38,766.19
Subtotal U.S. Department of Agriculture					$ 9,822,292.95
U.S. Department of Commerce					
Direct Programs					
11.303	University of Memphis	Economic Development--Technical Assistance	04-66-01002	$ 107,372.51	
11.303	University of Memphis	Economic Development--Technical Assistance	04-66-04660	3,219.04	$ 110,591.55
11.431	University of Tennessee	Climate and Atmospheric Research	B11997196		422.65
11.609	University of Tennessee	Measurement and Engineering Research and Standards	B01992298	$ (7,150.99)	
11.609	University of Tennessee	Measurement and Engineering Research and Standards	B01993617	87,583.23	
11.609	University of Tennessee	Measurement and Engineering Research and Standards	B01998242	40,251.03	
11.609	University of Tennessee	Measurement and Engineering Research and Standards	B01998755	18,446.49	
11.609	University of Tennessee	Measurement and Engineering Research and Standards	B01999399	14,302.77	153,432.53
N/A	Tennessee Technological University	Slag Hydration Kinetics	43NANB007020		10,997.97
N/A	University of Memphis	Developing a Tool for Improving Survey Questions	43-YA-BC-802930		10,262.94
Subtotal Direct Programs					$ 285,707.64

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Passed Through Cooperative Institute for Arctic Research					
11.430	University of Tennessee	Undersea Research	B01993015		$ 12,952.29
Subtotal Pass-Through Programs					$ 12,952.29
Subtotal U.S. Department of Commerce					$ 298,659.93
U.S. Department of Defense					
Direct Programs					
12.104	University of Memphis	Flood Plain Management Services	DACW39-98-K-0052		$ 86,246.03
12.300	Middle Tennessee State University	Basic and Applied Scientific Research	NOO173-98-P-2055	$ 15,574.69	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-97-1-1001	(420.99)	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-98-1-0754	410,824.27	
12.300	Tennessee State University	Basic and Applied Scientific Research	DAAE07-98-C-0029	101,962.10	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-99-1-0753	98,229.93	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-99-1-0968	22,272.00	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-96-1-0307	53,130.61	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-96-1-0567	102,899.92	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-97-1-0538	167,632.05	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0332	132,875.64	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0331	64,185.83	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0348	12,013.00	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0349	27,013.77	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0350	5,062.28	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0812	5,440.14	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-99-1-0522	2,540.98	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-99-1-0730	54,365.13	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-99-1-0721	44,474.03	
12.300	University of Memphis	Basic and Applied Scientific Research	UM #99-06-036	55,723.70	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-00-1-0559	5,248.59	
12.300	University of Memphis	Basic and Applied Scientific Research	N/A	26,956.97	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-00-1-0667	9,803.29	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01991143	291.08	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01991343	(37,381.99)	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01992892	145,664.09	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01993458	18,304.43	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01994021	42,705.41	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01999468	98,934.88	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01996076	64,074.99	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01997163	41,161.23	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01997782	59,787.16	
12.300	University of Tennessee	Basic and Applied Scientific Research	B01997847	8,680.64	
12.300	University of Tennessee	Basic and Applied Scientific Research	B02997185	135,503.90	
12.300	University of Tennessee	Basic and Applied Scientific Research	B02998349	14,190.28	
12.300	University of Tennessee	Basic and Applied Scientific Research	B07996750	296,175.25	
12.300	University of Tennessee	Basic and Applied Scientific Research	B07996751	(3,556.07)	2,302,343.21
12.420	Tennessee State University	Military Medical Research and Development	DAMD17-94-J-4474	$ 60,796.73	
12.420	University of Tennessee	Military Medical Research and Development	B07996737	150,616.19	
12.420	University of Tennessee	Military Medical Research and Development	B07996882	10,944.33	222,357.25
12.431	Shelby State Community College	Basic Scientific Research	DAAD19-99-1-0357	$ 79,112.61	
12.431	University of Memphis	Basic Scientific Research	DAAHO4-96-C-0086	114,064.09	
12.431	University of Tennessee	Basic Scientific Research	B01993435	429.00	
12.431	University of Tennessee	Basic Scientific Research	B01993591	655.88	
12.431	University of Tennessee	Basic Scientific Research	B01997130	40,213.67	
12.431	University of Tennessee	Basic Scientific Research	B01997567	14,447.04	
12.431	University of Tennessee	Basic Scientific Research	B02997225	9,659.96	
12.431	University of Tennessee	Basic Scientific Research	B02997294	77,984.73	
12.431	University of Tennessee	Basic Scientific Research	B02998350	6,128.21	342,695.19
12.630	University of Tennessee	Basic, Applied, and Advanced Research in Science and Engineering	B01999616		20,685.15
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B01992081	$ (0.09)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B01993180	(2,621.67)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B01998244	325,033.03	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02997228	54,118.88	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02997260	21,330.99	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02997264	(66.43)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02997265	(1,696.85)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998315	28,370.28	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998316	23,744.62	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998317	26,144.37	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998318	31,106.50	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998319	35,776.34	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998320	16,258.25	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998328	22,482.85	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998331	13,859.20	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998347	484,575.00	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B02998373	4,879.45	1,083,294.72
N/A	Tennessee State University	D5 Umbilical Retract Mechanism Study	N00030-99-M-0617		65,918.23

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
N/A	Tennessee State University	MITSS Program Management	DCA100-00-D-4001		2,603.79
N/A	Tennessee State University	Thin Film Phase Change Heat Transfer	F33615-96-C-3201		44,253.96
N/A	Tennessee Technological University	Evaluation of the Effects of Headcutting on Riparian Forests of the Wolf River	DACW39-99-P-0393		7,749.16
N/A	University of Memphis	Intergovernmental Personnel Assignment	N/A		76,696.21
N/A	University of Memphis	Immunity Based Intrusion Detection System	F30602-00-2-0514		13,683.55
N/A	University of Memphis	Accidents and Hazardous Spills for the Upper Mississippi River Basin	DACW25-97-M0539		4,515.93
N/A	University of Memphis	West Tennessee Tributary Project Mitigation	DACW66-97-P-0485		236.39
N/A	University of Memphis	West Tennessee Tributary Project Wetlands	DACW66-97-P-0514		466.39
N/A	University of Memphis	Emissions and Fuel Use Analysis for the Upper Mississippi Basin	DACW25-97-Q-0119		1,750.20
N/A	University of Memphis	Wolf River Feasibility Study: Water Quality Impact Analysis	DACW66-98-P-0171		1,547.22
N/A	University of Memphis	Wolf River Feasibility Study: GIS Modeling and Mapping	DACW66-98-P-0172		4,561.34
N/A	University of Memphis	Memphis Metro study-Geographical Information System Modeling and Mapping	DACW66-98-P-0283		2,541.78
N/A	University of Memphis	Memphis Metro study-Planning and Environmental Analysis Studies	DACW66-98-P-0281		739.37
N/A	University of Memphis	Memphis River Front Development Project	DACW66-98-P-0520		0.52
N/A	University of Memphis	Automated Aural Analysis	F30602-99-C-0076		56,763.29
N/A	University of Memphis	Deer Browsing Impact	PO# 34260		7,926.98
N/A	University of Tennessee	ARMY DAAH04-95-1-0504 DONGARRA	B01992391		4,365.89
N/A	University of Tennessee	DEF LOG-SP0410-99-D-0006-DICER	B01997325		1,040,368.02
N/A	University of Tennessee	DOD-WILLIAMS-TUCKALEECHEE SEIS	B01997329		45,363.18
N/A	University of Tennessee	ARMY DAAH04-95-1-0258 STEINHEF	B02997161		27,719.97
N/A	University of Tennessee	ARMY CORPS-GRASSLAND BIRDS	B11997572		40,109.16
Subtotal Direct Programs					$ 5,507,502.08
Passed Through American Super Conductor Corporation					
12.300	University of Tennessee	Basic and Applied Scientific Research	B01996964		$ 9,602.08
Passed Through Pennsylvania State University					
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-99-1-0648	$ 89,111.53	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-95-1-0461	12,521.70	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-96-1-1147	23,686.46	125,319.69
N/A	Tennessee State University	Design Uncertainty Module Development	N00039-97-D-0042		22,466.10
Passed Through Battele					
12.431	University of Tennessee	Basic Scientific Research	B01998605		3,086.61
Passed Through Nichols Research Corporation					
12.431	University of Tennessee	Basic Scientific Research	B01994060	$ 181,498.33	
12.431	University of Tennessee	Basic Scientific Research	B01994070	184,219.43	365,717.76

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Passed Through Environmental Elements Corporation					
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B01997315	$ 41,359.86	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B01997497	163,133.06	204,492.92
Passed Through Research and Development Laboratories					
12.800	University of Tennessee	Air Force Defense Research Sciences Program	B01998257		17,243.95
Passed Through Academy of Applied Science					
N/A	Tennessee State University	Research and Engineering Apprentice Program	DAAH04-93-G-0163		4,189.27
Passed Through CH2MHill					
N/A	Tennessee Technological University	Provide Services for Habitat Utilization Study: Avifauna Survey and Habitat Study	30110		37,009.30
Passed Through Dynamic Structures and Materials, Limited Liability Company					
N/A	Tennessee Technological University	Miniature Compliant Spatial Parallel Manipulators	TTU050100		6,231.38
Passed Through General Dynamics					
N/A	University of Memphis	Spatial Analysis of White-Tailed Deer Data	T-98-5778		8,613.41
Passed Through Northeastern University					
N/A	University of Tennessee	NORTHEASTERN UN-593930 VO-DINH	B01998151		51,274.69
Passed Through Raytheon					
N/A	University of Tennessee	RAYTHEON E-SYSMS#AA23 YR3 DNGR	B01998066		33,527.58
Passed Through Science Applications International Corporation					
N/A	University of Memphis	Search Model	4400005110		1,611.20
Passed Through Tennessee Applied Physical Sciences					
N/A	Tennessee Technological University	Biologically Generated Multi-Spectral Obscurants	TAPS TTU-FFP-001		3,620.68
Passed Through University of North Alabama					
N/A	University of Tennessee	UNIV NORTH ALABAMA SMITH 99	B01998031		478.29
Subtotal Pass-Through Programs					$ 894,484.91
Subtotal U.S. Department of Defense					$ 6,401,986.99
U.S. Department of Housing and Urban Development					
Direct Programs					
14.511	University of Memphis	Community Outreach Partnership Center Program	COPC-TN-97-107		$ 0.42
Total U.S. Department of Housing and Urban Development					$ 0.42

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
		U.S. Department of the Interior			
Direct Programs					
15.608	Tennessee Technological University	Fish and Wildlife Management Assistance	1448-40181-98-J-013	$ 1,665.10	
15.608	Tennessee Technological University	Fish and Wildlife Management Assistance	1448-40181-99-G-055	5,286.21	
15.608	University of Tennessee	Fish and Wildlife Management Assistance	B11997412	4,428.16	
15.608	University of Tennessee	Fish and Wildlife Management Assistance	B11997536	4,901.48	
15.608	University of Tennessee	Fish and Wildlife Management Assistance	B11997595	7,655.56	$ 23,936.51
15.807	University of Memphis	Earthquake Hazards Reduction Program	HQ98AG01929	$ 133,464.36	
15.807	University of Memphis	Earthquake Hazards Reduction Program	HQ98AG01932	83,715.68	
15.807	University of Memphis	Earthquake Hazards Reduction Program	1434-HQ-98-GR-00008	5,075.59	
15.807	University of Memphis	Earthquake Hazards Reduction Program	98HQGR1020	1,756.90	
15.807	University of Memphis	Earthquake Hazards Reduction Program	98HQGR1021	2,598.40	
15.807	University of Memphis	Earthquake Hazards Reduction Program	98HQGR1022	12,860.60	
15.807	University of Memphis	Earthquake Hazards Reduction Program	99HQGR0040	10,403.53	
15.807	University of Memphis	Earthquake Hazards Reduction Program	99HQGR0053	26,986.05	
15.807	University of Memphis	Earthquake Hazards Reduction Program	99HQGR0059	19,218.93	
15.807	University of Memphis	Earthquake Hazards Reduction Program	HQ98AG01936	83,701.49	
15.807	University of Memphis	Earthquake Hazards Reduction Program	99HQGR0229	14,256.12	
15.807	University of Memphis	Earthquake Hazards Reduction Program	ADVANCE	2,814.59	
15.807	University of Memphis	Earthquake Hazards Reduction Program	00HQGR0031	8,984.28	
15.807	University of Memphis	Earthquake Hazards Reduction Program	00HQGR0008	3,752.80	409,589.32
15.808	Tennessee Technological University	U.S. Geological Survey--Research and Data Acquisition	WO#31	$ 10,116.19	
15.808	Tennessee Technological University	U.S. Geological Survey--Research and Data Acquisition	WO#34	10,489.68	
15.808	Tennessee Technological University	U.S. Geological Survey--Research and Data Acquisition	WO#39	4,317.01	
15.808	Tennessee Technological University	U.S. Geological Survey--Research and Data Acquisition	WO#36	2,239.85	
15.808	Tennessee Technological University	U.S. Geological Survey--Research and Data Acquisition	WO#30	9,087.49	
15.808	Tennessee Technological University	U.S. Geological Survey--Research and Data Acquisition	WO#38	7,993.79	
15.808	Tennessee Technological University	U.S. Geological Survey--Research and Data Acquisition	WO#32	11,046.70	
15.808	Tennessee Technological University	U.S. Geological Survey--Research and Data Acquisition	WO#37	10,110.32	
15.808	Tennessee Technological University	U.S. Geological Survey--Research and Data Acquisition	WO#35	3,706.66	
15.808	University of Memphis	U.S. Geological Survey--Research and Data Acquisition	99HQAG0198	34,258.81	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B01991481	322,651.71	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B01992531	16,609.08	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B01993460	12,501.64	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B01997931	32,229.34	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B01998799	6,590.88	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B01998876	223,566.62	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B01999015	10,139.43	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B11997200	75,189.58	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B11997214	69,725.84	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B11997255	79,470.64	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B11997462	(237.99)	
15.808	University of Tennessee	U.S. Geological Survey--Research and Data Acquisition	B11997518	43,351.51	995,154.78
15.810	University of Tennessee	National Cooperative Geologic Mapping Program	B01991823	$ (580.06)	
15.810	University of Tennessee	National Cooperative Geologic Mapping Program	B01997924	19,661.10	19,081.04
15.904	East Tennessee State University	Historic Preservation Fund Grants-In-Aid	1443CA514098007	$ 17,443.04	
15.904	East Tennessee State University	Historic Preservation Fund Grants-In-Aid	1443CA514098008	2,710.52	20,153.56
15.916	Tennessee Technological University	Outdoor Recreation--Acquisition, Development and Planning	1443-CA-5460-99-006	$ 14,348.79	
15.916	Tennessee Technological University	Outdoor Recreation--Acquisition, Development and Planning	1443-CA-5460-98-012	10,477.74	
15.916	Tennessee Technological University	Outdoor Recreation--Acquisition, Development and Planning	1443-CA-5130-96-001	11,188.03	
15.916	Tennessee Technological University	Outdoor Recreation--Acquisition, Development and Planning	1443-CA-5460-99-013	9,652.92	
15.916	University of Tennessee	Outdoor Recreation--Acquisition, Development and Planning	B01993160	22,380.75	
15.916	University of Tennessee	Outdoor Recreation--Acquisition, Development and Planning	B01996890	10,588.10	
15.916	University of Tennessee	Outdoor Recreation--Acquisition, Development and Planning	B01999694	89,125.92	
15.916	University of Tennessee	Outdoor Recreation--Acquisition, Development and Planning	B11997454	1,255.61	
15.916	University of Tennessee	Outdoor Recreation--Acquisition, Development and Planning	B11997534	2,180.90	171,198.76
15.921	University of Tennessee	Rivers, Trails and Conservation Assistance	B01996327		227,977.74
N/A	University of Memphis	Sources of Manganese and Iron Leachate Discharging from Cumberland Coal Mine	N/A		3,500.00
N/A	University of Memphis	Archaeological Survey at Fort Polk, LA	C5890990140		$ 230,392.89
N/A	University of Tennessee	NPS LNG TERM BLK BEAR RESEARCH	B11997606		2,023.79
Subtotal Direct Programs					$ 2,103,008.39
Passed Through Kentucky Heritage Council					
15.904	University of Tennessee	Historic Preservation Fund Grants-In-Aid	B01994053	$ 2,110.00	
15.904	University of Tennessee	Historic Preservation Fund Grants-In-Aid	B01994098	3,200.00	$ 5,310.00
Subtotal Pass-Through Programs					$ 5,310.00
Subtotal U.S. Department of the Interior					$ 2,108,318.39

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
		U.S. Department of Justice			
Direct Programs					
16.560	University of Memphis	National Institute of Justice Research, Evaluation, and Development Project Grants	1999-IJ-CX-K007	$ 63,294.22	
16.560	University of Memphis	National Institute of Justice Research, Evaluation, and Development Project Grants	1999-WT-VX-0007	119,242.06	
16.560	University of Tennessee	National Institute of Justice Research, Evaluation, and Development Project Grants	B01997829	37,015.25	$ 219,551.53
N/A	University of Memphis	Memphis Strategic Team Against Rape and Sexual Assault	2000-JN-FX-0002		14,189.94
N/A	University of Tennessee	FBI J-FBI-98-083 BIRDWELL	B01996949		265,824.09
Subtotal Direct Programs					$ 499,565.56
Passed Through Clark Atlanta University					
N/A	University of Tennessee	CLARK ATLANTA UNIV #9710437001	B02997272		$ 41,414.72
Subtotal Pass-Through Programs					$ 41,414.72
Subtotal U.S. Department of Justice					$ 540,980.28
		U.S. Department of Labor			
Direct Programs					
17.503	University of Tennessee	Occupational Safety and Health--State Program	B01993030		$ 171,305.87
N/A	University of Tennessee	US DOL #J-9-E-1-0030 CON RS 97	B01998566		615,922.63
Subtotal U.S. Department of Labor					$ 787,228.50
		U.S. Department of Transportation			
Direct Programs					
20.701	University of Tennessee	University Transportation Centers Program	B01991957	$ 816,016.83	
20.701	University of Tennessee	University Transportation Centers Program	B01997305	7,004.91	$ 823,021.74
N/A	Tennessee Technological University	Conduct Water Quality Monitoring Services for FHWA Project Foot	DTFH71-00-P-00162		4,380.31
Subtotal Direct Programs					$ 827,402.05
Passed Through City of Memphis					
20.215	University of Memphis	Highway Training and Education	N-11150		$ 12,390.30
Subtotal Pass-Through Programs					$ 12,390.30
Subtotal U.S. Department of Transportation					$ 839,792.35
		Appalachian Regional Commission			
Direct Programs					
23.001	University of Tennessee	Appalachian Regional Development (See individual Appalachian Programs)	B01999387		$ 2,106.79
Subtotal Direct Programs					$ 2,106.79

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Passed Through Appalachia Educational Laboratory					
N/A	University of Memphis	Formative Evaluation of School	N/A		$ 241,440.87
Subtotal Pass-Through Programs					$ 241,440.87
Subtotal Appalachian Regional Commission					$ 243,547.66
National Aeronautics and Space Administration					
Direct Programs					
43.001	Tennessee Technological University	Aerospace Education Services Program	NAG8-1279	$ 12,288.97	
43.001	Tennessee Technological University	Aerospace Education Services Program	NAG8-1631	22,900.99	
43.001	Tennessee Technological University	Aerospace Education Services Program	NGT8-52883	17,455.78	
43.001	Middle Tennessee State University	Aerospace Education Services Program	NAG8-1211	4,232.93	
43.001	Middle Tennessee State University	Aerospace Education Services Program	NAG8-1486	46,551.12	
43.001	University of Memphis	Aerospace Education Services Program	NAG3-2092	19,685.49	
43.001	University of Memphis	Aerospace Education Services Program	NAG5-9783	9,952.04	$ 133,067.32
43.002	Tennessee State University	Technology Transfer	NAG-10-0217	$ 73,495.86	
43.002	Tennessee State University	Technology Transfer	NCC5-228	942,014.52	
43.002	Tennessee State University	Technology Transfer	NAG3-2244	70,363.58	
43.002	Tennessee State University	Technology Transfer	NAG-3-2266	12,131.19	
43.002	Tennessee State University	Technology Transfer	NAG3-2272	164,680.20	
43.002	Tennessee State University	Technology Transfer	NCC5-96	506,875.86	
43.002	Tennessee State University	Technology Transfer	NAG3-1797	127,004.27	1,896,565.48
N/A	East Tennessee State University	Marshall Space Flight Center	NAG8-1218		4,081.35
N/A	East Tennessee State University	Ames Research Center	NCC2-5242		27,906.42
N/A	East Tennessee State University	Ames Research Center	NCC2-5361		19,283.17
N/A	East Tennessee State University	Marshall Space Flight Center	NAG8-1375		91,509.43
N/A	University of Memphis	ZSCAPE: A Coupled Tectonic Geomorphic Landscape Evolution Model	NAG 5-2995		29,889.72
N/A	University of Memphis	New Diagnostic Constraints for Coronal Heating and Loop Dynamic Models	NAG5-7197		8,900.85
N/A	University of Memphis	Landscape Hazard in Response to Short-term Climate Change	NAG5-7617		56,633.93
N/A	University of Tennessee	NASA NCC 5-88 BLASS	B01991888		7,872.79
N/A	University of Tennessee	NASA PO#H27475D-KEYHANI	B01992077		891.66
N/A	University of Tennessee	NASA NAG8-1442 SANDERS SEE	B01992227		38,604.60
N/A	University of Tennessee	NASA NAG5-3464 THONNARD	B01994139		46,711.42
N/A	University of Tennessee	NASA NAGW OSSP PROGRAM-MCSWEEN	B01996199		49,674.51
N/A	University of Tennessee	NASA NAG5-8091-TAYLOR	B01997030		27,000.00
N/A	University of Tennessee	NASA NAG 8-1568 BUNICK	B01997068		139,942.38
N/A	University of Tennessee	NASA NAG 5-8154 TALYOR	B01997070		52,323.54
N/A	University of Tennessee	NASA NCC2-5310 DONGARRA	B01997086		91,163.83
N/A	University of Tennessee	NASA NCC2-5312 DONGARRA	B01997089		83,688.71
N/A	University of Tennessee	NASA NAG9-1080 SAYLER	B01997094		194,736.60
N/A	University of Tennessee	NASA NAG5-8405 MEZZACAPPA	B01997095		44,687.21
N/A	University of Tennessee	NASA NAG1-2163 LYNE	B01997117		13,235.22
N/A	University of Tennessee	NASA H-30962D KEYHANI	B01997134		9,845.97
N/A	University of Tennessee	NASA NAG5-4541 METEORITE-MCSWN	B01997285		97,397.82
N/A	University of Tennessee	NASA NAG9-1121 BYSN MTHD-TWNSD	B01997303		21,323.41
N/A	University of Tennessee	NASA NAG9-1123 NTRN/SPCTA TWNS	B01997304		19,703.46
N/A	University of Tennessee	NASA NAG5-8726 TAYLOR 99-00	B01997328		24,262.45
N/A	University of Tennessee	NASA NAG5-8760 SAYLER	B01997345		76,663.03

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
N/A	University of Tennessee	NASA NAG5-8773 NHSE-DONGARRA	B01997382		81,451.12
N/A	University of Tennessee	NASA NAG5-8926 BRITT	B01997463		4,875.97
N/A	University of Tennessee	NASA NAG5-6237 BLASS	B01997474		2,622.12
N/A	University of Tennessee	NASA NAG5-4370 TAYLOR 98	B01997519		1,445.07
N/A	University of Tennessee	NASA NAG-1-2292 RIGGINS	B01997581		29,467.36
N/A	University of Tennessee	NASA NAG5-9158 TAYLOR 00-01	B01997597		6,615.06
N/A	University of Tennessee	NASA-MINERALOGY & SPECTRAL-TAYLR	B01997801		56,689.36
N/A	University of Tennessee	JPL-CAL TECH DUNNE 99	B01998451		49,238.00
N/A	University of Tennessee	JET PROP LAB BRITT	B01999425		59,618.71
N/A	University of Tennessee	NASA NAG8-1336 MARSHALL-ANTAR	B02997232		7,046.18
N/A	University of Tennessee	NASA NAG3-2068 CARUTHERS	B02997251		28,243.28
N/A	University of Tennessee	NASA-AMES NCC2-5265 STEINHOFF	B02997293		32,542.94
N/A	University of Tennessee	NASA NAG-12185 LO	B02998338		21,391.76
N/A	University of Tennessee	NASA-LANGLEY-GSRP-ENGELS	B02998341		19,392.39
N/A	University of Tennessee	NASA NAG10-0221 CONGER	B11997331		49,365.10
N/A	University of Tennessee	IPA-NASA PO W30865-ASKEW	P02990009		48,042.27
N/A	University of Tennessee	IPA-NASA-ASKEW	P02990012		111,507.63
Subtotal Direct Programs					$ 3,917,120.60
Passed Through Universities Space Research Association					
43.001	Austin Peay State University	Aerospace Education Services Program	03482-02		$ 5,895.18
Passed Through University of Alabama					
43.001	Austin Peay State University	Aerospace Education Services Program	NAG5-4346		1,611.37
Passed Through Vanderbilt University					
43.001	Middle Tennessee State University	Aerospace Education Services Program	14031-A1-S10	$ 188.19	
43.001	Austin Peay State University	Aerospace Education Services Program	14031-A3-S1	5,808.81	5,997.00
Passed Through Alabama A&M University					
N/A	University of Memphis	Innovative Approach for Vortex Tube Flow Analysis and Application in Film Cooling	NAG8-1335		28,394.04
Passed Through Boeing Defense and Space Group					
N/A	University of Memphis	Magnetic Air-Water Separation Technology	CC 84148 B		9,979.17
Passed Through California Institute for Technology Jet Propulsion					
N/A	University of Tennessee	JET PROPULSION LAB #959389 93	B01996596		4,111.82
N/A	University of Tennessee	JET PROPULSION LAB-CAL TECH 98	B01998045		54,819.98
N/A	University of Tennessee	JPL-CAL TECH MCSWEEN 99	B01998227		33,248.92
Passed Through Mississippi State University					
N/A	Tennessee State University	Physics-Based Maneuvering Prediction of Commuter Aircraft	NAG2-1232		87,445.14
Passed Through Prairie View A&M University					
N/A	Tennessee State University	Applied Radiation Research	NCC9-50		11,210.71
Passed Through Yale University					
N/A	University of Tennessee	YALE UNIV 98 FERRELL	B01998074		4,037.98

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Subtotal Pass-Through Programs					$ 246,751.31
Subtotal National Aeronautics and Space Administration					$ 4,163,871.91
National Foundation of Arts and the Humanities					
Direct Programs					
45.024	Austin Peay State University	Promotion of the Arts--Grants to Organizations and Individuals	98-6200-3087		$ 8,272.23
45.149	East Tennessee State University	Promotion of the Humanities--Division of Preservation and Access	PA-23283-99		81,829.52
45.161	University of Memphis	Promotion of the Humanities--Research	RZ-20380-99	$ 57,392.95	
45.161	University of Tennessee	Promotion of the Humanities--Research	B01991868	(24,172.66)	
45.161	University of Tennessee	Promotion of the Humanities--Research	B01993748	33,449.32	66,669.61
Subtotal National Foundation of Arts and the Humanities					$ 156,771.36
National Science Foundation					
Direct Programs					
47.041	Tennessee Technological University	Engineering Grants	DMI-9896235	$ 2,139.50	
47.041	Tennessee Technological University	Engineering Grants	DMI-9713913	54,581.95	
47.041	University of Memphis	Engineering Grants	EEC-9619821	38,314.56	
47.041	University of Memphis	Engineering Grants	BES-9733542	33,910.39	
47.041	University of Memphis	Engineering Grants	BES-9973638	40,293.68	
47.041	University of Tennessee	Engineering Grants	B01992397	8,058.51	
47.041	University of Tennessee	Engineering Grants	B01992427	36,516.00	
47.041	University of Tennessee	Engineering Grants	B01992477	49,177.78	
47.041	University of Tennessee	Engineering Grants	B01992800	117,678.10	
47.041	University of Tennessee	Engineering Grants	B01993253	140.62	
47.041	University of Tennessee	Engineering Grants	B01993289	(3,381.20)	
47.041	University of Tennessee	Engineering Grants	B01993833	48,069.99	
47.041	University of Tennessee	Engineering Grants	B01994015	15,452.23	
47.041	University of Tennessee	Engineering Grants	B01997332	275,650.40	
47.041	University of Tennessee	Engineering Grants	B01997379	47,320.87	
47.041	University of Tennessee	Engineering Grants	B01997763	178,209.81	
47.041	University of Tennessee	Engineering Grants	B01998155	5,732.19	
47.041	University of Tennessee	Engineering Grants	B01998157	80,143.82	
47.041	University of Tennessee	Engineering Grants	B01998162	29,934.39	
47.041	University of Tennessee	Engineering Grants	B01998165	274.91	
47.041	University of Tennessee	Engineering Grants	B01998765	2,848.97	
47.041	University of Tennessee	Engineering Grants	B01999257	19,778.84	
47.041	University of Tennessee	Engineering Grants	B01999264	33,196.54	
47.041	University of Tennessee	Engineering Grants	B01999357	14,137.15	
47.041	University of Tennessee	Engineering Grants	B01999413	18,966.17	
47.041	University of Tennessee	Engineering Grants	B01999731	134,545.97	
47.041	University of Tennessee	Engineering Grants	B04998806	9,714.24	
47.041	University of Tennessee	Engineering Grants	B07992676	35,330.25	$ 1,326,736.63
47.049	East Tennessee State University	Mathematical and Physical Sciences	DMS-9619889	$ 590.16	
47.049	Middle Tennessee State University	Mathematical and Physical Sciences	DMR9977729	134,400.00	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-9696168	112.00	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-9614346	32,959.35	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-9801602	21,518.91	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-9896286	22,403.74	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-9970404	27,566.88	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-9971212	36,898.12	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-9987775	8,830.26	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01990307	43,121.98	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01990701	96,418.22	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01990958	14,173.22	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01991003	9,285.11	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01991400	1,402.70	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01991443	5.05	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01992185	19,793.03	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01992218	4,343.70	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01993069	2,076.56	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01993467	11,448.19	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01993468	12,189.20	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01993502	1,276.46	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01993582	0.01	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01993967	17,714.61	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01994071	57,907.84	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01996007	59,049.98	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01996966	50,969.84	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997165	58,119.74	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997340	90,815.30	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997358	154,079.97	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997392	150,410.99	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997406	63,672.26	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997440	60,048.08	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997471	129,579.29	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997766	31,360.31	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997805	46,456.05	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997886	11,044.00	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997890	23,609.49	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01997901	13,290.52	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01998059	107,191.37	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01998064	122,831.21	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01998071	40,813.95	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01998323	67,589.04	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01998328	30,098.49	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01998332	81,234.05	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01998884	59,878.12	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01998898	11,721.09	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01999289	73,356.19	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01999292	17,075.28	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01999300	37,061.13	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01999303	40,516.56	
47.049	University of Tennessee	Mathematical and Physical Sciences	B01999634	6,755.65	2,215,063.25
47.050	Tennessee Technological University	Geosciences	OCE-9813542	$ 51,785.15	
47.050	University of Memphis	Geosciences	OPP-9527529	30,139.99	
47.050	University of Memphis	Geosciences	EAR-9614651	24,638.29	
47.050	University of Memphis	Geosciences	EAR-9803484	43,398.55	
47.050	University of Memphis	Geosciences	98-268/2RC-2	5,912.65	
47.050	University of Memphis	Geosciences	98-268/3SG-7	6,797.97	
47.050	University of Memphis	Geosciences	ADVANCE	2,794.59	
47.050	University of Memphis	Geosciences	98-268/3SG-6A	100.06	
47.050	University of Memphis	Geosciences	ADVANCE	2,058.90	
47.050	University of Memphis	Geosciences	98-268/3GT-8B	19,842.34	
47.050	University of Tennessee	Geosciences	B01990399	5,525.93	
47.050	University of Tennessee	Geosciences	B01991179	32,140.90	
47.050	University of Tennessee	Geosciences	B01992426	55,160.18	
47.050	University of Tennessee	Geosciences	B01997380	14,154.65	
47.050	University of Tennessee	Geosciences	B01997414	10,142.05	
47.050	University of Tennessee	Geosciences	B01997574	10,872.45	
47.050	University of Tennessee	Geosciences	B01997809	22,095.25	
47.050	University of Tennessee	Geosciences	B01998099	20,048.84	
47.050	University of Tennessee	Geosciences	B01998164	3,443.13	
47.050	University of Tennessee	Geosciences	B01998178	59,444.01	
47.050	University of Tennessee	Geosciences	B01998417	8,964.78	
47.050	University of Tennessee	Geosciences	B01999328	35,384.78	464,845.44
47.070	East Tennessee State University	Computer and Information Science and Engineering	IIS-9874684	$ 12,859.91	
47.070	University of Memphis	Computer and Information Science and Engineering	SBR-9720314	357,064.52	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
47.070	University of Memphis	Computer and Information Science and Engineering	EIA-9818323	32,700.38	
47.070	University of Memphis	Computer and Information Science and Engineering	IIS-9907299	4,697.55	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01992165	7,910.62	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01992317	16,229.54	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01992960	(17,113.63)	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01993664	52,942.77	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01993665	88,287.63	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01993825	1,095.88	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01997347	834,199.89	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01997554	76,751.14	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01997743	18,198.82	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01997784	352,875.12	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01998256	42,302.63	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01998298	128,014.79	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01998749	225,850.33	
47.070	University of Tennessee	Computer and Information Science and Engineering	B01999353	104,630.89	2,339,498.78
47.074	Tennessee Technological University	Biological Sciences	MCB-9506296	$ 760.81	
47.074	Tennessee Technological University	Biological Sciences	DBI-9970016	165,122.34	
47.074	University of Memphis	Biological Sciences	DEB-9996016	35,792.23	
47.074	University of Memphis	Biological Sciences	#32320-6014	8,333.34	
47.074	University of Tennessee	Biological Sciences	B01991368	12,768.76	
47.074	University of Tennessee	Biological Sciences	B01991531	98,695.46	
47.074	University of Tennessee	Biological Sciences	B01992343	117,807.19	
47.074	University of Tennessee	Biological Sciences	B01992945	63,460.64	
47.074	University of Tennessee	Biological Sciences	B01993111	21,885.84	
47.074	University of Tennessee	Biological Sciences	B01995570	40,005.02	
47.074	University of Tennessee	Biological Sciences	B01996473	26,768.69	
47.074	University of Tennessee	Biological Sciences	B01996870	15,186.08	
47.074	University of Tennessee	Biological Sciences	B01997373	102,964.41	
47.074	University of Tennessee	Biological Sciences	B01998063	125,268.03	
47.074	University of Tennessee	Biological Sciences	B01998069	114,130.39	
47.074	University of Tennessee	Biological Sciences	B01998864	75,955.19	
47.074	University of Tennessee	Biological Sciences	B01999327	16,843.21	
47.074	University of Tennessee	Biological Sciences	B07992667	39,821.52	
47.074	University of Tennessee	Biological Sciences	B07992670	8,000.00	
47.074	University of Tennessee	Biological Sciences	B07992673	37,983.36	
47.074	University of Tennessee	Biological Sciences	B07992674	101,779.88	
47.074	University of Tennessee	Biological Sciences	B07992675	60,570.91	
47.074	University of Tennessee	Biological Sciences	B07992677	11,382.19	1,301,285.49
47.075	East Tennessee State University	Social, Behavioral, and Economic Sciences	INT-9908542	$ 29.40	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01992740	25,562.49	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01993278	10,332.24	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01993753	67,259.88	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01994600	3,249.16	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01997342	2,269.21	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01997343	46,283.64	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01997344	1,940.05	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01997401	17,672.15	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01997892	992.07	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01998183	28,733.49	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01998334	1,935.50	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01999290	2,694.66	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01999295	4,964.01	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	B01999370	356.87	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	SBR-9531643	1,930.00	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	SBR-9618681	4,171.72	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	INT-9703926	57,174.92	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	SBR-9618119	8,236.26	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	SBR-9808989	27,587.14	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	SES-9977969	3,549.02	316,923.88
47.076	Tennessee State University	Education and Human Resources	HRD-9706268	$ 1,042,794.58	
47.076	Nashville State Technical Institute	Education and Human Resources	DUE-9602401	(36.03)	
47.076	Tennessee Technological University	Education and Human Resources	DUE-9950762	43,964.89	
47.076	Middle Tennessee State University	Education and Human Resources	DUE-9851230	29,124.47	
47.076	Middle Tennessee State University	Education and Human Resources	DUE-9950820	84,041.21	
47.076	University of Memphis	Education and Human Resources	DUE-9996137	22,882.51	
47.076	University of Memphis	Education and Human Resources	EEC-9912439	98,576.98	
47.076	University of Tennessee	Education and Human Resources	B01992926	21,604.87	
47.076	University of Tennessee	Education and Human Resources	B01993732	10,701.59	
47.076	University of Tennessee	Education and Human Resources	B01995617	37,597.60	
47.076	University of Tennessee	Education and Human Resources	B01997357	61,411.80	
47.076	University of Tennessee	Education and Human Resources	B01998058	50,409.55	
47.076	University of Tennessee	Education and Human Resources	B01999253	80,313.23	
47.076	University of Tennessee	Education and Human Resources	B07992664	41,555.82	1,624,943.07
47.078	University of Tennessee	Polar Programs	B01997764	$ 96,009.89	
47.078	University of Tennessee	Polar Programs	B01998078	103,143.52	
47.078	University of Tennessee	Polar Programs	B01998343	17,588.18	
47.078	University of Tennessee	Polar Programs	B01998349	884.02	217,625.61
N/A	Tennessee Technological University	Enhancement of Noise Control Facility	ENG-9870415		26,802.79
N/A	University of Memphis	Mid-America Earthquake Center	98-268		9,998.53
Subtotal Direct Programs					$ 9,843,723.47
Passed Through Duke University					
47.041	University of Memphis	Engineering Grants	BES-9520526		$ 31,188.44
Passed Through State University of New York					
47.041	University of Memphis	Engineering Grants	150-7145-A		25,547.96
Passed Through University of Illinois					
47.041	University of Memphis	Engineering Grants	98-268/1AD-2/2RD2	$ 28,546.30	
47.041	University of Memphis	Engineering Grants	98-268/2SG-4	22,601.41	
47.041	University of Memphis	Engineering Grants	98-268/2SG-1	17,678.10	
47.041	University of Memphis	Engineering Grants	98-268/2RR-2	13,520.70	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
47.041	University of Memphis	Engineering Grants	98-268/2SG-2	29,247.58	
47.041	University of Memphis	Engineering Grants	98-268/20-4	40,790.33	
47.041	University of Memphis	Engineering Grants	98-268/10-2B	8,081.18	
47.041	University of Memphis	Engineering Grants	98-268/2ED-2	4,233.59	
47.041	University of Memphis	Engineering Grants	98-268/2SG-3A	13,389.39	
47.041	University of Memphis	Engineering Grants	98-268/2RR-4	24,547.20	202,635.78
47.050	University of Memphis	Geosciences	98-268/2ST-17		9,099.53
Passed Through University of Minnesota					
47.041	University of Memphis	Engineering Grants	NSF/DMR-9522286		8,070.39
Passed Through Vanderbilt University					
47.049	Middle Tennessee State University	Mathematical and Physical Sciences	OMS9622780		7,923.52
Passed Through Rice University					
47.070	University of Tennessee	Computer and Information Science and Engineering	B01998261		246,212.67
Passed Through Lemoyne-Owen College					
47.076	Tennessee State University	Education and Human Resources	HRD-9553315-02	$ 64,965.48	
47.076	Tennessee State University	Education and Human Resources	HRD-9553315-03	66,017.84	
47.076	Tennessee State University	Education and Human Resources	HRD-9553315-01	(100.25)	130,883.07
Subtotal Pass-Through Programs					$ 661,561.36
Subtotal National Science Foundation					$ 10,505,284.83
Tennessee Valley Authority					
Direct Programs					
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	TV-96890V	$ 37,436.98	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	1297921	20,899.78	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	98R2A-235952-1313734	42,118.34	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	99R2A-235952-1332840	49,750.88	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	98R2A-235952-1311474	22,033.56	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	97RKW-200285-1319671	9,724.48	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	98RE3-227043	6,225.50	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	99R2A-235952-1332841	11,656.78	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	98R2A-235952-1311474	6,541.03	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	98R2A-235952-1369027	33,031.57	$ 239,418.90
N/A	University of Tennessee	TVA TV-80101V FIELD PRAC 90-91	B01991281		23,437.48
N/A	University of Tennessee	TVA TV-93594V-SECOND CRK-GNGWR	B01992375		6,452.40
N/A	University of Tennessee	TVA TV-95415V RUSSELL 96	B01992701		434.63
N/A	University of Tennessee	TVA TV96RKW191909 FRANKENBERG	B01993994		34,459.54
N/A	University of Tennessee	TVA TV-73564A-BOSE PEAC	B01994444		733.49
N/A	University of Tennessee	TVA 99RE3-248988 FRANKENBERG	B01997040		145.76
N/A	University of Tennessee	TVA 99RE3-249004 FRANKENBERG	B01997042		852.36
N/A	University of Tennessee	TVA-1341321 NORMANDY RES-SIMEK	B01997306		5,800.00
N/A	University of Tennessee	TVA 99R2A-242850-LADD 2000	B01997330		46,357.40

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues
N/A	University of Tennessee	TVA-REL #1351543-LUNDIN	B01997339	6,807.09
N/A	University of Tennessee	TVA 99R2A-252850 BELL	B01997746	7,145.00
N/A	University of Tennessee	TVA 99-R2A-252850 SUNDSTROM	B01997755	19,740.81
N/A	University of Tennessee	TVA TV-1356072 GANGAWARE	B01997769	70,830.28
N/A	University of Tennessee	TVA 99N7D-249295 HINES	B01997770	17,000.00
N/A	University of Tennessee	TVA REL#1363763 MILLIGAN	B01997787	7,545.68
N/A	University of Tennessee	TVA REL# 1356987 HARDEN	B01997810	4,244.73
N/A	University of Tennessee	TVA REL# 1375538 BIRDWELL	B01997819	2,991.82
N/A	University of Tennessee	TVA REL# 1380873 BIRDWELL	B01997840	16,394.07
N/A	University of Tennessee	TVA REL# 1387517 MORAN	B01997856	35,104.28
N/A	University of Tennessee	TVA REL# 1390409 BELL	B01997867	10,000.00
N/A	University of Tennessee	TVA REL# 1411974 SIMEK	B01997940	2,177.99
N/A	University of Tennessee	TVA 97RKW-220200 FRANKENBERG98	B01997968	14,681.72
N/A	University of Tennessee	TVA 96BKX-217983 INT RUSSELL98	B01998330	4,866.25
N/A	University of Tennessee	TVA REL# 1412129 VAKILI	B02998370	16,163.65
N/A	University of Tennessee	TVA TV-96737V PERSNL SRVS-COX	B04998831	73,320.27
N/A	University of Tennessee	TVA 97RKW-215456 GERHARDT	B11997327	14,226.13
N/A	University of Tennessee	TVA 98RE5-233779 ULTRAFILTRAT	B11997427	23,187.01
N/A	University of Memphis	Restoration and Long-term Dynamics of a Shortleaf Pine Forest	99RE4-253213	12,640.30
Subtotal Direct Programs				$ 717,159.04
Passed Through University of Kentucky				
N/A	Tennessee State University	Estimating the Demand for Welfare Recipient Labor	TV-00619V	$ 1,148.44
Subtotal Pass-Through Programs				$ 1,148.44
Subtotal Tennessee Valley Authority				$ 718,307.48
U.S. Department of Veterans' Affairs				
Direct Programs				
64.022	East Tennessee State University	Veterans Home Based Primary Care	N/A	$ 27,188.56
N/A	Tennessee State University	Aphasia in African-Americans and Caucasians--Severity and Improvement	N/A	4,400.00
N/A	University of Tennessee	VETERANS ADMIN-MARKS 00	B01998949	3,000.14
N/A	University of Tennessee	VA ADMIN-MCCULLOUGH 2000	B01998955	14,208.16
N/A	University of Memphis	Measurement and Prediction Outcomes of Amplification	N/A	54,262.70
N/A	University of Memphis	Intergovernmental Personnel Assignment for Lawrence Brainerd	N/A	38,172.26
N/A	University of Memphis	Intergovernmental Personnel Assignment for Robyn Cox	N/A	8,261.43
Subtotal U.S. Department of Veterans' Affairs				$ 149,493.25
Environmental Protection Agency				
Direct Programs				
66.500	Tennessee Technological University	Environmental Protection--Consolidated Research	R825352-01	$ 16,762.36
66.500	Tennessee Technological University	Environmental Protection--Consolidated Research	R825352-01	60,483.55
66.500	Tennessee Technological University	Environmental Protection--Consolidated Research	R827111-01-0	97,268.07
66.500	University of Memphis	Environmental Protection--Consolidated Research	CR-827884-01-0	55,830.03
66.500	University of Tennessee	Environmental Protection--Consolidated Research	B01991186	82.66

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
66.500	University of Tennessee	Environmental Protection--Consolidated Research	B01992744	(23,718.73)	
66.500	University of Tennessee	Environmental Protection--Consolidated Research	B01994140	320,838.06	
66.500	University of Tennessee	Environmental Protection--Consolidated Research	B01997055	55,901.11	$ 583,447.11
66.600	University of Tennessee	Environmental Protection Consolidated Grants--Program Support	B01990873	$ 1,563.63	
66.600	University of Tennessee	Environmental Protection Consolidated Grants--Program Support	B01996500	31,915.49	33,479.12
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B01993905	$ 55,636.05	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B01994017	116,518.76	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B01994018	123,057.19	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B01997033	110.61	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B01997036	41,361.23	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B01997044	68,600.06	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B01997222	113,247.08	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B01997378	14,781.41	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B01997741	17,593.54	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	B11997338	23,338.77	574,244.70
66.701	University of Tennessee	Toxic Substances Compliance Monitoring Cooperative Agreements	B01992627		8,415.76
66.807	University of Tennessee	Superfund Innovative Technology Evaluation Program	B01997435		84,241.09
66.808	Tennessee Technological University	Solid Waste Management Assistance	X-1984279-97-00		1,384.65
N/A	University of Memphis	EPA Fellowship for Gary Zentsky	91502001		1,359.57
Subtotal Environmental Protection Agency					$ 1,286,572.00
		U. S. Department of Energy			
Direct Programs					
81.049	Tennessee State University	Office of Science Financial Assistance Program	DE-FG02-98ER25368	$ 38,586.44	
81.049	Middle Tennessee State University	Office of Science Financial Assistance Program	DE-FG02-86ER40293	39,732.71	
81.049	University of Memphis	Office of Science Financial Assistance Program	DE-FG02-97ER14811	71,188.55	
81.049	East Tennessee State University	Office of Science Financial Assistance Program	DE-FG02-99ER20333	34,744.09	
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FG02-99CH10975	165,042.39	
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FG02-96ER40990	60,940.27	
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FG02-97ER41024	33,303.46	
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FG02-96ER40955	78,526.82	
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FG02-89ER40530	35,190.84	
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FG02-92ER40694	19,073.35	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01990220	209,260.20	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01992921	629,042.18	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01993078	83,123.99	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01993261	115,283.97	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01993285	179,684.51	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01993693	282,746.10	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01993695	182,739.63	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01993726	37,595.11	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01993928	138,373.05	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01993966	31,892.72	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01994027	363,261.84	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01994036	96,543.12	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01994530	6,682.17	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01994590	104,785.57	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01994801	196,176.39	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01994864	125.19	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01997872	43,672.85	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01997982	133,958.63	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01998049	72,102.38	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01998057	60,789.10	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01998185	76,348.83	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01998228	93,902.17	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01998237	200,806.18	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01999344	121,440.04	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01999365	36,857.09	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01999418	10,478.17	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B01999676	45,253.80	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B02997178	304,932.08	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B10997622	182,210.54	
81.049	University of Tennessee	Office of Science Financial Assistance Program	B11997537	4,124.32	$ 4,620,520.84
81.086	University of Tennessee	Conservation Research and Development	B01998202	$ 70,516.26	
81.086	University of Tennessee	Conservation Research and Development	B01998208	2,395.06	72,911.32
81.087	University of Tennessee	Renewable Energy Research and Development	B01991370		2.01
81.104	University of Tennessee	Office of Science and Technology for Environmental Management	B01999737		895,405.92
81.114	University of Tennessee	University Nuclear Science and Reactor Support	B01998459		37,273.29
81.121	University of Tennessee	Nuclear Energy Research Initiative Program	B01999380		58,975.40

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
N/A	University of Tennessee	DOE-TELEROBOTIC AUTO-PH I HAMIL	B01997300		191,519.48
N/A	University of Tennessee	DOE-HUMAN MACHINE COOP-HAMEL98	B01997366		76,818.49
N/A	University of Tennessee	CMP-MBRSHP-FED-MCHARGUE-ADMIN	B01997469		7,105.46
N/A	University of Tennessee	DOE DE-AP05-00OR43296 MURRAY	B01997798		14,670.71
Subtotal Direct Programs					$ 5,975,202.92
Passed Through Rutgers					
81.086	University of Tennessee	Conservation Research and Development	B01998924		$ 176,459.56
Passed Through National Renewable Energy Laboratory					
81.087	Tennessee State University	Renewable Energy Research and Development	DE-AC02-83CH10093	$ 4,619.20	
81.087	Tennessee State University	Renewable Energy Research and Development	DE-AC36-83CH1009301	7,580.51	12,199.71
Passed Through Bechtel Jacobs Company Limited Liability Company					
N/A	University of Tennessee	BECHTEL JACOBS AVERSA OFF SITE	B01999316		23,179.46
N/A	University of Tennessee	BECHTEL JACOBS AVERSA ON SITE	B01999324		94,893.46
N/A	University of Tennessee	BECHTEL JACOBS CO LLC-PORTS	B01999351		6,305.88
N/A	University of Tennessee	BECHTEL JACOBS CO LLC PADUCAH	B01999352		91,746.88
N/A	University of Tennessee	BECHTEL JACOBS MELTON HILL	B01999403		10,562.72
N/A	University of Tennessee	BECHTEL JACOBS BETHEL VALLEY	B01999404		10,562.72
N/A	University of Tennessee	BECHTEL CA021FREL0014 DOLISLAG	B01996897		18,750.30
N/A	University of Tennessee	BECHTEL CA021FREL0013 SHRIEVES	B01996942		5,424.05
N/A	University of Tennessee	LOCKHEED ID K98-178597 MILLER	B01997010		21,859.46
Passed Through Community Reuse Organization of East Tennessee					
N/A	University of Tennessee	COMMUNITY REUSE OF E TN-HODGSN	B01990593		112,139.27
Passed Through FluoreScience, Incorporated					
N/A	Tennessee Technological University	A Development of On-Line Temperature Measurement Instrumentation for Gasification Process Control	N/A		2,045.06
Passed Through Lawrence Berkeley National Laboratory					
N/A	University of Tennessee	LAWRENCE BERKELEY NTL LAB	B01997355		83,552.17
Passed Through Lockheed Martin Energy Research Corporation					
N/A	Roane State Community College	Students in Ecological Studies Section	49V-SV306		3,636.49
N/A	Roane State Community College	Oak Ridge National Lab	19X-SS900V		2,285.53
N/A	Tennessee State University	Heat Pump Test Facility	19X-ST226		8,138.71
N/A	Tennessee Technological University	Technical Support for Engine Diagnostics	4500004554		20,123.28

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Passed Through Lockheed Martin Energy Systems, Incorporated					
N/A	Tennessee State University	Facilities Planning Design and Management Systems	DE-AC05-96R0R22464		10,445.00
N/A	Tennessee State University	Minority Educational Institute Technical Partnership	DE-AC05-984-0R21400		15,888.84
N/A	University of Tennessee	LOCKHEED MARTIN IDAHO-UHRIG 98	B01990020		148,757.86
N/A	University of Tennessee	LOCKHEED MAR IDAHO-#1 KABALKA	B01990046		69,072.78
Passed Through Los Alamos National Laboratory					
N/A	University of Tennessee	LANA 12187-001-00 4R DONGARRA	B01997887		5,661.94
N/A	University of Tennessee	LANL 12183-001-00 4T BROWNE	B01997926		34,331.97
N/A	University of Tennessee	LOS ALAMOS NTL L D0252-0019-2G	B01998446		66,141.89
N/A	University of Tennessee	LANL-04830 001 99 4R	B01999279		57,866.20
Passed Through Sandia National Laboratory					
N/A	University of Tennessee	SANDIA NTL LAB-FRANKEL 98	B01999072		21,606.22
Passed Through Southern Company Services, Incorporated					
N/A	Tennessee Technological University	Real-Time Heat Rate Monitoring	N/A		23,701.03
Passed Through UT-Battelle Limited Liability Company					
N/A	Tennessee Technological University	Development of Software Tools for Engine Diagnostics	4000002177		17,942.24
Subtotal Pass-Through Programs					$ 1,175,280.68
Subtotal U.S. Department of Energy					$ 7,150,483.60
U. S. Department of Education					
Direct Programs					
84.220	University of Memphis	Centers for International Business Education	P220A60010-98	$ 90,580.78	
84.220	University of Memphis	Centers for International Business Education	P220A990018	225,110.03	$ 315,690.81
84.306	University of Memphis	National Institute on the Education of At-Risk Students	R306F70099		252,900.17
84.342	East Tennessee State University	Preparing Tomorrow's Teachers to Use Technology	P342A990245		86,410.87
Subtotal Direct Programs					$ 655,001.85
Passed Through University of California					
84.306	University of Memphis	National Institute on the Education of At-Risk Students	SC 96243-V		$ 39,890.06
Passed Through Harvard University					
84.309	University of Tennessee	National Institute on Postsecondary Education, Libraries, and Lifelong Learning	B01993623		170,640.43
Subtotal Pass-Through Programs					$ 210,530.49
Subtotal U.S. Department of Education					$ 865,532.34

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
		National Archives and Records Administration			
Direct Programs					
89.003	University of Tennessee	National Historical Publications and Records Grants	B01990743	$ (7,257.26)	
89.003	University of Tennessee	National Historical Publications and Records Grants	B01990919	(100.14)	
89.003	University of Tennessee	National Historical Publications and Records Grants	B01997917	78,863.80	
89.003	University of Tennessee	National Historical Publications and Records Grants	B01998017	84,241.11	
89.003	University of Tennessee	National Historical Publications and Records Grants	B01998701	47,609.72	
89.003	University of Tennessee	National Historical Publications and Records Grants	B01998932	18,900.00	$ 222,257.23
Subtotal National Archives and Records Administration					$ 222,257.23
		U. S. Department of Health and Human Services			
Direct Programs					
93.103	University of Tennessee	Food and Drug Administration--Research	B11997463		$ 160,840.19
93.113	East Tennessee State University	Biological Response to Environmental Health Hazards	1R15ES08817		12,392.72
93.121	University of Tennessee	Oral Diseases and Disorders Research	B01997403	$ 85,976.92	
93.121	University of Tennessee	Oral Diseases and Disorders Research	B07990736	52,436.86	
93.121	University of Tennessee	Oral Diseases and Disorders Research	B07990773	293.68	
93.121	University of Tennessee	Oral Diseases and Disorders Research	B07990822	4,150.64	
93.121	University of Tennessee	Oral Diseases and Disorders Research	B07991093	79,098.68	221,956.78
93.151	East Tennessee State University	Health Center Grants for Homeless Populations	CSHHS0001	$ 123,432.05	
93.151	East Tennessee State University	Health Center Grants for Homeless Populations	6H2DCS00084	196,646.55	320,078.60
93.173	East Tennessee State University	Research Related to Deafness and Communication Disorders	5R03DC03493	$ 13,051.66	
93.173	East Tennessee State University	Research Related to Deafness and Communication Disorders	2R15DC02301	29,539.85	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	B01997351	22,034.46	
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	1R03 DC03651-01	3,613.92	
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	5R01 DC00154-19	11,689.18	
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	5R01DC00154-20	167,816.42	
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	99-N-09/9805093-01	56,640.21	304,385.70
93.178	East Tennessee State University	Nursing Workforce Diversity	5D19NU40285		227,186.43
93.211	University of Tennessee	Rural Telemedicine Grants	B10996287	$ (77,441.55)	
93.211	University of Tennessee	Rural Telemedicine Grants	B20996287	306,294.40	228,852.85
93.226	East Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	1R03HS09834	$ 9,593.83	
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	B07991044	182,788.76	
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	B07991169	231,035.02	423,417.61
93.230	University of Tennessee	Consolidated Knowledge Development and Application (KD&A) Program	B01997422		9,115.72
93.242	University of Tennessee	Mental Health Research Grants	B01991461	$ 209,239.34	
93.242	University of Tennessee	Mental Health Research Grants	B01992364	92,370.59	
93.242	University of Tennessee	Mental Health Research Grants	B01996970	697,793.62	
93.242	University of Tennessee	Mental Health Research Grants	B01997828	57,472.11	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.242	University of Tennessee	Mental Health Research Grants	B01998231	46,394.26	
93.242	University of Tennessee	Mental Health Research Grants	B07990815	3,119.57	
93.242	Tennessee State University	Mental Health Research Grants	1R24MH59748-01	271,461.14	1,377,850.63
93.245	Middle Tennessee State University	Innovative Food Safety Projects	N/A		2,250.00
93.273	University of Tennessee	Alcohol Research Programs	B07990737	$ 85,992.30	
93.273	University of Tennessee	Alcohol Research Programs	B07990779	130,557.19	
93.273	University of Tennessee	Alcohol Research Programs	B07990788	153,422.98	
93.273	University of Tennessee	Alcohol Research Programs	B07996572	46,511.10	416,483.57
93.279	University of Tennessee	Drug Abuse Research Programs	B01993932	$ 7,190.78	
93.279	University of Tennessee	Drug Abuse Research Programs	B07990719	314,942.61	
93.279	University of Tennessee	Drug Abuse Research Programs	B07990722	158,782.18	
93.279	University of Tennessee	Drug Abuse Research Programs	B07990728	75,592.67	
93.279	University of Tennessee	Drug Abuse Research Programs	B07990739	479,072.41	
93.279	University of Tennessee	Drug Abuse Research Programs	B07990748	114,796.55	
93.279	University of Tennessee	Drug Abuse Research Programs	B07990749	479,893.39	
93.279	University of Tennessee	Drug Abuse Research Programs	B07990769	107,932.89	
93.279	University of Memphis	Drug Abuse Research Programs	1R01 DA12532	446,165.99	2,184,369.47
93.281	University of Tennessee	Mental Health Research Career/Scientist Development Awards	B07990716		54,117.10
93.358	East Tennessee State University	Advanced Education Nursing Traineeships	6A11NU00474		67,167.88
93.359	East Tennessee State University	Basic Nurse Education and Practice Grants	5D10NU30187	$ 1,643.50	
93.359	East Tennessee State University	Basic Nurse Education and Practice Grants	5D10NU30187	209,357.11	211,000.61
93.361	University of Tennessee	Nursing Research	B01997312	$ 786.50	
93.361	University of Tennessee	Nursing Research	B07990691	293,804.22	
93.361	University of Tennessee	Nursing Research	B07990760	574,893.47	
93.361	University of Tennessee	Nursing Research	B07990790	6,079.85	
93.361	University of Tennessee	Nursing Research	B07990814	117,737.61	
93.361	University of Tennessee	Nursing Research	B07990852	16.34	993,317.99
93.371	University of Tennessee	Biomedical Technology	B01997808	$ 73,581.96	
93.371	University of Tennessee	Biomedical Technology	B07990710	2,420.16	
93.371	University of Tennessee	Biomedical Technology	B07990734	250,000.00	
93.371	University of Tennessee	Biomedical Technology	B07991354	595,518.57	921,520.69
93.375	Tennessee State University	Minority Biomedical Research Support	5S06GM08092-22	$ (122.06)	
93.375	Tennessee State University	Minority Biomedical Research Support	5S06GM08092-23	(301.92)	
93.375	Tennessee State University	Minority Biomedical Research Support	2S06GM08092-24	97,741.36	
93.375	Tennessee State University	Minority Biomedical Research Support	5 S06 GM08092-25	495,585.80	
93.375	Tennessee State University	Minority Biomedical Research Support	5 S06 GM08092-26	17,858.44	610,761.62
93.389	Tennessee State University	Research Infrastructure	1P20RR11808-01	$ (3,750.84)	
93.389	Tennessee State University	Research Infrastructure	5P20RR11808-03	286,104.84	
93.389	Tennessee State University	Research Infrastructure	5 P20 RR11808-04	481,186.01	763,540.01
93.390	Tennessee State University	Academic Research Enhancement Award	7 R15 CA74354-02	$ 21,763.40	
93.390	East Tennessee State University	Academic Research Enhancement Award	1R15GM57779	40,971.31	
93.390	East Tennessee State University	Academic Research Enhancement Award	1R15MH59158	28,896.51	
93.390	East Tennessee State University	Academic Research Enhancement Award	1R15HL56340	11,281.49	
93.390	East Tennessee State University	Academic Research Enhancement Award	1R15HL54268	21,603.79	
93.390	East Tennessee State University	Academic Research Enhancement Award	5R15EY011783	30,557.82	
93.390	East Tennessee State University	Academic Research Enhancement Award	1R15 CA80769	630.06	
93.390	University of Memphis	Academic Research Enhancement Award	1 R15 HL/OD56369-01	50,163.83	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 DK54235-01	32,999.32	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 CA74362-01A1	51,978.96	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 GM57653-01	51,260.90	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 HL60589-01	10,988.24	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 AR45297-01	34,985.21	
93.390	University of Memphis	Academic Research Enhancement Award	1R15-GM57640-01A1	6,804.90	
93.390	University of Memphis	Academic Research Enhancement Award	1R15-AG16594-01	24,119.39	
93.390	University of Tennessee	Academic Research Enhancement Award	B07990770	26,200.28	445,205.41
93.393	University of Tennessee	Cancer Cause and Prevention Research	B07990787	$ 90,738.29	
93.393	University of Tennessee	Cancer Cause and Prevention Research	B18997537	161,207.20	
93.393	University of Tennessee	Cancer Cause and Prevention Research	B18997589	78,901.04	
93.393	University of Tennessee	Cancer Cause and Prevention Research	B18997640	156,416.35	487,262.88
93.395	University of Tennessee	Cancer Treatment Research	B01998901	$ 127,722.91	
93.395	University of Tennessee	Cancer Treatment Research	B07990685	218,614.93	
93.395	University of Tennessee	Cancer Treatment Research	B07990721	81,779.86	
93.395	University of Tennessee	Cancer Treatment Research	B07990765	79,574.11	
93.395	University of Tennessee	Cancer Treatment Research	B07990774	57,846.37	
93.395	University of Tennessee	Cancer Treatment Research	B07990841	102,078.87	
93.395	University of Tennessee	Cancer Treatment Research	B10997649	404,864.99	
93.395	University of Tennessee	Cancer Treatment Research	B10997659	56,244.38	
93.395	University of Tennessee	Cancer Treatment Research	B10997695	131,533.89	
93.395	University of Tennessee	Cancer Treatment Research	B10997699	75,506.30	1,335,766.61
93.396	University of Tennessee	Cancer Biology Research	B07990767	$ 312,761.32	
93.396	University of Tennessee	Cancer Biology Research	B07990831	3.24	
93.396	University of Tennessee	Cancer Biology Research	B10997620	118.52	312,883.08
93.397	University of Tennessee	Cancer Centers Support Grants	B07990997	$ 144,139.72	
93.397	University of Tennessee	Cancer Centers Support Grants	B07991071	49,752.23	
93.397	University of Tennessee	Cancer Centers Support Grants	B07996570	34,769.57	
93.397	University of Tennessee	Cancer Centers Support Grants	B07996577	3,126.45	231,787.97
93.399	University of Tennessee	Cancer Control	B07990732	$ 249,927.41	
93.399	University of Memphis	Cancer Control	1RO1-CA71348	444,617.31	
93.399	University of Memphis	Cancer Control	RO1 CA71943-039	36,107.11	
93.399	University of Memphis	Cancer Control	7R03 CA80641	20,177.40	750,829.23
93.779	Tennessee State University	Health Care Financing Research, Demonstrations and Evaluations	20-P-90889/4-01	$ 63,282.76	
93.779	Tennessee State University	Health Care Financing Research, Demonstrations and Evaluations	20-P-90889/4-02	36,629.16	99,911.92
93.821	East Tennessee State University	Cell Biology and Biophysics Research	5R15GM/OD54337	$ 25,690.03	
93.821	University of Tennessee	Cell Biology and Biophysics Research	B01992694	47,830.36	
93.821	University of Tennessee	Cell Biology and Biophysics Research	B01997611	313,009.53	
93.821	University of Tennessee	Cell Biology and Biophysics Research	B07990697	187,963.88	
93.821	University of Tennessee	Cell Biology and Biophysics Research	B07990747	105,525.04	
93.821	University of Tennessee	Cell Biology and Biophysics Research	B10997657	166,541.91	846,560.75
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL51859	$ 30,227.02	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL54633	157,153.77
93.837	East Tennessee State University	Heart and Vascular Diseases Research	1R01HL56825	797.60
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL51314	30,218.54
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R29HL56825	49,468.63
93.837	East Tennessee State University	Heart and Vascular Diseases Research	2R01HL47477	35,091.53
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL58140	178,759.40
93.837	East Tennessee State University	Heart and Vascular Diseases Research	2R01HL51859	136,003.93
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL63070	91,965.36
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL58140	69,984.85
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990738	288,053.91
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990741	103,507.96
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990751	111,283.43
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990756	263,432.64
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990757	2,109.94
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990762	15,074.84
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990766	235,898.59
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990793	111,441.79
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990806	6,688.66
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990808	19,383.73
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990835	235,451.18
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990840	(2,658.87)
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990878	167,048.03
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990896	304,780.50
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07990899	350,155.09
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07991150	164,527.19
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07991165	305,674.45
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07991292	439,282.69
93.837	University of Tennessee	Heart and Vascular Diseases Research	B07991408	9,509.93
93.837	University of Memphis	Heart and Vascular Diseases Research	5R01HL53478	670,227.46
93.837	University of Memphis	Heart and Vascular Diseases Research	1R01HL53261-01A1	507,032.96
93.837	University of Memphis	Heart and Vascular Diseases Research	1R29-HL55531	125,936.86
93.837	University of Memphis	Heart and Vascular Diseases Research	2 R01 HL50723	323,106.12
93.837	University of Memphis	Heart and Vascular Diseases Research	1R18 HL56626	524,678.94
93.837	University of Memphis	Heart and Vascular Diseases Research	3R18HL-5347804A1S1	63,119.35
93.837	University of Memphis	Heart and Vascular Diseases Research	1UO1 HL62662	328,965.89

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.837	University of Memphis	Heart and Vascular Diseases Research	3U01HL62662-01S1	123,547.25	
93.837	University of Memphis	Heart and Vascular Diseases Research	1R01 HL64050	40,206.74	
93.837	University of Memphis	Heart and Vascular Diseases Research	5 U01 HL62662-02	100,574.49	6,717,712.37
93.838	University of Tennessee	Lung Diseases Research	B07990718	$ 80,162.00	
93.838	University of Tennessee	Lung Diseases Research	B07990763	155,271.86	235,433.86
93.839	University of Tennessee	Blood Diseases and Resources Research	B01997001	$ 277,934.74	
93.839	University of Tennessee	Blood Diseases and Resources Research	B07990687	207,288.70	
93.839	University of Tennessee	Blood Diseases and Resources Research	B07990784	49,824.87	
93.839	University of Tennessee	Blood Diseases and Resources Research	B07990811	142,984.01	
93.839	University of Tennessee	Blood Diseases and Resources Research	B18997532	4,911.69	682,944.01
93.846	University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	3 R55 AR43729-01A1S1	$ 2,034.52	
93.846	University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	1R29-AR44809-01	83,134.04	
93.846	University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	1R29 AR44809-01	19,999.96	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	B07990731	221,110.17	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	B07990752	120,138.14	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	B07990759	203,944.70	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	B07990804	24,311.27	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	B07990863	128,646.36	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	B07991087	1,031.74	804,350.90
93.847	East Tennessee State University	Diabetes, Endocrinology and Metabolism Research	1R15DK52570	$ 24,956.06	
93.847	East Tennessee State University	Diabetes, Endocrinology and Metabolism Research	1R21DK57115	33,920.71	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	B07990745	224,487.89	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	B07990824	772,824.76	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	B07990838	28,351.20	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	B07990873	1,346.93	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	B07991107	252,669.19	1,338,556.74
93.848	University of Memphis	Digestive Diseases and Nutrition Research	7R01DK53952-03	$ 184,637.43	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	B07990720	51,152.75	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	B07990772	292,783.02	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	B07991030	353,219.55	881,792.75
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	B07990742	$ 472,173.10	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	B07990743	79,544.77	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	B07990755	332,944.23	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	B18997562	78,127.85	962,789.95
93.853	University of Memphis	Extramural Research Programs in the Neurosciences and Neurological Disorders	7R29 NS28025-04	$ 11,766.50	
93.853	University of Memphis	Extramural Research Programs in the Neurosciences and Neurological Disorders	1 R15 NS35293-01	24,603.15	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS18710	185,234.26	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	1R01NS39646	61,089.32	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	1R15NS39272	2,544.42	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B01997452	107,818.90	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990686	14,143.12	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990689	89,008.03	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990690	309,147.21	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990717	201,194.72	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990724	91,849.08	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990727	72,864.35	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990753	30,327.43	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990754	98,787.34	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990758	227.24	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990775	106,088.96	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990776	126,127.90	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990778	145,527.28	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990801	57,160.16	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990813	(8,315.47)	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990816	40,653.84	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990828	263,970.68	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07990830	2,017.94	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07991003	204,247.65	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07991015	120,073.33	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07991061	1,210,063.58	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07991082	137,403.75	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07991130	132,012.70	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07991492	137,858.43	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07991498	32,790.71	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	B07996520	(29.91)	4,008,256.60
93.855	East Tennessee State University	Allergy, Immunology and Transplantation Research	1R15AI43310		32,311.92
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	1R15AI339101	$ 20,422.31	
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	2R01AI13446	21,037.79	
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	7R29AI40915	20,046.89	
93.856	University of Memphis	Microbiology and Infectious Diseases Research	1R03-TW00536-01A1	312.46	
93.856	University of Memphis	Microbiology and Infectious Diseases Research	2 R21 AI31869-04	1,459.00	
93.856	University of Memphis	Microbiology and Infectious Diseases Research	1R15 AI45984-01	2,841.42	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B01997011	150,924.03	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B07990696	52,678.70	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B07990740	179,654.70	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B07990791	52,560.78	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B07990857	187,076.02	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B07991014	(62,184.92)	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B07991033	469.07	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B07991234	155,097.15	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B07991495	161,953.80	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B18997500	333,802.41	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	B18997528	102,435.59	1,380,587.20
93.859	East Tennessee State University	Pharmacology, Physiology, and Biological Chemistry Research	5R01GM053522	$ 126,464.90	
93.859	East Tennessee State University	Pharmacology, Physiology, and Biological Chemistry Research	3R01GM59578	102,987.78	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	B07990688	96,940.63	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	B07990695	148.22	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	B07990764	321,096.66	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	B07990846	382.76	648,020.95
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	B01991116	$ 55,898.40	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	B01999003	45,403.66	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	B01999976	174,289.03	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	B07990713	43,008.64	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	B07990794	200,047.72	518,647.45
93.864	Tennessee State University	Population Research	8 G11HD34944-03	$ 73,375.78	
93.864	University of Tennessee	Population Research	B01993757	133,034.10	
93.864	University of Tennessee	Population Research	B01996696	149,025.93	
93.864	University of Tennessee	Population Research	B07990698	30,493.03	385,928.84
93.865	Austin Peay State University	Center for Research for Mothers and Children	1 R15 HD35349-01A1	$ 21,381.64	
93.865	University of Memphis	Center for Research for Mothers and Children	1R29-HD32244-01	51,227.95	
93.865	University of Memphis	Center for Research for Mothers and Children	7U10 HD34625-03	112,016.83	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07990699	81,203.37	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07990709	36,527.51	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07990714	6,116.20	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07990733	27,145.52	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07990735	158,068.55	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07990809	(489.67)	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07990839	159,206.04	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07991139	428,805.64	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07991140	867,784.49	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07991166	3,199.91	
93.865	University of Tennessee	Center for Research for Mothers and Children	B07996537	638,863.95	
93.865	University of Tennessee	Center for Research for Mothers and Children	B10997694	133,440.87	2,724,498.80
93.866	East Tennessee State University	Aging Research	1R03AG16120	$ 1,495.00	
93.866	University of Memphis	Aging Research	1R01-AG11230-01A1	221,949.26	
93.866	University of Memphis	Aging Research	5 R01 AG 12136-04	262.51	
93.866	University of Memphis	Aging Research	1R01AG14738-01A2	185,641.42	
93.866	University of Tennessee	Aging Research	B07990707	28,881.37	
93.866	University of Tennessee	Aging Research	B07990799	367,935.07	
93.866	University of Tennessee	Aging Research	B10997696	17,541.70	823,706.33
93.867	University of Tennessee	Vision Research	B07990706	$ 5,231.30	
93.867	University of Tennessee	Vision Research	B07990711	29,489.79	
93.867	University of Tennessee	Vision Research	B07990712	101,350.34	
93.867	University of Tennessee	Vision Research	B07990725	97,445.65	
93.867	University of Tennessee	Vision Research	B07990761	152,914.65	
93.867	University of Tennessee	Vision Research	B07990785	65,176.87	
93.867	University of Tennessee	Vision Research	B07990786	261,478.70	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
93.867	University of Tennessee	Vision Research	B07990844	132,801.96	
93.867	University of Tennessee	Vision Research	B07991039	217,201.41	
93.867	University of Tennessee	Vision Research	B07991052	8,304.46	
93.867	University of Tennessee	Vision Research	B07991081	157,384.50	
93.867	University of Tennessee	Vision Research	B18997564	289,839.30	1,518,618.93
93.894	University of Tennessee	Resource and Manpower Development in the Environmental Health Sciences	B18997499		126,801.90
93.990	University of Tennessee	National Health Promotion	B07996548		1,063,041.65
N/A	University of Tennessee	NIH N01-DE-62611 PALMER 97	B01993948		12,365.35
N/A	University of Tennessee	NCI N01-CM-67261 BAKER	B01994067		82,605.48
N/A	University of Tennessee	DHHS/PHS/CDC NIOSH-WASSERMAN	B01997162		19,030.13
N/A	University of Tennessee	NIL LIB MED NO1-LM-0-3503	B01997447		90,722.09
N/A	University of Tennessee	USPHS CONT N01-AG-6-2103	B07996509		1,002,948.67
N/A	University of Tennessee	USPHS CONT FDA-223-95-3006	B07996527		153,798.98
N/A	University of Tennessee	USPHS CONT NO1-HC-45137	B07996533		99,406.85
N/A	University of Tennessee	USPHS CONT NO1-AR-9-2242	B07996784		74,129.67
Subtotal Direct Programs					$ 40,409,822.39
Passed Through Meharry Medical College					
93.004	Middle Tennessee State University	Cooperative Agreements to Improve the Health Status of Minority Populations	990728STS114		$ 18,688.69
Passed Through Cornell University					
93.279	University of Tennessee	Drug Abuse Research Programs	B07996529		74,880.19
Passed Through Center to Protect Workers Rights					
93.283	University of Tennessee	Centers for Disease Control and Prevention--Investigations and Technical Assistance	B01997076		7,640.78
Passed Through Indiana University					
93.306	University of Tennessee	Comparative Medicine	B01998079		120,061.60
Passed Through University of Texas					
N/A	University of Tennessee	UNIVERSITY OF TEXAS-BECKER 98	B01998241		35,105.04
Subtotal Pass-Through Programs					$ 256,376.30
Subtotal U.S. Department of Health and Human Services					$ 40,666,198.69
Corporation for National and Community Service					
Direct Programs					
94.006	University of Tennessee	AmeriCorps	B01996689		$ 1,329.42
Subtotal Corporation for National and Community Service					$ 1,329.42
Total Research and Development Cluster					$ 86,928,909.58
Student Financial Assistance Cluster					
U.S. Department of Education					
Direct Programs					
84.007	Austin Peay State University	Federal Supplemental Educational Opportunity Grants		$ 258,795.30	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
84.007	Chattanooga State Technical Community College	Federal Supplemental Educational Opportunity Grants		102,774.00	
84.007	Cleveland State Community College	Federal Supplemental Educational Opportunity Grants		27,709.00	
84.007	Columbia State Community College	Federal Supplemental Educational Opportunity Grants		84,548.83	
84.007	Dyersburg State Community College	Federal Supplemental Educational Opportunity Grants		65,407.00	
84.007	East Tennessee State University	Federal Supplemental Educational Opportunity Grants		547,843.00	
84.007	Jackson State Community College	Federal Supplemental Educational Opportunity Grants		94,108.00	
84.007	Middle Tennessee State University	Federal Supplemental Educational Opportunity Grants		407,276.00	
84.007	Motlow State Community College	Federal Supplemental Educational Opportunity Grants		64,149.50	
84.007	Nashville State Technical Institute	Federal Supplemental Educational Opportunity Grants		97,338.00	
84.007	Northeast State Technical Community College	Federal Supplemental Educational Opportunity Grants		73,115.25	
84.007	Pellissippi State Technical Community College	Federal Supplemental Educational Opportunity Grants		187,971.00	
84.007	Roane State Community College	Federal Supplemental Educational Opportunity Grants		114,921.92	
84.007	Shelby State Community College	Federal Supplemental Educational Opportunity Grants		162,305.30	
84.007	State Technical Institute at Memphis	Federal Supplemental Educational Opportunity Grants		90,705.50	
84.007	Tennessee State University	Federal Supplemental Educational Opportunity Grants		1,158,472.50	
84.007	Tennessee Technological University	Federal Supplemental Educational Opportunity Grants		276,825.00	
84.007	University of Memphis	Federal Supplemental Educational Opportunity Grants		376,437.00	
84.007	University of Tennessee	Federal Supplemental Educational Opportunity Grants		1,297,810.36	
84.007	Volunteer State Community College	Federal Supplemental Educational Opportunity Grants		98,491.50	
84.007	Walters State Community College	Federal Supplemental Educational Opportunity Grants		107,974.75	$ 5,694,978.71
84.032	Austin Peay State University	Federal Family Education Loans		$ 12,924,823.00	
84.032	Chattanooga State Technical Community College	Federal Family Education Loans		2,978,890.90	
84.032	Cleveland State Community College	Federal Family Education Loans		492,432.00	
84.032	Dyersburg State Community College	Federal Family Education Loans		426,446.00	
84.032	East Tennessee State University	Federal Family Education Loans		28,030,868.18	
84.032	Middle Tennessee State University	Federal Family Education Loans		35,168,494.94	
84.032	Northeast State Technical Community College	Federal Family Education Loans		1,035,038.00	
84.032	Pellissippi State Technical Community College	Federal Family Education Loans		2,236,079.00	
84.032	Roane State Community College	Federal Family Education Loans		1,156,878.50	
84.032	Tennessee Technological University	Federal Family Education Loans		462,908.80	
84.032	University of Tennessee	Federal Family Education Loans		109,365,837.61	
84.032	Volunteer State Community College	Federal Family Education Loans		1,467,397.00	
84.032	Walters State Community College	Federal Family Education Loans		1,485,902.00	197,231,995.93
84.033	Austin Peay State University	Federal Work-Study Program		$ 223,179.57	
84.033	Chattanooga State Technical Community College	Federal Work-Study Program		153,191.39	
84.033	Cleveland State Community College	Federal Work-Study Program		57,210.99	
84.033	Columbia State Community College	Federal Work-Study Program		45,909.17	
84.033	Dyersburg State Community College	Federal Work-Study Program		57,200.24	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
84.033	East Tennessee State University	Federal Work-Study Program		604,706.92	
84.033	Jackson State Community College	Federal Work-Study Program		82,056.48	
84.033	Middle Tennessee State University	Federal Work-Study Program		563,131.74	
84.033	Motlow State Community College	Federal Work-Study Program		93,213.08	
84.033	Nashville State Technical Institute	Federal Work-Study Program		66,881.42	
84.033	Northeast State Technical Community College	Federal Work-Study Program		105,825.50	
84.033	Pellissippi State Technical Community College	Federal Work-Study Program		109,466.28	
84.033	Roane State Community College	Federal Work-Study Program		117,098.38	
84.033	Shelby State Community College	Federal Work-Study Program		327,031.71	
84.033	State Technical Institute at Memphis	Federal Work-Study Program		77,486.29	
84.033	Tennessee State University	Federal Work-Study Program		890,124.50	
84.033	Tennessee Technological University	Federal Work-Study Program		368,696.25	
84.033	University of Memphis	Federal Work-Study Program		473,817.36	
84.033	University of Tennessee	Federal Work-Study Program		1,366,902.52	
84.033	Volunteer State Community College	Federal Work-Study Program		29,074.77	
84.033	Walters State Community College	Federal Work-Study Program		154,334.35	5,966,538.91
84.038	Austin Peay State University	Federal Perkins Loan Program--Federal Capital Contributions		$ 11,181.00	
84.038	East Tennessee State University	Federal Perkins Loan Program--Federal Capital Contributions		245,986.00	
84.038	Jackson State Community College	Federal Perkins Loan Program--Federal Capital Contributions		6,560.00	
84.038	Middle Tennessee State University	Federal Perkins Loan Program--Federal Capital Contributions		37,722.00	
84.038	Tennessee Technological University	Federal Perkins Loan Program--Federal Capital Contributions		98,394.00	
84.038	University of Memphis	Federal Perkins Loan Program--Federal Capital Contributions		18,762.00	
84.038	University of Tennessee	Federal Perkins Loan Program--Federal Capital Contributions		545,332.65	963,937.65
84.063	Austin Peay State University	Federal Pell Grant Program		$ 4,246,870.54	
84.063	Chattanooga State Technical Community College	Federal Pell Grant Program		3,832,419.68	
84.063	Cleveland State Community College	Federal Pell Grant Program		1,574,151.25	
84.063	Columbia State Community College	Federal Pell Grant Program		2,304,084.12	
84.063	Dyersburg State Community College	Federal Pell Grant Program		1,676,339.86	
84.063	East Tennessee State University	Federal Pell Grant Program		6,535,273.00	
84.063	Jackson State Community College	Federal Pell Grant Program		2,923,400.97	
84.063	Middle Tennessee State University	Federal Pell Grant Program		7,657,769.09	
84.063	Motlow State Community College	Federal Pell Grant Program		2,306,818.65	
84.063	Nashville State Technical Institute	Federal Pell Grant Program		2,506,390.21	
84.063	Northeast State Technical Community College	Federal Pell Grant Program		2,668,163.45	
84.063	Pellissippi State Technical Community College	Federal Pell Grant Program		3,820,502.75	
84.063	Roane State Community College	Federal Pell Grant Program		4,030,179.32	
84.063	Shelby State Community College	Federal Pell Grant Program		3,894,325.43	
84.063	State Technical Institute at Memphis	Federal Pell Grant Program		2,350,820.99	
84.063	Tennessee State University	Federal Pell Grant Program		7,109,321.00	
84.063	Tennessee Technological University	Federal Pell Grant Program		3,547,362.00	
84.063	University of Memphis	Federal Pell Grant Program		8,971,931.00	
84.063	University of Tennessee	Federal Pell Grant Program		13,921,005.81	
84.063	Volunteer State Community College	Federal Pell Grant Program		2,491,382.50	
84.063	Walters State Community College	Federal Pell Grant Program		3,669,024.79	92,037,536.41
84.268	Middle Tennessee State University	Federal Direct Loan		$ 842,954.00	
84.268	Motlow State Community College	Federal Direct Loan		1,275,316.00	
84.268	Tennessee State University	Federal Direct Loan		25,938,825.00	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
84.268	Tennessee Technological University	Federal Direct Loan		9,559,863.00	
84.268	University of Memphis	Federal Direct Loan		46,681,477.00	84,298,435.00
Subtotal U.S. Department of Education					$ 386,193,422.61
U.S. Department of Health and Human Services					
Direct Programs					
93.925	East Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds		$ 89,387.00	
93.925	Middle Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds		13,193.00	
93.925	Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds		183,881.00	
93.925	University of Memphis	Scholarships for Health Professions Students from Disadvantaged Backgrounds		60,311.00	
93.925	University of Tennessee	Scholarships for Health Professions Students from Disadvantaged Backgrounds		201,066.00	$ 547,838.00
Subtotal U.S. Department of Health and Human Services					$ 547,838.00
Total Student Financial Assistance Cluster					$ 386,741,260.61
Food Stamp Cluster					
U.S. Department of Agriculture					
Direct Programs					
10.551	Human Services	Food Stamps (Noncash Award)			$ 413,191,854.10
10.561	Human Services	State Administrative Matching Grants for Food Stamp Program			29,905,972.70
Subtotal U.S. Department of Agriculture					$ 443,097,826.80
Total Food Stamp Cluster					$ 443,097,826.80
Child Nutrition Cluster					
U.S. Department of Agriculture					
Direct Programs					
10.553	Agriculture	School Breakfast Program		$ 743,510.55	
10.553	Education	School Breakfast Program		29,271,915.98	$ 30,015,426.53
10.555	Agriculture	National School Lunch Program		$ 1,294,132.20	
10.555	Agriculture	National School Lunch Program (Noncash Award)		15,148,519.00	
10.555	Education	National School Lunch Program		107,836,435.56	124,279,086.76
10.556	Agriculture	Special Milk Program for Children			27,319.49
10.559	Human Services	Summer Food Service Program for Children			5,729,100.65
Subtotal U.S. Department of Agriculture					$ 160,050,933.43
Total Child Nutrition Cluster					$ 160,050,933.43

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues
Emergency Food Assistance Cluster				
U.S. Department of Agriculture				
Direct Programs				
10.568	Agriculture	Emergency Food Assistance Program (Administrative Costs)		$ 911,380.33
10.569	Agriculture	Emergency Food Assistance Program (Food Commodities) (Noncash Award)		4,298,223.00
Subtotal U.S. Department of Agriculture				$ 5,209,603.33
Total Emergency Food Assistance Cluster				$ 5,209,603.33
Schools and Roads Cluster				
U.S. Department of Agriculture				
Direct Programs				
10.665	Finance and Administration	Schools and Roads--Grants to States		$ 378,361.46
Subtotal U.S. Department of Agriculture				$ 378,361.46
Total Schools and Roads Cluster				$ 378,361.46
Section 8 Project-Based Cluster				
U.S. Department of Housing and Urban Development				
Direct Programs				
14.182	Tennessee Housing Development Agency	Section 8 New Construction and Substantial Rehabilitation		$ 8,036,867.00
14.856	Tennessee Housing Development Agency	Lower Income Housing Assistance Program--Section 8 Moderate Rehabilitation		128,393.32
Subtotal U.S. Department of Housing and Urban Development				$ 8,165,260.32
Total Section 8 Project-Based Cluster				$ 8,165,260.32
CDBG-Entitlement and (HUD-Administered) Small Cities Cluster				
U.S. Department of Housing and Urban Development				
Direct Programs				
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants		$ 1,200.40
Subtotal Direct Programs				$ 1,200.40
Passed Through City of Jackson				
14.218	Jackson State Community College	Community Development Block Grants/Entitlement Grants	B-97-MC-47-0011	$ 18,091.10
Passed Through City of Memphis				
14.218	Tennessee State University	Community Development Block Grants/Entitlement Grants	N/A	$ 29,683.77
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N14094	13,823.60

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N14095	9,545.70	
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N13408	2,577.61	55,630.68
Subtotal Pass-Through Programs					$ 73,721.78
Subtotal U.S. Department of Housing and Urban Development					$ 74,922.18
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster					$ 74,922.18
Section 8 Tenant-Based Cluster					
U.S. Department of Housing and Urban Development					
Direct Programs					
14.855	Tennessee Housing Development Agency	Section 8 Rental Voucher Program			$ 11,536,208.71
14.857	Tennessee Housing Development Agency	Section 8 Rental Certificate Program			7,114,230.38
Subtotal U.S. Department of Housing and Urban Development					$ 18,650,439.09
Total Section 8 Tenant-Based Cluster					$ 18,650,439.09
Fish and Wildlife Cluster					
U.S. Department of the Interior					
Direct Programs					
15.605	Tennessee Wildlife Resources Agency	Sport Fish Restoration			$ 5,870,218.01
15.611	Tennessee Wildlife Resources Agency	Wildlife Restoration		$ 4,845,010.00	
15.611	University of Tennessee	Wildlife Restoration		12,599.22	4,857,609.22
Subtotal U.S. Department of the Interior					$ 10,727,827.23
Total Fish and Wildlife Cluster					$ 10,727,827.23
Employment Services Cluster					
U.S. Department of Labor					
Direct Programs					
17.207	Labor and Workforce Development	Employment Service			$ 14,045,338.46
17.801	Labor and Workforce Development	Disabled Veterans' Outreach Program (DVOP)			1,244,194.92
17.804	Labor and Workforce Development	Local Veterans' Employment Representative Program			1,423,333.80
Subtotal U.S. Department of Labor					$ 16,712,867.18
Total Employment Services Cluster					$ 16,712,867.18
JTPA Cluster					
U.S. Department of Labor					
Direct Programs					
17.246	Labor and Workforce Development	Employment and Training Assistance--Dislocated Workers			$ 20,345,555.48

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
17.250	Labor and Workforce Development	Job Training Partnership Act			35,258,070.42
Subtotal Direct Programs					$ 55,603,625.90
Passed Through Knoxville Private Industry Council					
17.250	Pellissippi State Technical Community College	Job Training Partnership Act	00STO-0-810		$ 119,059.68
Passed Through Memphis Private Industry Council					
17.250	Shelby State Community College	Job Training Partnership Act	N12540		18,287.50
Passed Through North Tennessee Private Industry Council					
17.250	Volunteer State Community College	Job Training Partnership Act	C0540		20,659.41
Passed Through Southeast Tennessee Private Industry Council					
17.250	Chattanooga State Technical Community College	Job Training Partnership Act	99-06-999-155-99-91		247,280.90
Passed Through Southwest Tennessee Private Industry Council					
17.250	State Technical Institute at Memphis	Job Training Partnership Act	00-14-157-070-98-91	$ 16,598.89	
17.250	State Technical Institute at Memphis	Job Training Partnership Act	N14275	139,839.11	
17.250	State Technical Institute at Memphis	Job Training Partnership Act	N14274	102,673.46	
17.250	State Technical Institute at Memphis	Job Training Partnership Act	N14259	10,274.30	
17.250	State Technical Institute at Memphis	Job Training Partnership Act	N14629	49,892.36	
17.250	State Technical Institute at Memphis	Job Training Partnership Act	N13869	77,122.48	396,400.60
Subtotal Pass-Through Programs					$ 801,688.09
Subtotal U.S. Department of Labor					$ 56,405,313.99
Total JTPA Cluster					$ 56,405,313.99
Highway Planning and Construction Cluster					
U.S. Department of Transportation					
Direct Programs					
20.205	Transportation	Highway Planning and Construction			$ 457,781,288.01
Subtotal Direct Programs					$ 457,781,288.01
Passed Through South Carolina State University					
20.205	Tennessee State University	Highway Planning and Construction	N/A		$ 23,757.90
Subtotal Pass-Through Programs					$ 23,757.90
Subtotal U.S. Department of Transportation					$ 457,805,045.91
Total Highway Planning and Construction Cluster					$ 457,805,045.91

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
Federal Transit Cluster					
U.S. Department of Transportation					
Direct Programs					
20.500	Transportation	Federal Transit--Capital Investment Grants		$ 33,671.03	
20.500	University of Tennessee	Federal Transit--Capital Investment Grants		1,124,957.51	$ 1,158,628.54
Subtotal U.S. Department of Transportation					$ 1,158,628.54
Total Federal Transit Cluster					$ 1,158,628.54
Highway Safety Cluster					
U.S. Department of Transportation					
Direct Programs					
20.600	Transportation	State and Community Highway Safety			$ 2,810,600.94
Subtotal U.S. Department of Transportation					$ 2,810,600.94
Total Highway Safety Cluster					$ 2,810,600.94
Special Education Cluster					
U.S. Department of Education					
Direct Programs					
84.027	Education	Special Education--Grants to States			$ 86,753,567.11
84.173	Education	Special Education--Preschool Grants			6,830,201.10
Subtotal U.S. Department of Education					$ 93,583,768.21
Total Special Education Cluster					$ 93,583,768.21
TRIO Cluster					
U.S. Department of Education					
Direct Programs					
84.042	Austin Peay State University	TRIO--Student Support Services		$ 181,158.34	
84.042	Dyersburg State Community College	TRIO--Student Support Services		221,769.22	
84.042	East Tennessee State University	TRIO--Student Support Services		237,950.71	
84.042	Northeast State Technical Community College	TRIO--Student Support Services		225,655.76	
84.042	Tennessee State University	TRIO--Student Support Services		209,772.65	
84.042	University of Tennessee	TRIO--Student Support Services		414,667.86	$ 1,490,974.54
84.044	East Tennessee State University	TRIO--Talent Search		$ 244,976.71	
84.044	Tennessee State University	TRIO--Talent Search		239,158.43	
84.044	University of Tennessee	TRIO--Talent Search		251,690.77	735,825.91
84.047	Austin Peay State University	TRIO--Upward Bound		$ 672,595.58	
84.047	Dyersburg State Community College	TRIO--Upward Bound		252,709.00	
84.047	East Tennessee State University	TRIO--Upward Bound		668,479.43	
84.047	Shelby State Community College	TRIO--Upward Bound		218,939.37	
84.047	Tennessee State University	TRIO--Upward Bound		393,192.18	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues	
84.047	University of Tennessee	TRIO--Upward Bound		1,445,674.58	3,651,590.14
84.066	Austin Peay State University	TRIO--Educational Opportunity Centers		$ 301,908.60	
84.066	University of Tennessee	TRIO--Educational Opportunity Centers		582,257.92	884,166.52
84.217	East Tennessee State University	McNair Post-Baccalaureate Achievement		$ 193,419.83	
84.217	Middle Tennessee State University	McNair Post-Baccalaureate Achievement		89,028.21	
84.217	University of Tennessee	McNair Post-Baccalaureate Achievement		448,219.18	730,667.22
Subtotal U.S. Department of Education					$ 7,493,224.33
Total TRIO Cluster					$ 7,493,224.33
Aging Cluster					
U.S. Department of Health and Human Services					
Direct Programs					
93.044	Commission on Aging	Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers			$ 6,227,630.95
93.045	Commission on Aging	Special Programs for the Aging--Title III, Part C--Nutrition Services			8,689,436.00
Subtotal U.S. Department of Health and Human Services					$ 14,917,066.95
Total Aging Cluster					$ 14,917,066.95
Child Care Cluster					
U.S. Department of Health and Human Services					
Direct Programs					
93.575	Human Services	Child Care and Development Block Grant			$ 80,185,344.30
93.596	Human Services	Child Care Mandatory and Matching Funds of the Child Care and Development Fund			59,584,183.65
Subtotal Direct Programs					$ 139,769,527.95
Passed Through Metropolitan Government Nashville and Davidson County					
93.575	Tennessee State University	Child Care and Development Block Grant	N/A		$ 30,865.94
Subtotal Pass-Through Programs					$ 30,865.94
Subtotal U.S. Department of Health and Human Services					$ 139,800,393.89
Total Child Care Cluster					$ 139,800,393.89
Medicaid Cluster					
U.S. Department of Health and Human Services					
Direct Programs					
93.775	Tennessee Bureau of Investigation	State Medicaid Fraud Control Units			$ 1,082,849.08

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursements/Issues
93.777	Health	State Survey and Certification of Health Care Providers and Suppliers		5,248,739.75
93.778	Finance and Administration	Medical Assistance Program		2,873,944,587.66
Subtotal U.S. Department of Health and Human Services				$ 2,880,276,176.49
Total Medicaid Cluster				$ 2,880,276,176.49
Disability Insurance/SSI Cluster				
Social Security Administration				
Direct Programs				
96.001	Human Services	Social Security--Disability Insurance		$ 31,351,415.49
Subtotal Social Security Administration				$ 31,351,415.49
Total Disability Insurance/SSI Cluster				$ 31,351,415.49
Grand Total Federal Assistance				$ 6,307,912,795.73

State of Tennessee
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2000

NOTE 1. PURPOSE OF THE SCHEDULE

The Single Audit of the State of Tennessee for the year ended June 30, 2000, 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 their lead institutions.

NOTE 2. BASIS OF ACCOUNTING FOR PRESENTAION OF SCHEDULE

The basis of accounting for the Schedule of Expenditures of Federal Awards is principally the cash basis, except accrued payroll for the pay period June 15, to 30 is treated as cash disbursements for purposes of this schedule.

NOTE 3. FEDERAL PERKINS LOAN PROGRAM

The state's universities and community colleges participated in the Federal Perkins Loan Program – Federal Capital Contributions (CFDA number 84.038). The disbursements presented on the Schedule of Expenditures of Federal Awards for the Federal Perkins Loan Program represent the federal capital contributions received by the state universities and community colleges during the year ended June 30, 2000. The loans outstanding less allowances for doubtful accounts (including institutional matching funds) at June 30, 2000, totaled $44,873,629.94.

NOTE 4. NURSING STUDENT LOANS

The University of Memphis, University of Tennessee, Tennessee State University, and Columbia State Community College participated in the Nursing Student Loans Program (CFDA number 93.364). The disbursements presented on the Schedule of Expenditures of Federal Awards reflect only the federal capital contributions received during the fiscal year. The loans outstanding less allowances for doubtful accounts (including institutional matching funds) at June 30, 2000, totaled $419,701.56.

NOTE 5. HEALTH PROFESSION STUDENT LOANS

The University of Tennessee and East Tennessee State University participated in the Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (CFDA number 93.342). The disbursements presented on the Schedule of Expenditures of Federal Awards reflect only the federal capital contributions received during the fiscal year. The loans outstanding less allowances for doubtful accounts (including university matching funds) at June 30, 2000, totaled $4,696,971.69.

NOTE 6. FEDERAL FAMILY EDUCATION LOANS

The Tennessee Student Assistance Corporation (TSAC) is the guarantee agency for the Federal Family Education Loans program (CFDA number 84.032). The federal award to TSAC for administrative cost allowances and payments on defaulted loans is listed on the Schedule of Expenditures of Federal Awards. The value of the loans issued is not listed since the loans are made directly to the students by the lending institutions. At June 30, 2000, TSAC had insured loans outstanding of $2,231,825,017.50.

NOTE 7. CAPITALIZATION GRANTS FOR STATE REVOLVING FUNDS

The Tennessee Department of Environment and Conservation administered the Capitalization Grants for State Revolving Funds program (CFDA number 66.458). The disbursements presented on the Schedule of Expenditures of Federal Awards represent the federal capital contributions received for the year ended June 30, 2000. Loans issued during the year ended June 30, 2000, totaled $57,994,000. The loans outstanding at June 30, 2000, totaled $302,656,000.

NOTE 8. UNEMPLOYMENT INSURANCE

State unemployment tax revenues and other payments and revenues are combined 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 $316,576,553.57 and $38,772,877.84, respectively.