

Department of Health

**For the Year Ended
June 30, 2001**

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Edward Burr, CPA
Assistant Director

Kandi B. Thomas, CPA
Audit Manager

Christopher A. Risher
In-Charge Auditor

Jennifer Cawthon
Tiffany Cherry
Kevin Fearn
Shanta Griffin
Inger Tyree
Staff Auditors

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0246
(615) 401-7897

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

John G. Morgan
Comptroller

April 23, 2002

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable Fredia S. Wadley, M.D., Commissioner
Department of Health
Cordell Hull Building, 426 Fifth Avenue North
Nashville, Tennessee 37247

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Department of Health for the year ended June 30, 2001.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/th
01/111



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT**

**SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
FAX (615) 532-2765**

January 23, 2002

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

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Health for the year ended June 30, 2001.

We conducted our audit in accordance with government auditing standards generally accepted in the United States of America. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Department of Health's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Department of Health is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

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

We have reported other less significant matters involving the department's internal control and instances of noncompliance to the Department of Health's management in a separate letter.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA,
Director

AAH/th

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Department of Health

For the Year Ended June 30, 2001

AUDIT SCOPE

We have audited the Department of Health for the period July 1, 2000, through June 30, 2001. Our audit scope included those areas material to the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 2001, and the Tennessee Single Audit Report for the same period. These areas included the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Block Grant for Prevention and Treatment of Substance Abuse (SAPT). In addition to those areas, our primary focus was on management's controls and compliance with policies, procedures, laws, and regulations in the areas of Immunization Grants, contracts, revenue, contingent and deferred revenue, expenditures, Patient Tracking and Billing Management Information System, Alcohol and Drug Management Information System, the utilization of the Department of Finance and Administration's State of Tennessee Accounting and Reporting System (STARS) grants module to record the receipt and expenditure of federal funds, and cost allocation plans for subrecipients. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

AUDIT FINDINGS

No Procedures to Detect Dual Participation in the WIC and CSFP Programs**

The department has no procedures to ensure that dual participation between the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Food Program (CSFP) for the MAP-South agency will be detected (page 12).

Improper Employer-Employee Relationships**

The department has established improper employer-employee relationships through contracts with community services agencies, human resource agencies, and other nonprofit organizations (page 16).

Inadequate Contract Controls**

The department did not approve contracts before the beginning of the contract period (page 19).

Quarterly Expenditure Reports Not Adequately Monitored*

The department did not ensure that subrecipients' quarterly expenditure reports were received and/or received timely (page 20).

- * This finding is repeated from the prior audit.
- ** This finding is repeated from prior audits.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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Audit Report
Department of Health
For the Year Ended June 30, 2001

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Department of Health For the Year Ended June 30, 2001

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Department of Health. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

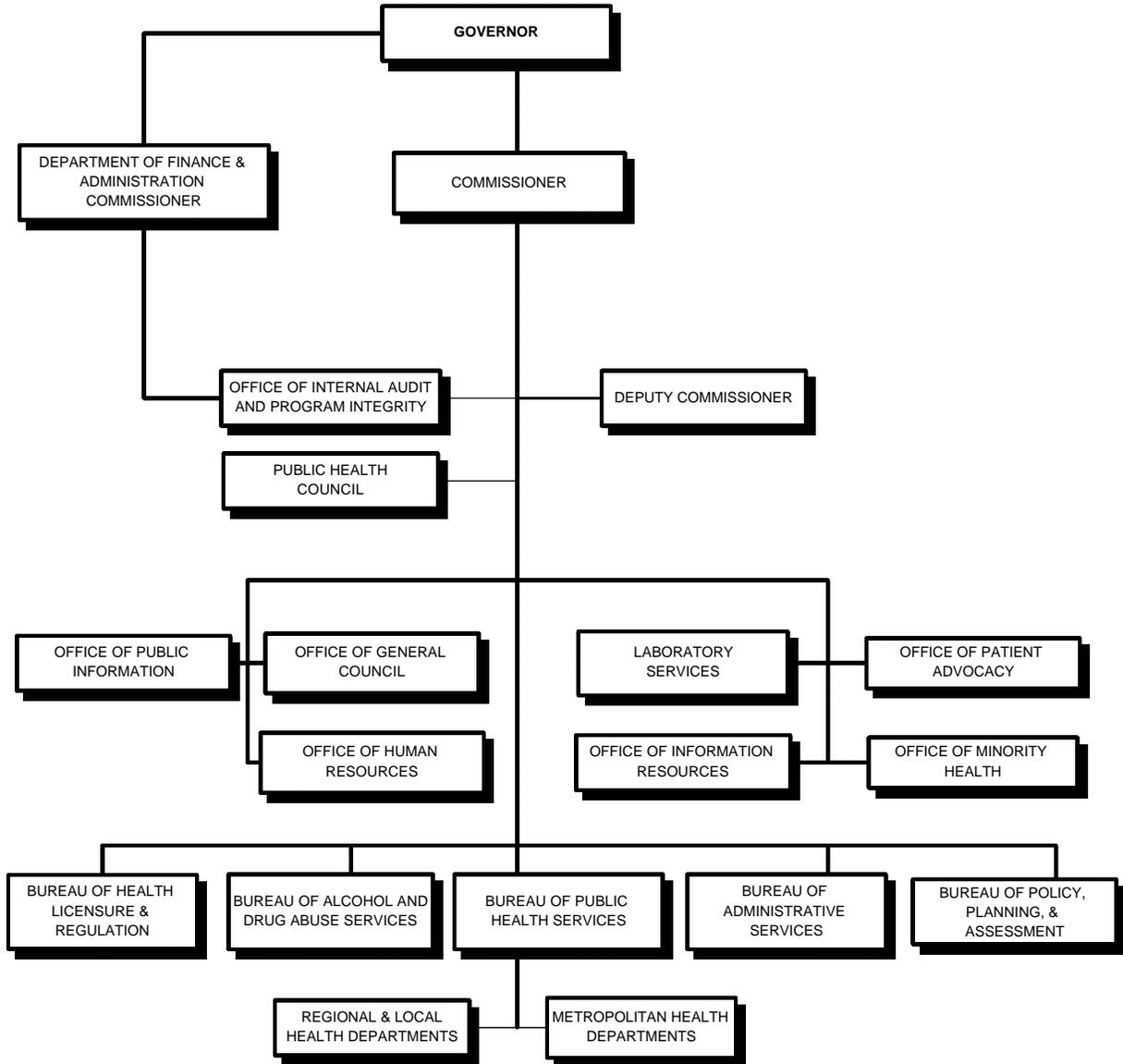
BACKGROUND

The mission of the Department of Health is to promote, protect, and restore the health of Tennesseans by facilitating access to high-quality preventive and primary care services. To fulfill this mission, the department comprises seven functional sections: Executive Administration, Office of Budget and Finance, Bureau of Information Systems, Office of Health Licensure and Regulations, Bureau of Alcohol and Drug Abuse Services, Bureau of Health Services, and Policy Planning and Assurance.

One of the department’s many responsibilities is to provide overall direction to, coordination of, and supervision for the state and local health departments to enable them to meet the health needs of the state’s citizens. The department ensures the quality of medical resources available in the state through the regulation, certification, and licensure of health professionals and health care facilities. The central office works in coordination with eight rural and six metropolitan regional offices and 95 county health departments to provide services which protect and promote health and prevent disease and injury. The department also works to improve access to quality health care services in underserved areas of the state and to underserved populations. To decrease the incidence and prevalence of alcohol and other drug abuse and dependence, the department coordinates prevention, treatment, and rehabilitation services. The department is also responsible for preserving and issuing copies of all vital records.

An organization chart of the department is on the following page.

DEPARTMENT OF HEALTH



AUDIT SCOPE

We have audited the Department of Health for the period July 1, 2000, through June 30, 2001. Our audit scope included those areas material to the Tennessee Comprehensive Annual Financial Report for the year ended June 30, 2001, and to the Tennessee Single Audit Report for the same period. These areas include the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Block Grant for Prevention and Treatment of Substance Abuse (SAPT). In addition to those areas, our primary focus was on management's controls and compliance with policies, procedures, laws, and regulations in the areas of Immunization Grants, contracts, revenue, contingent and deferred revenue, expenditures, Patient Tracking and Billing Management Information System, Alcohol and Drug Management Information System, the utilization of the Department of Finance and Administration's State of Tennessee Accounting and Reporting System (STARS) grants module to record the receipt and expenditure of federal funds, and cost allocation plans for subrecipients. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Health filed its report with the Department of Audit on August 29, 2001. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Department of Health has corrected the previous audit findings concerning the recording of grant information in property records, monitoring of subrecipients' audit reports, review of subrecipients' cost allocation plans, and cash receipting procedures at the South Central Regional Office.

REPEATED AUDIT FINDINGS

The prior audit report also contained findings concerning

- detection of dual participation between the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Food Program (CSFP);

- employer-employee relationships;
- untimely approval of contracts; and
- monitoring of subrecipients' expenditure reports.

These findings have not been resolved and are repeated in the Objectives, Methodologies, and Conclusions section of this report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

AREAS RELATED TO TENNESSEE'S COMPREHENSIVE ANNUAL FINANCIAL REPORT AND SINGLE AUDIT REPORT

Our audit of the Department of Health is an integral part of our annual audit of the *Comprehensive Annual Financial Report* (CAFR). The objective of the audit of the CAFR is to render an opinion on the State of Tennessee's general-purpose financial statements. As part of our audit of the CAFR, we are required to gain an understanding of the state's internal control and determine whether the state complied with laws and regulations that have a material effect on the state's general-purpose financial statements.

Our audit of the Department of Health is also an integral part of the Tennessee Single Audit, which is conducted in accordance with the Single Audit Act, as amended by the Single Audit Act Amendments of 1996. The Single Audit Act, as amended, requires us to determine whether

- the state complied with rules and regulations that may have a material effect on each major federal financial assistance program, and
- the state has internal control to provide reasonable assurance that it is managing its major federal programs in compliance with applicable laws and regulations.

We determined the following areas within the Department of Health were material to the CAFR and/or to the *Single Audit Report*: the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Block Grant for Prevention and Treatment of Substance Abuse (SAPT).

To address the objectives of the audit of the CAFR and the *Single Audit Report*, as they pertain to these two major federal award programs, we interviewed key department employees, reviewed applicable policies and procedures, and tested representative samples of transactions. For further discussion, see the WIC and SAPT section.

We have audited the general-purpose financial statements of the State of Tennessee for the year ended June 30, 2001, and have issued our report thereon dated December 4, 2001. The

opinion on the financial statements is unqualified. The *Tennessee Single Audit Report* for the year ended June 30, 2001, includes our reports on the schedule of expenditures of federal awards and on internal control and compliance with laws and regulations. These reports include reportable conditions resulting from this audit.

The audit of the department revealed the following findings in areas related to the CAFR and the *Single Audit Report*:

- The department had no procedures to detect dual participation in the WIC and Commodity Supplemental Food Program for the Memphis Area Project-South agency. See finding 1.
- The department did not adequately monitor quarterly expenditure reports from subrecipients. See finding 4.

SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC) AND BLOCK GRANT FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE (SAPT)

The two major federal programs for the Department of Health were audited for the applicable compliance requirements as noted in the U.S. Office of Management and Budget Circular A-133, *Compliance Supplement for Audits of States, Local Governments, and Non-Profit Organizations*. These two major programs are the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Block Grant for Prevention and Treatment of Substance Abuse (SAPT).

To address the objectives of the CAFR and the Single Audit, as they pertain to federal financial assistance programs, our audit focused primarily on the compliance requirements for WIC and SAPT.

This portion of the audit covered the following areas:

- Activities Allowed or Unallowed and Allowable Costs / Cost Principles
- Cash Management
- Eligibility
- Equipment and Real Property Management
- Matching, Level of Effort, Earmarking
- Period of Availability of Federal Funds
- Procurement and Suspension and Debarment
- Program Income
- Reporting

- Subrecipient Monitoring
- Special Tests and Provisions
- Schedule of Expenditures of Federal Awards

Activities Allowed or Unallowed and Allowable Costs / Cost Principles

The primary objectives for WIC and SAPT were to determine if

- funds were used for allowable purposes, and
- expenditures involving federal funds have been recorded correctly as to the proper grant program and applicable federal grant.

An additional objective for WIC was to determine if costs meet the criteria set forth in the “Basic Guidelines” of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, paragraph C.

Supporting documentation for all WIC and SAPT significant items and a nonstatistical sample of SAPT expenditures were reviewed and tested to determine if funds were used for allowable purposes and appropriately recorded to the proper grant program and applicable federal grant. Also, where applicable, the items were tested for compliance with travel regulations, contract terms, and purchasing guidelines. Supporting documentation for all WIC significant items was reviewed and tested to determine if costs were in compliance with OMB Circular A-87.

Our testwork indicated that the department’s federal WIC and SAPT funds appeared to be used for allowable activities, and expenditures appeared to be recorded correctly as to the proper grant program and the applicable federal grant. Costs for WIC appeared to be in compliance with OMB Circular A-87.

Cash Management

The primary objectives for WIC and SAPT were to determine if

- the department complied with the Cash Management Improvement Act Agreement between the State of Tennessee and the Secretary of the Treasury, United States Department of the Treasury; and
- the department’s reporting of receipt and disbursement transactions to the Department of Finance and Administration was adequate.

For WIC and SAPT, the department’s policies and procedures for recording and reporting the costs and drawdowns to the Department of Finance and Administration were reviewed and discussed with the appropriate personnel. We selected a nonstatistical sample of drawdown transactions and compared the process dates of the expenditure transactions in the State of Tennessee Accounting and Reporting System (STARS) with the dates the funds were requested from the federal agency to determine if drawdown requests were in compliance with the Cash

Management Improvement Act.

Our testwork indicated that the department complied with the Cash Management Improvement Act Agreement between the State of Tennessee and the Secretary of the Treasury, United States Department of the Treasury. Also, the department's reporting of receipt and disbursement transactions to the Department of Finance and Administration was adequate.

Eligibility

The objectives for WIC were to determine if individual program participants were deemed eligible (including obtaining any required documentation/verifications), only eligible individuals participated in the programs, and the department only gave WIC grant awards to eligible organizations.

A nonstatistical sample of WIC participants was selected. We accessed the Patient Tracking and Billing Management Information System and reviewed each selected participant's records for the appropriate information to determine if the department made an appropriate determination as to whether the participant was income-eligible, met the residency requirement, was given the correct status or category, and was certified for nutritional risk by a qualified nutritionist. We reviewed WIC grant awards to determine if the grant recipient was eligible to receive the WIC grant. We reviewed each selected participant's records to determine if the program participant was deemed eligible.

Our testwork indicated that the department or subrecipient performed the required eligibility determinations, only eligible individuals participated in the programs, and WIC grant awards were only given to eligible organizations.

Equipment and Real Property Management

The primary objectives for WIC and SAPT were

- to follow up on the prior audit finding concerning the recording of grant information in property records,
- to determine if equipment information is properly recorded in the Property of the State of Tennessee listing (POST),
- to determine if equipment items existed and were recorded in POST at the proper cost,
- to determine if equipment purchases charged to federal grants were in compliance with grant requirements, and
- to determine if reported lost or stolen equipment had been removed from POST timely.

A nonstatistical sample of WIC and SAPT equipment expenditures charged to the major federal programs was selected to determine if the equipment items were recorded on the property listing at the proper cost. Supporting documentation was reviewed, and the information was

traced to the POST listing and the State of Tennessee Accounting and Reporting System (STARS) to determine if equipment items purchased with federal funds were identified on the property system with the correct grant information and whether the purchase complied with the applicable federal regulations. A nonstatistical sample of equipment from POST was selected to determine if the equipment information was properly recorded. Equipment information included state tag number, description, location, and serial number. For the equipment located at the Cordell Hull Building, equipment information was physically observed, while all other equipment sample item information was confirmed by letter. In addition, a nonstatistical sample of equipment items reported to the Comptroller of the Treasury as being lost or stolen was selected to determine if the equipment items had been removed from POST timely.

Based on our testwork, the equipment items sampled existed, were recorded on the property listing at proper cost, were properly recorded in POST, and were purchased in compliance with grant requirements. Also, reported lost or stolen equipment items were removed from POST timely. In addition, the prior audit finding concerning the recording of grant information in the property records was resolved.

Matching, Level of Effort, Earmarking

The primary objective for SAPT was to determine if the department met the required level of effort and earmarking requirements. Matching is not a requirement for the SAPT block grant.

OMB Circular A-133, *Compliance Supplement for Audits of States, Local Governments, and Non-Profit Organizations*, and other program guidelines were reviewed for program objectives, procedures, and major compliance requirements. The amount of non-federal funds expended for the year ending June 30, 2001, and the average level of expenditures maintained for the preceding two-year period were obtained and reviewed to determine if the department maintained state expenditures for authorized activities in accordance with the level of effort requirements.

The state must maintain grant expenditures for Substance Abuse treatment services for pregnant women and women with dependent children in accordance with the level of effort requirements. Also, the state must maintain expenditures of non-federal amounts for HIV and tuberculosis services in accordance with the level of effort requirements. The expenditures were traced to supporting documentation.

Required percentages or amounts of the block grant funds are to be expended for prevention and treatment activities regarding alcohol, for prevention and treatment of other drugs, for one or more projects to make available to individuals early intervention services for HIV disease at the sites where the individuals are undergoing Substance Abuse treatment, and for the costs of administering the grant. The amounts of block grant funds were traced to the State of Tennessee Accounting and Reporting System (STARS) to determine if the required percentages were met.

Based on our testwork, the department met the required level of effort and earmarking requirements.

Period of Availability of Federal Funds

The primary objective for WIC and SAPT was to determine if the department obligated federal funds within the period of availability and obligations were liquidated within the required time period.

Financial reports, contracts, and expenditures were reviewed and traced to supporting documentation to determine if funds were obligated and expended within periods allowed.

Based on our review of financial reports, contracts, and expenditures, the department obligated federal funds within the period of availability, and obligations were liquidated within the required time period.

Procurement and Suspension and Debarment

The primary objectives for WIC and SAPT were to determine if

- procurement of goods and services was made in compliance with the provisions of applicable regulations and guidelines; and
- all subawards, contracts, and agreements for purchase of goods or services contained a clause stating that the contractor had not been suspended or debarred.

For WIC and SAPT, the department's purchases of equipment and supplies were handled through the Tennessee On-line Purchasing System (TOPS). We selected a nonstatistical sample of purchases from TOPS to test for compliance with requirements contained in OMB Circular A-133, *Compliance Supplement for Audits of States, Local Governments, and Non-Profit Organizations*. In addition, all WIC and a nonstatistical sample of SAPT contracts were obtained and reviewed for the clause stating that the contractor had not been suspended or debarred and for the appropriate signature.

Based on our testwork, it appeared that management had complied with procurement requirements and that no subaward, contract, or agreement for purchase of goods or services was made without the required certification that the contractor had not been suspended or debarred.

Program Income

The primary objective for WIC was to determine if program income was correctly recorded and used in accordance with the program requirements.

The program income, which is the interest received on infant formula rebates, was traced to supporting documentation to determine if the program income components were properly identified and had been used for allowable purposes.

Based on our testwork, program income was correctly recorded and used in accordance with the program requirements.

Reporting

The primary objective for WIC and SAPT was to determine if the required reports for federal awards included all activity of the reporting period, were supported by applicable accounting or performance records, and were presented in accordance with program requirements. An additional objective for WIC was to follow up on the prior audit finding concerning detection of dual participation between WIC and the Commodity Supplemental Food Program (CSFP).

The required financial reports for WIC federal awards were reviewed for completeness and timeliness of submission. Key line items on the *WIC Monthly Financial Management and Participation Report* and *WIC Program Annual Closeout Report* were traced to documentation to determine if the reports were adequately supported and presented in accordance with program requirements. The required monthly WIC and CSFP dual participation reports were requested to determine if the department was producing and reviewing the reports timely.

For SAPT, the key line items on the *Summary of Tobacco Results by State Geographic Sampling Unit* were traced to adequate supporting documentation provided by the Tennessee Department of Agriculture to determine if the department was performing the required inspections of establishments that sell tobacco products. We also reviewed the report to determine that it was presented in accordance with program requirements.

Based on our reviews and testwork, it appears that the required reports for federal awards included all activity of the reporting period, were supported by applicable accounting or performance records, and were presented in accordance with program requirements. However, the department did not produce the monthly WIC and CSFP reports to detect dual participation as disclosed in finding 1.

Subrecipient Monitoring

The primary objectives for both WIC and SAPT were

- to follow up on the prior audit finding concerning monitoring of subrecipients' audit reports, specifically to determine if the department's procedures for obtaining and reviewing subrecipients' audit reports to identify and resolve subrecipient weaknesses in internal control, instances of noncompliance with subrecipient agreements, and questioned costs were functioning in accordance with prescribed requirements;
- to determine whether the department was in compliance with the Department of Finance and Administration's Policy 22 concerning subrecipient monitoring; and
- to determine whether the department received and processed Program Accountability and Review (PAR) monitoring reports.

The department's procedures for monitoring local agencies' eligibility and activity, for monitoring program subrecipients at both program and fiscal levels, and for evaluating authorized vendors were reviewed and evaluated for adequacy. The department's procedures for evaluating subrecipients to be monitored, developing a monitoring plan, and submitting the

monitoring plan and annual report were reviewed and evaluated to determine compliance with the Department of Finance and Administration's Policy 22. A nonstatistical sample of PAR monitoring reports was reviewed to determine if the department received and processed the monitoring reports. The department's procedures were reviewed to determine if the department obtained and evaluated subrecipients' audit reports timely. We also tested a nonstatistical sample of audit reports to determine if monitoring results were documented and whether deficiencies were corrected appropriately and timely.

Based on our review and testwork, the department complied with the Department of Finance and Administration's Policy 22, and received and processed PAR monitoring reports adequately. Also, the department's procedures for obtaining and reviewing subrecipients' audit reports for the purpose of identifying and resolving subrecipient weaknesses in internal control, instances of noncompliance with subrecipient agreements, and questioned costs were adequate.

Special Tests and Provisions

One-to-One Reconciliation

For WIC, the primary objective was to determine whether the department's food instruments reconciliation process complied with the one-to-one reconciliation requirement.

Reconciliation reports of redeemed food instruments and exception listings were reviewed to determine that the department's nonreconciliation rate did not exceed one percent. We reviewed the department's controls over the bank's contract with WIC to determine if food instruments were redeemed in compliance with the federal requirements.

Based on our reviews and testwork, the department's reconciliation process of food instruments complied with the one-to-one reconciliation requirement.

Management Evaluations

For WIC, the primary objectives were to determine whether the department ensured that the local agency management reviews were conducted and covered the required areas.

The Summary of Clinic Reviews and Clinic Listings was obtained, and all reviewed regions were tested to determine if the required local agency management review was conducted, including on-site visits to a minimum of 20% of the clinics in the region. Also, the sample was tested to determine if the local agency management reviews covered the required areas.

Our review and testwork indicated that the reviews were conducted and covered the required areas, and that the department complied with the 20% monitoring requirement.

Independent Peer Reviews

For SAPT, the primary objectives were to determine whether the required number of entities were peer reviewed, the selection of entities for peer review was representative of entities providing services, and the state ensured that the peer reviewers were independent.

We obtained and reviewed the listing of agencies providing treatment programs and the listing of agencies receiving peer reviews to determine if the number of entities reviewed was in compliance with the federal requirements, including if the selected entities were representative of entities providing service. Also, we reviewed the state's procedures for ensuring that the peer reviewers were independent.

Based on our reviews and testwork, the required number of entities were peer reviewed, the selection of entities was representative of entities providing services, and the state ensured that the peer reviewers were independent.

Schedule of Expenditures of Federal Awards

Our objective was to verify that the Schedule of Expenditures of Federal Awards was properly prepared and adequately supported. We verified the grant identification information on the Schedule of Expenditures of Federal Awards, and total disbursement amounts were traced to supporting documentation. Based on the testwork performed, we determined that the Schedule of Expenditures of Federal Awards appeared to be properly prepared and adequately supported.

Finding, Recommendation, and Management's Comment

1. The Department of Health has no procedures to detect dual participation in the WIC and CSFP programs

Finding

As noted in the previous two audits, the Department of Health does not have adequate controls to ensure that dual participation between the Special Supplemental Nutrition 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 they anticipated that Memphis Area Project (MAP)-South would be fully connected to the Patient Tracking and Billing Management Information System (PTBMIS) by February 28, 2001, which would allow the identification of any possible dual participation. However, MAP-South was not connected to PTBMIS until May 2001, and as of October 17, 2001, management still could not run dual participation reports for MAP-South.

The department's Central Office generates the dual participation reports, which show possible dual participation between regions. Since the participant information for both programs is maintained on PTBMIS and the regional networks are not connected, the Central Office produces the dual participation reports by comparing participant-specific information. The dual participation reports are then sent to regional staff for further investigation. Based upon this further investigation, the department will take appropriate action to prevent dual participation in the programs.

Testwork revealed that the Central Office has been generating dual participation reports for the local agencies for the period October 2000 through June 2001, except for the MAP-South agency, because the participant's information is still maintained manually by MAP-South. As of

September 2001, MAP-South acquired adequate hardware to convert from the manual record keeping to a participant information database on PTBMIS. Because MAP-South is not maintaining the participant's information on PTBMIS, dual participation reports between regions are not generated each month for the agency, and 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 Supplemental Nutrition Program Director should ensure that the one local agency maintains the CSFP participant's information on PTBMIS and that the dual participation reports are generated. The Director should also monitor operations to ensure that corrective action is taken when problems occur.

Management's Comment

Management concurs and states that this finding has been corrected. Beginning in December 2001, on a monthly basis a "Dual Participation Report" is run that prints possible matches of dual benefits given between WIC/WIC, WIC/CSFP, and CSFP/CSFP participants anywhere in the state.

IMMUNIZATION GRANTS

Our objectives for reviewing Immunization Grants were to determine

- if policies and procedures regarding Immunization Grants were adequate;
- if funds were used for allowable purposes;
- if expenditures have been recorded correctly as to the proper grant;
- if the costs meet the criteria set forth in the "Basic Guidelines" of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, paragraph C;
- if the department expended federal funds within the period of availability;
- if all subawards, contracts, and agreements for purchases of goods or services contained a clause stating that the contractor had not been suspended or debarred;
- if the required reports for federal awards included all activity of the reporting period, were supported by applicable accounting or performance records, and were presented in accordance with program requirements;

- whether proper control and accountability were maintained for the vaccine and the vaccine was properly safeguarded;
- if individual program participants were deemed eligible;
- whether the required information has been recorded for vaccine recipients;
- whether the department identified the compliance requirements to the for-profit subrecipient; and
- whether the department monitored the for-profit subrecipient activities to provide reasonable assurance that the for-profit subrecipient administers awards in compliance with federal requirements.

We interviewed key department personnel and reviewed supporting documentation to gain an understanding of the department's policies and procedures over Immunization Grants. Supporting documentation for all Immunization Grants significant items and an additional nonstatistical sample of Immunization grant expenditures were reviewed and tested to determine if funds were used for allowable purposes, funds were recorded correctly as to the proper grant, and the costs were in compliance with OMB Circular A-87. Financial reports, contracts, and expenditures were reviewed and traced to supporting documentation to determine if federal funds were expended within the period of availability. For the Immunization Grants, the department's purchases of equipment and supplies were handled through the Tennessee On-line Purchasing System (TOPS). A nonstatistical sample of Immunization Grants' contracts was selected and reviewed for the clause stating that the contractor had not been suspended or debarred and for the appropriate signature. The amounts shown in the *Financial Status Report* and *Federal Cash Transaction Report* were traced to supporting documentation to determine if the reports included all activity of the reporting period, were adequately supported, and were presented in accordance with program requirements.

We selected a nonstatistical sample of inventory records to determine whether the department maintained proper control and accountability for the vaccine. We obtained and reviewed the listing of health care providers administering these federally funded vaccines. From this listing of health care providers, we selected and visited some health care providers' offices. We physically observed the controls over the vaccine in the state's Cordell Hull Building and the visited health care providers' offices to determine whether the vaccine was properly safeguarded. At the visited health care providers' offices, we also selected a nonstatistical sample of vaccine recipients' medical files to determine if the program participant was deemed eligible and whether the required information was recorded. The required information includes the date the vaccine was administered, vaccine's manufacturer and lot number, and the name of the health care provider administering the vaccine.

We obtained and reviewed award documentation to determine whether the department identified the compliance requirements to the for-profit subrecipient. We also obtained and reviewed departmental policies and procedures and completed monitoring checklists to determine whether the department monitored the for-profit subrecipient activities to provide reasonable assurance that the for-profit subrecipient administers awards in compliance with federal requirements.

Based on our interviews and reviews of supporting documentation, it appears that the policies and procedures regarding Immunization Grants were adequate. Our testwork indicated that the Immunization Grants funds appeared to be used for allowable purposes, expenditures appeared to be recorded correctly as to the proper grant, and costs appeared to be in compliance with OMB Circular A-87. Based on our review of financial reports, contracts, and expenditures, the department appeared to expend federal funds within the period of availability. Based on our testwork, it appeared that no subaward, contract, or agreement for purchase of goods or services was made without the required certification that the contractor had not been suspended or debarred.

Based on our reviews, it appears that the required reports for federal awards included all activity of the reporting period, were supported by applicable accounting or performance records, and were presented in accordance with program requirements. Based on our reviews and testwork, it appears that proper control and accountability were maintained for the vaccine, the vaccine was properly safeguarded, only eligible individuals participated in the program, and the required information was included in the vaccine recipients' medical files. Based on our reviews, it appears the department identified the compliance requirements to the for-profit subrecipients and the department monitored the for-profit subrecipient activities to provide reasonable assurance that the for-profit subrecipient administers awards in compliance with federal requirements.

CONTRACTS

Our primary objective in the area of contracts was to follow up on the prior audit findings by determining

- whether the department continued to enter into contracts that establish improper employer-employee relationships,
- whether the department allowed contract services to be rendered before proper approvals of the contracts were obtained, and
- whether the department had adequately monitored subrecipients' quarterly expenditure reports.

We interviewed key department personnel and reviewed terms of contracts, authorizations and dates, contract payment support, memorandums, and expenditure reports.

Based on our testwork, the department had entered into contracts that established improper employer-employee relationships (see finding 2), allowed contract services to be rendered before proper approvals of the contracts were obtained (see finding 3), and did not adequately monitor quarterly expenditure reports (see finding 4).

Findings, Recommendations, and Management’s Comments

2. For the past 16 years, the department has continued to establish improper employer-employee relationships

Finding

As noted in audit reports since 1986, the Department of Health has entered into contracts with a nonprofit organization, community services agencies (CSAs), and human resource agencies (HRAs) to assist in implementing different programs. Through these contracts, the department has directed these organizations and agencies to provide individuals who are directly supervised by state officials. The nonprofit organization provides 42 individuals, the community services agencies provide 32 individuals, and the human resource agencies provide 7 individuals. Management did not concur with the prior audit finding. In spite of contract language designed to prohibit an employer-employee relationship between the department and contracting agencies, these contracts apparently have created 81 “employer-employee” relationships between the department and these contractors’ employees. In addition to these 81 relationships, the contracts also included 9 vacant positions, as of June 30, 2001.

The practice of allowing employees of non-state entities to report directly to department officials/employees in carrying out what can be construed as state programs raises policy and legal issues. We do not believe that these situations should be accepted as a matter of policy. Chapter 0620-3-3-.03(b) of the *Rules of the Department of Finance and Administration* states that contracts representing the hiring of employees are improper. It continues to state that employees should be hired through the Department of Personnel, according to state policy. These rules further provide factors to consider when determining whether a contract is representing the hiring of employees. Such factors are shown as the criteria in the following table.

Criteria	Condition
To what extent civil servants could do the work, and whether the contractor has specialized knowledge or equipment unavailable to the state.	Seventy-three of the 81 contractors’ employees (90.1%) are filling clerk-related, nutrition-related, and/or program-related positions, as of June 30, 2001. State or county employees are performing these same types of job duties.
To what extent the services represent the discharge of a state function calling for the exercise of personal discretion on behalf of the state.	The state still retains the basic responsibility for the administration of the different programs in the contracts tested.
The extent to which the need is continuing rather than short-term or intermittent.	The program and contract needs were created and have been in place with these same contractors, since 1986 for the HRAs and nonprofit, and since 1989 for the CSAs.

Criteria	Condition
The extent to which the state has control over qualifications of the employees of the contractor.	The Department of Health or Department of Personnel establishes the related job specifications, and state employees actually interview prospective individuals to fill vacant positions.
The extent to which the state has the right to assign tasks for contractor employees.	The department assigns the day-to-day tasks and responsibilities for each of these contractors' employees.
The extent to which the state maintains supervision over the work of contractor employees.	The department provides the day-to-day supervision over these contractors' employees.
The extent to which the state maintains supervision over the method of the contractors' performance.	The department has established the acceptable procedures for the day-to-day tasks and responsibilities for these contractors' employees.
Whether the state has the right to review performance of contractor employees as opposed to reviewing the final product.	Since state employees are providing the day-to-day supervision and the acceptable method to be used day-to-day, they are reviewing the performance of the contractors' employees.
Whether the state has the right to have contractor employees removed for other than misconduct or security reasons.	The contractors are actually responsible for the termination of the employees for reasons other than misconduct or security.
Whether the services can be defined as an end product.	The scope of services in the grant contracts used to create these relationships describes more day-to-day job responsibilities, as opposed to an end product.
Whether the work constitutes a specific task or project as opposed to day-to-day work.	The grant contracts used to create these relationships do not mention a specific project, and the contract scope of services describes work of a day-to-day nature.
Whether payment is for results accomplished as opposed to time worked.	The contractors invoice the state based upon the employees' actual time worked.
Whether the contractor has access to the state's space, equipment, supplies, etc.	The contractors' employees are working in the Cordell Hull state office building and the department's regional health offices and county health departments. The contractors' employees are also using the state's equipment and supplies.

Criteria	Condition
Whether contractor employees are used interchangeably with state employees to perform the same function.	State and/or county employees are performing these same functions and are interchangeable with these contractors' employees.
Whether contractor employees are integrated into the state's organizational structure.	The department uses the Patient Tracking and Billing Management Information System (PTBMIS) in its county health departments. On this system, there is no difference shown between state and contractors' employees. Furthermore, there is no difference between state and contractors' employees when indirect costs are allocated within the county health departments.

Also, there are other factors that are indicative of an employer-employee relationship. First, the state pays the longevity pay for two individuals at one human resource agency. However, this is the only contractor that offers longevity pay to its employees. Second, the state pays for the accrued leave balances for these contractors' employees when their employment is terminated. Third, a departmental policy even states that for these contractors' employees, "salary increases shall be allowable provided they are consistent with salary increases received by state employees," if funding is available or provided for this purpose. Last, the department filled three contractors' positions which were actually shown in the contract as vacant positions in the prior audit.

Finally, the state apparently has incurred additional cost by contracting with non-state entities to provide individuals. In addition to paying the salaries and benefits, travel, training, and supplies of these "employees," an additional administrative fee is paid to these organizations. Also, the department approved approximately \$25,000 to the CSAs for equipment rental and maintenance, telephone, postage and shipping, printing and publications, insurance, and occupancy for the administrative functions of the community services agencies.

Recommendation

The Department of Health should not contract with nonprofit organizations, community services agencies, and human resource agencies to provide individuals who are, in effect, performing state services. These contractor employees should be placed on the state payroll system through the proper hiring procedures. When appropriate, the department should establish either professional service or personal service contracts. However, such contracts should clearly be used for hiring an independent contractor and should not establish an employer-employee relationship.

Management's Comment

Management does not concur that it has created improper employer-employee relationships. However, if appropriate state positions were to be made available to the department, management sees no problem terminating the agreements identified by the auditors and assigning the corresponding programs to individuals on the state payroll.

Rebuttal

The employer-employee guidelines covered in the Department of Finance and Administration's rules state that these factors will be used to determine if this type of relationship exists. When these mentioned factors are examined collectively, they indicate that this type of relationship exists between the Department of Health and the contractors' employees, even though the grant contract is between the Department of Health and the contractors. These relationships raise policy and legal issues for the department.

3. The department did not approve contracts before the beginning of the contract period

Finding

As noted in the three prior audits, the Department of Health did not approve contracts before the beginning of the contract period. Management concurred with the audit finding the first two years but did not concur with the finding in the prior audit report. Instead, management's response indicated that payments were not made before contracts were approved and that it was not important that contracts contain all required approvals before the vendors were instructed to provide services.

Testwork revealed that the department still does not always approve contracts before the beginning of the contract period. Twenty of 69 contracts (29%) with a beginning date of July 1, 2001, were approved an average of 29 days late with a range from 2 to 50 days. This late approval of contracts resulted because bureau directors did not adhere to the department's internal deadline of April 1, 2001. The contracts should have been preapproved, signed by the vendor, and submitted to the Contract Office for further processing through the Department of Finance and Administration by April 1, 2001. While no payments were made against a contract until it was fully approved, potential liabilities to the state occurred because the contracts were without proper authorization.

Chapter 0620-3-3-.04(d)(8) of the *Rules of the Department of Finance and Administration* states that "upon approval by the Commissioner of Finance and Administration [the contract] shall be an effective and binding contract." If contracts are not approved before the contract period begins and before services are rendered, the state could be obligated to pay for unauthorized services.

Recommendation

The department's bureau directors should adhere to the department's deadlines for submitting contracts for review and Commissioner approval to help ensure the contracts will be completely approved before the beginning of the contract period.

Management's Comment

Management concurs that not all contracts are fully signed before their start date. The Bureau of Administrative Services works with program bureau staff each year to encourage early submission of contracts for review and signature. However, delays do occur resulting in instances where contracts have been signed after the beginning date of the contract. Notices have been sent to each Bureau director outlining the necessary deadlines for contract processing to ensure that contracts are in effect on or before the contract beginning date.

In addition, the Department conducted a pilot project in fiscal year 2001 with 77 grantees whose contract terms were July 1, 2001, through June 30, 2002. The hypothesis of this pilot project was the following: a vendor who receives a grant from the Department that has already been signed by the Commissioner is likely to sign and return the grant in a shorter period of time than a vendor who is sent a grant that is yet to be signed by the Commissioner. Of the 77 grantees that received grants signed by the Commissioner in advance of the grantees actually signing the grants, 63 or 82% of the grantees returned their grants, fully executed, prior to July 1, 2001.

The Department feels that this review and approval process has proven successful in assisting in eliminating contracts that are submitted for approval after the contract start date, and is currently being implemented for all contracts.

4. The department did not adequately monitor quarterly expenditure reports from subrecipients

Finding

As noted in the prior audit, the Department of Health did not enforce contract requirements concerning the submission of quarterly expenditure reports. Management concurred with the prior finding and stated that an Administrative Services Assistant had been hired to assist in obtaining the quarterly expenditure reports. Testwork on 25 contracts that require quarterly expenditure reports revealed that 61 of 90 quarterly reports (67.8%) were either not submitted or were submitted late. The 61 quarterly reports are categorized as follows:

- Six cumulative final expenditure reports due in August 2001 had not been submitted as of October 22, 2001.
- Seven cumulative final expenditure reports were submitted 2 to 49 days late with an average of 18 days late.

- Twenty-two interim quarterly reports had not been submitted as of October 22, 2001. The number of days late as of this date was 54 to 357 days, with an average of 253 days late.
- Twenty-six interim quarterly reports were submitted 2 to 218 days late, with an average of 53 days late.

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 yearly total. Therefore, the department can determine where and how the grant recipients have spent their grant awards.

Recommendation

The Fiscal Director 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

Management concurs in part. While some expenditure reports continue to be submitted late by contractors, management has a process and policies and procedures to monitor which reports are still outstanding. The department's policy allows, at management's discretion, for withholding of funds from contractors who have not submitted expenditure reports timely.

Auditor's Comment

Although the department has a process and policies and procedures to monitor expenditure reports, the process is ineffective as evidenced by the 68% error rate.

REVENUE

Our primary objective was to follow up a prior audit finding concerning the cash receipting procedures at the South Central Regional Office, and our additional specific objectives were to determine whether

- departmental controls ensured that transactions were properly supported, that receipts agreed with amounts deposited, that deposit slips were completed properly, that departmental records were reconciled with the State of Tennessee Accounting and

Reporting System (STARS), and that funds were properly controlled and deposited intact;

- revenue functions were adequately segregated;
- the Department of Finance and Administration's (F&A) policy for timely deposit of funds received had been followed; and
- the department complied with applicable federal rules, regulations, and guidelines when federal funds were involved.

Key department personnel were interviewed to gain an understanding of the department's procedures for and controls over revenue. We also reviewed supporting documentation and tested a nonstatistical sample of revenue transactions for proper support and for the appropriate requirements relating to controls over receiving, receipting, controlling, safeguarding, and depositing funds. Also, the transactions were tested for compliance with F&A's policy for timely deposit and federal rules, regulations, and guidelines when federal funds were involved. The reconciliation of the "Listing of Certification of Deposits in STARS" was obtained and reviewed, and petty cash counts were performed for each division in the department.

Based on our interviews, review of supporting documentation, and testwork, it appears that the department's controls were in place, the revenue transactions were in compliance with the applicable requirements, the funds were properly deposited intact, the revenue functions were adequately segregated, F&A's policy for timely deposits was followed, and the department complied with applicable federal rules, regulations, and guidelines.

CONTINGENT AND DEFERRED REVENUE

Our objectives were to determine whether

- contingent/deferred revenue accounts were used for the intended purpose;
- transactions were properly supported;
- only applicable items were recorded as contingent or deferred revenue and in the proper amounts;
- revenue was recognized as earned within the correct fiscal year;
- the department had complied with applicable federal rules, regulations, and guidelines when federal funds were involved; and
- large variances between current and prior-year ending balances were reasonably explained.

We interviewed key department personnel to gain an understanding of the department's procedures for and controls over deposits into the subaccounts and transfers to earned revenue to determine if contingent/deferred revenue accounts were used for the intended purpose. We also reviewed supporting documentation and tested nonstatistical samples of deferred revenue

transactions to determine if only applicable items were recorded as contingent or deferred revenue and for the proper amount, revenue was recognized as earned within the correct fiscal year, and the department complied with applicable federal rules and regulations. We also compared June 30, 2001, subaccount balances with balances reported at June 30, 2000.

Based on our testwork, the contingent/deferred revenue accounts were used for the intended purpose, revenue transactions were properly supported, and only applicable items were recorded as contingent/deferred revenue and in the proper amounts, and recognized as earned within the correct fiscal year. Testwork also revealed that the department complied with applicable federal rules and regulations. There were no significant variances between current and prior-year balances.

EXPENDITURES

Our objectives for reviewing expenditure controls and procedures were to determine whether

- expenditures for goods or services have been identified and recorded correctly,
- recorded expenditures are for goods or services authorized and received, and
- auditee records were reconciled with Department of Finance and Administration (F&A) reports.

We interviewed key department personnel to gain an understanding of the department's procedures for and controls over recording and reconciling expenditure transactions. We reviewed supporting documentation and tested nonstatistical samples for compliance with applicable requirements for expenditure transactions to determine if expenditures were correctly identified, recorded, authorized, and received. Also, supporting documentation of reconciliations of departmental records with F&A reports was reviewed.

Based on our testwork, expenditures were properly identified and recorded, and recorded expenditures were authorized and received. Also, the department's records were reconciled with F&A reports.

PATIENT TRACKING AND BILLING MANAGEMENT INFORMATION SYSTEM (PTBMIS)

Our objectives for PTBMIS were to

- obtain an understanding of PTBMIS critical general and application controls to determine if the controls were in place,
- document the design of PTBMIS, and
- determine that the department had canceled terminated employees' access to PTBMIS.

We interviewed appropriate personnel and reviewed supporting documentation to gain an understanding of PTBMIS. We reviewed organization charts for the Bureau of Information Resources to document the design of PTBMIS. The general control policies and procedures concerning security, system changes, and contingency planning were reviewed and assessed to gain an understanding and assess the risk of the general controls. We also reviewed the application control policies and procedures concerning audit trail, input, processing, and output to gain an understanding and assess the risk of the application control. We tested a nonstatistical sample of employee terminations to determine if access had been removed at the time of termination.

Based on our interviews and testwork, the design of PTBMIS was documented, the critical general and application controls were in place, and terminated employees' access to PTBMIS was canceled.

ALCOHOL AND DRUG MANAGEMENT INFORMATION SYSTEM (ADMIS)

Our objectives for the Alcohol and Drug Management Information System (ADMIS) were to

- obtain an understanding of ADMIS critical general and application controls to determine if the controls were in place, and
- document the design of ADMIS.

We interviewed appropriate personnel and reviewed supporting documentation to gain an understanding of ADMIS. We reviewed organization charts for the Bureau of Alcohol and Drug Abuse Services to document the design of ADMIS. The general control policies and procedures concerning security, system changes, and contingency planning were reviewed and assessed to gain an understanding and assess the risk of the general controls. We also reviewed the application control policies and procedures concerning audit trail, input, processing, and output to gain an understanding and assess the risk of the application control.

Based on our interviews, the design of ADMIS was documented and the critical general and application controls were in place.

DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20, "RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES"

Department of Finance and Administration (F&A) Policy 20 requires that state departments whose financial records are maintained on the State of Tennessee Accounting and Reporting System (STARS) fully utilize the STARS grants module to record the receipt and expenditure of all federal funds.

Our objectives were to determine whether

- appropriate grant information was entered into the STARS grant control table upon notification of the grant award, and related revenue and expenditure transactions were coded with the proper grant codes;
- payroll reallocation is proper;
- the department made drawdowns at least weekly using the applicable STARS reports;
- the department had negotiated an appropriate indirect cost recovery plan, and indirect costs were included in drawdowns; and
- the department used the appropriate STARS reports as bases for preparing the department's schedule of expenditures of federal awards and reports submitted to the federal government.

We interviewed key personnel to gain an understanding of the department's procedures and controls concerning Policy 20 and to determine if the department had negotiated an indirect cost recovery plan. We tested significant items for the two major programs and an additional nonstatistical sample of SAPT major program expenditures to determine if expenditure transactions were coded with the proper grant codes. We reviewed supporting documentation and tested a nonstatistical sample of drawdowns and reports submitted to the federal government to determine if indirect costs were included in the drawdowns, drawdowns were made timely, and revenue transactions were coded to the proper grant codes. All grant award notification dates were reviewed and compared to the awards listed in STARS to determine if the grant award was entered timely. We also reviewed payroll cost reallocations and the schedule of expenditures of federal awards. Each grant's total expenditure amount on the schedule was traced to STARS.

Based on our interviews, reviews, and testwork, the department was in compliance with F&A Policy 20. The department had fully utilized the STARS grants module to record the grant award notifications and the receipt and expenditure of all federal funds, appropriate payroll costs were reallocated, the department made drawdowns timely, the department had negotiated an indirect cost recovery plan, and the proper indirect costs were included in the drawdowns. The department also used the appropriate STARS reports as bases for preparing the schedule of expenditures of federal awards and reports submitted to the federal government.

DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 03, "UNIFORM REPORTING REQUIREMENTS AND COST ALLOCATION PLANS FOR SUBRECIPIENTS OF FEDERAL AND STATE GRANT MONIES"

Department of Finance and Administration Policy 03 establishes uniform reporting requirements for certain subrecipients and requires those subrecipients' cost allocation plans to be reviewed by the appropriate cognizant state agency.

Our objectives were

- to follow up the prior audit finding concerning the review of subrecipients' cost allocation plans, and
- to determine whether the department reviewed the assigned subrecipients' cost allocation plans.

We tested a nonstatistical sample of subrecipients' cost allocation plans that had been assigned to the department for review and/or approval to determine if the plans had been reviewed and/or approved.

Based on our interviews and testwork, the department had reviewed and/or approved subrecipients' cost allocation plans.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30. The Department of Health filed its compliance report and implementation plan on June 28, 2001.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds. The Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI. A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

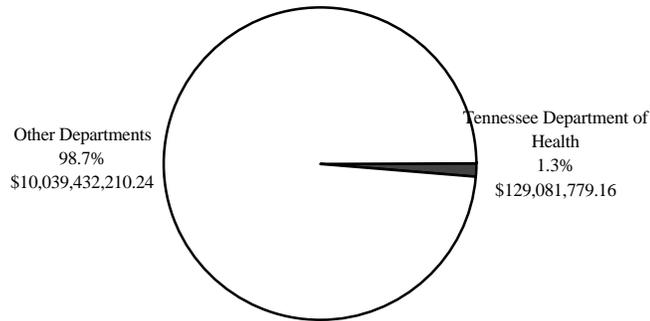
DIVISIONS AND ALLOTMENT CODES

Department of Health divisions and allotment codes:

- 343.01 Executive Administration
- 343.03 Bureau of Administrative Services
- 343.04 Bureau of Information Systems
- 343.05 Office of Health Licensure and Regulation
- 343.07 Emergency Medical Services
- 343.08 Laboratory Services
- 343.10 Health Related Boards
- 343.20 Policy Planning and Assessment
- 343.39 Division of General Environmental Health
- 343.44 Bureau of Alcohol and Drug Abuse Services
- 343.45 Health Services Administration
- 343.47 Maternal and Child Health
- 343.49 Communicable and Environmental Disease Services
- 343.52 Population-Based Services
- 343.53 WIC Supplemental Foods
- 343.60 Local Health Services
- 343.70 Nursing Home Resident's Grant Assistance Program

General Fund Expenditures

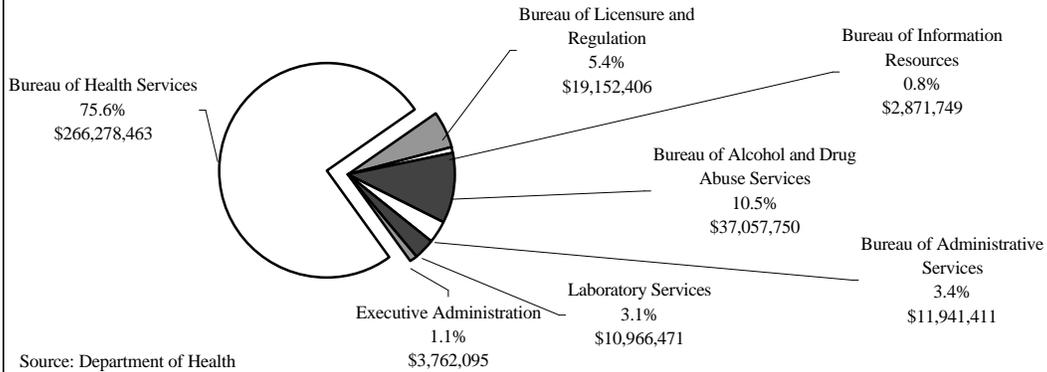
Fiscal Year Ended June 30, 2001 (Unaudited)



Source: Department of Health

Expenditures by Allotment and Division

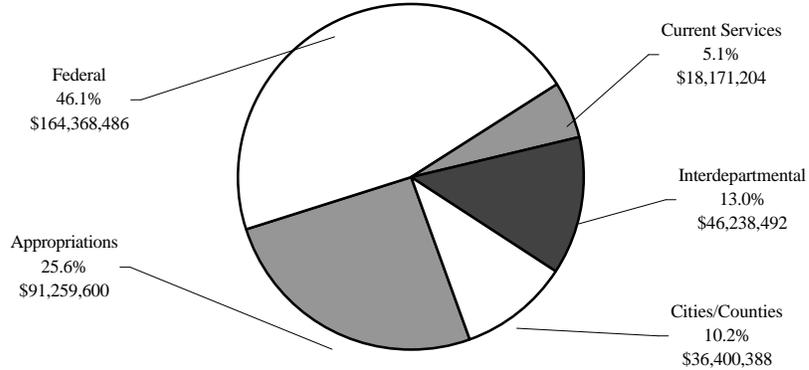
Fiscal Year Ended June 30, 2001 (Unaudited)



Source: Department of Health

Funding Sources

Fiscal Year Ended June 30, 2001 (Unaudited)



Source: Department of Health