TENNESSEE

Single Audit Report
For the Year Ended June 30, 2001

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 28, 2002

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 eighteenth *Single Audit Report* for the State of Tennessee. This report covers the year ended June 30, 2001. 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 $7.6 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, 2001, 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 twelve that we believe constitute material weaknesses. We noted one instance of noncompliance material to the general-purpose financial statements. The reportable conditions and instance 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, 2001

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Selected Statistical Data

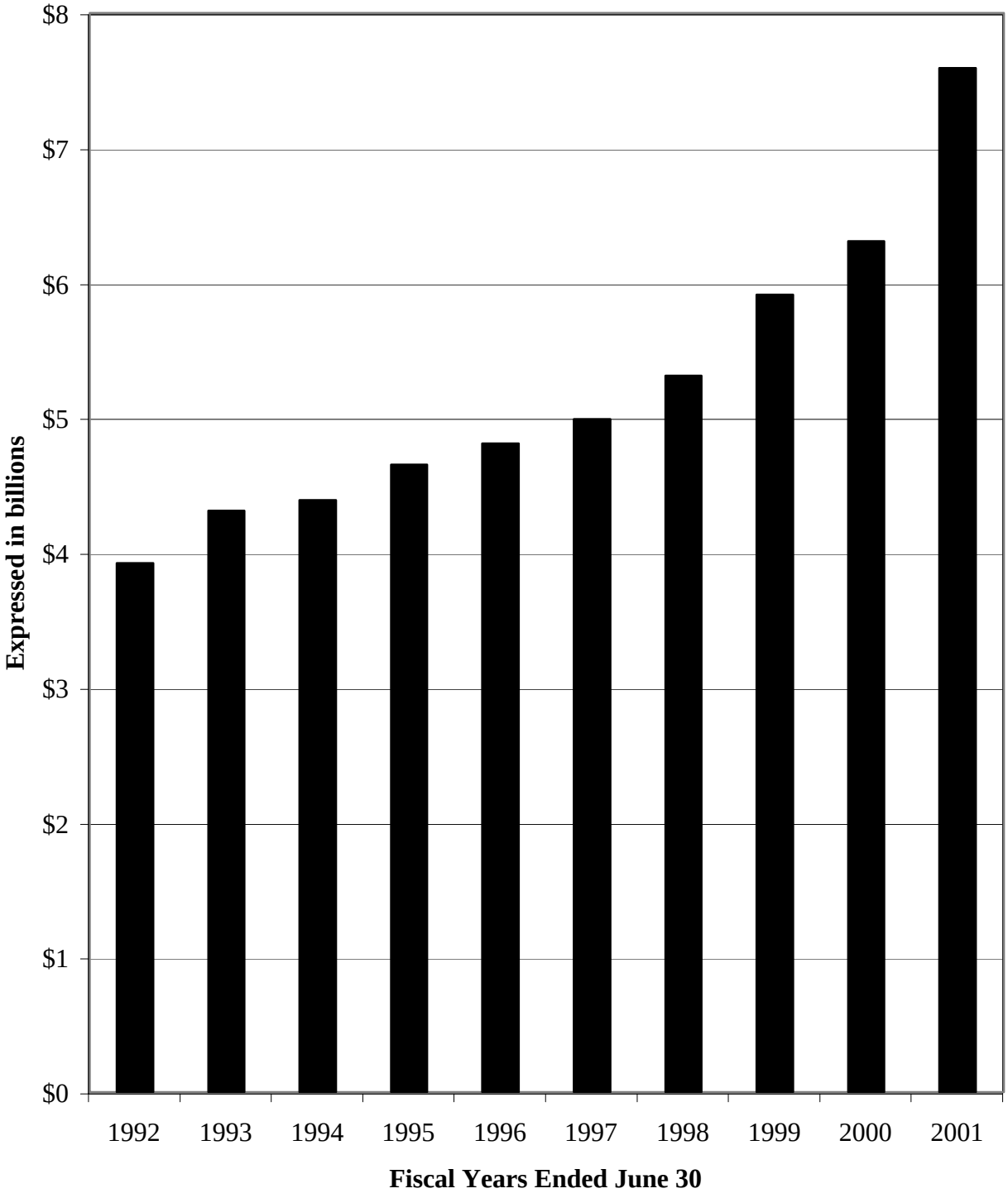
Total Federal Expenditures – Ten Year Summary

Expenditures by Awarding Agency

Number of Type A and Type B Programs

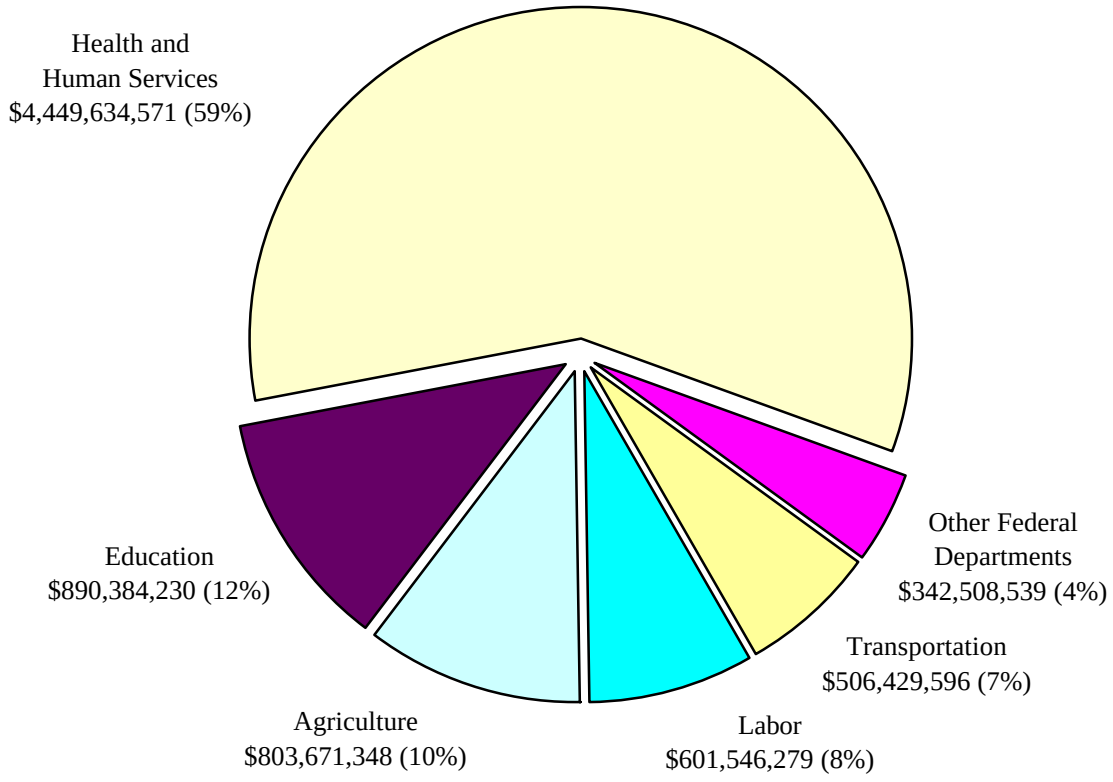
Type A and Type B Program Expenditures

Total Federal Expenditures - Ten Year Summary

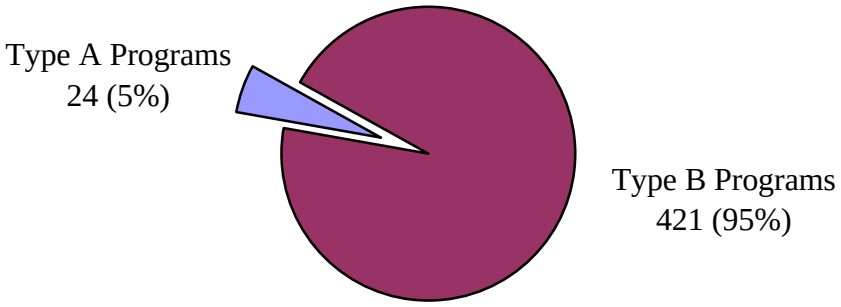


Expenditures by Awarding Agency

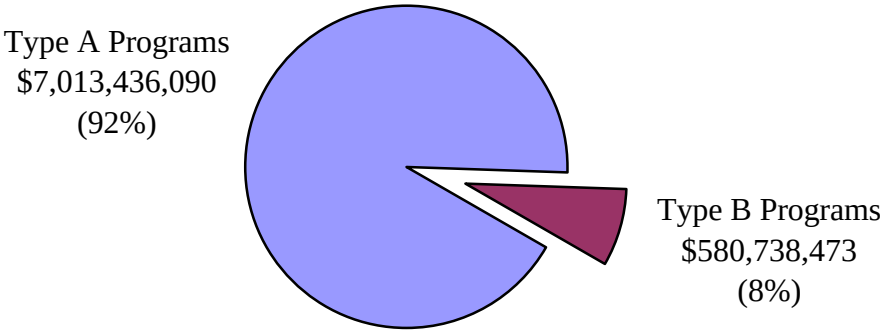
July 1, 2000 through June 30, 2001



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, 2001, the Type A program threshold for the State of Tennessee was $22,782,524. 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
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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*

December 4, 2001

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, 2001, and have issued our report thereon dated December 4, 2001. As discussed in Note 2C to the general-purpose financial statements presented in the *Tennessee Comprehensive Annual Financial Report*, the State of Tennessee implemented GASB Statements 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and 36, *Recipient Reporting for Certain Shared Nonexchange Revenue*. In addition, the State of Tennessee changed its accounting policy regarding the definition of cash and cash equivalents and changed the Grain Indemnity fund from a component unit to an enterprise fund. We conducted our audit in accordance with government auditing standards generally accepted in the United States of America.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 01-DFA-12. 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 01-DCS-01 through 01-DCS-03, 01-DCS-05, 01-TCRS-01, 01-TCRS-02, 01-TDT-01, 01-TDT-02, 01-DFA-01 through 01-DFA-03, 01-DFA-05, 01-DFA-06, 01-DFA-08 through 01-DFA-17, 01-DFA-21 through 01-DFA-24, 01-DFA-35, 01-DFA-37, 01-DFA-38, 01-DOT-03, 01-DOT-04, 01-DHS-04 through 01-DHS-06, 01-DHS-09, 01-LWD-01, and 01-UTS-01.

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 01-DFA-03, 01-DFA-05, 01-DFA-08, 01-DFA-09, 01-DFA-11, 01-DFA-12, 01-DFA-22, 01-DFA-37, 01-DFA-38, 01-DOT-03, 01-DHS-05, and 01-DHS-09 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

AAH/ra

STATE OF TENNESSEE
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 15, 2002

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, 2001. 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 government auditing standards generally accepted in the United States of America; 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 01-DFA-12, 01-DFA-13, 01-DFA-16, 01-DFA-18 through 01-DFA-23, 01-DFA-25, 01-DFA-26, 01-DFA-34 through 01-DFA-36, and 01-DFA-39, 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 Medicaid Cluster. 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, 2001. 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 01-DCS-01, 01-DCS-02, 01-DFA-14, 01-DFA-15, 01-DFA-17, 01-DFA-24, 01-DFA-28 through 01-DFA-30, 01-DFA-33, 01-ETSU-01 through 01-ETSU-03, 01-DOT-01, 01-DHS-01 through 01-DHS-03, 01-DHS-06, 01-DHS-08, 01-LWD-02, 01-LWD-04, 01-UTK-01, and 01-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 01-TDH-01, 01-TDH-02, 01-DCS-01, 01-DCS-02, 01-DCS-04, 01-THDA-01, 01-DFA-03 through 01-DFA-25, 01-DFA-27 through 01-DFA-41, 01-ETSU-01 through 01-ETSU-03, 01-DOT-01 through 01-DOT-04, 01-DHS-01, 01-DHS-

03 through 01-DHS-07, 01-DHS-09, 01-LWD-01 through 01-LWD-04, 01-TSAC-01, 01-DOE-01, and 01-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 01-DCS-02, 01-DFA-03, 01-DFA-05, 01-DFA-08, 01-DFA-09, 01-DFA-11, 01-DFA-12, 01-DFA-16 through 01-DFA-18, 01-DFA-20 through 01-DFA-22, 01-DFA-34 through 01-DFA-38, 01-DOT-03, 01-DHS-05, 01-DHS-06, and 01-DHS-09, 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, 2001, and have issued our report thereon dated December 4, 2001. 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

AAH/ra

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2001

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 one instance 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 $22,782,524.

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2001
(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
14.228	Community Development Block Grants/State's Program
17.225	Unemployment Insurance
17.245	Trade Adjustment Assistance – Workers
17.255	Workforce Investment Act
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 – Project-Based 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	01-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

Children's Services has not collected overpayments; uncollected overpayments totaling at least $1,178,416 are due from foster care and adoption assistance parents

Finding

As noted in the seven previous audits, from July 1, 1993, to June 30, 2000, Children's Services still has not collected overpayments from foster care and adoption assistance parents. Management concurred with the prior audit finding and stated,

> The department has . . . 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 overpayments and be able to identify one, if it should occur, in a timely manner so recovery can be immediate.

As of June 30, 2001, the department's records indicated an outstanding accounts receivable balance for these parents totaling $1,178,416, a decrease of $77,244 since June 2000. This decrease was due, in part, to the department resolving a prior audit finding by implementing controls to significantly reduce the amount of overpayments made to foster care and adoption

assistance parents during the audit period. In addition, subsequent payments to current foster parents are reduced by 50% until the amount due is indicated to be zero.

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. Each month, a remittance advice is sent to the overpaid parent noting the balance due to the state. However, the department is still not actively pursuing recovery of funds from foster care or adoption assistance parents who received overpayments but are no longer keeping children. Although management's previous response mentioned contracting with a collection agency, it has not done so during the year. Once an overpayment is detected, the department adjusts subsequent requests for federal funds in order to eliminate federal participation in the amount overpaid.

Recommendation

The Assistant Commissioner of Fiscal and Administrative Services and the Director of Fiscal Services should continue their efforts to reduce the number of overpayments. In addition, they should actively pursue recovery of funds from foster care or adoption assistance parents who received overpayments but are no longer keeping children. These steps should include increasingly aggressive collection letters, telephone calls, collection agencies, and litigation.

Management's Comment

We concur. The department has been communicating with the Department of Finance and Administration (F&A) during fiscal year 2001 to monitor progress in the implementation of a statewide collections contract. F&A consistently pursued the completion of this contracting process throughout fiscal year 2001. DCS monitored this progress and determined that a separate departmental contract would not be necessary. A vendor has been selected for statewide collections and F&A is developing the contract at the time of this response. This contract negates the need for a separate departmental contract. DCS will be utilizing the statewide contract as soon as it is fully executed to resolve these outstanding overpayment accounts.

Finding Number	01-DCS-05
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

Department employees' access to the state's computer systems was not adequately controlled

Finding

The department did not promptly cancel terminated employees' Resource Access Control Facility (RACF) IDs and access to the State of Tennessee Accounting and Reporting System (STARS). RACF is the security software that protects the state's mainframe programs and data files from unauthorized access. Of the 2,248 people listed as having Children's Services RACF IDs as of July 1, 2001, 79 (3.5%) were no longer employees of the department. These persons had been terminated from employment from 15 days to 16 months prior to the date of the listing. Six of these 79 Children's Services RACF IDs were used subsequent to the employees' termination from the department. In addition, of the 163 people listed as having access to Children's Services accounts in STARS as of May 15, 2001, two (1.2%) were no longer employees of the department. These persons had been terminated from employment from one to two months prior to the date of the listing.

In addition to the problems with persons having RACF IDs and STARS access after termination from the department, the assignment of RACF IDs was not always properly authorized. Thirteen of 2,248 people listed as having Children's Services RACF IDs (.6%) were assigned unauthorized multiple RACF IDs. These were current employees of the department. Management did not provide an explanation for the unauthorized multiple RACF IDs. However, several of them appeared to have been attempts to correct errors made in assignments, and the erroneous assignments were not cancelled.

Not promptly canceling access to these important computer systems in addition to not always properly authorizing its RACF IDs increases the possibility of unauthorized changes and decreases assurance of the systems' integrity.

Recommendation

The Commissioner and the Director of Information Resources should ensure that adequate controls are in place to promptly cancel terminated employees' access to all computer systems. At a minimum, these controls should include a weekly review of all employees who

have terminated. In addition, the Director of Information Resources should cancel all unauthorized RACF IDs and ensure that RACF IDs are properly authorized. If conditions necessitate reissuing a RACF ID, it should be adequately documented, and the erroneous RACF ID should be canceled immediately.

Management's Comment

We concur. The Personnel Division has issued a new edition of the DCS Exit Interview Form with instructions for all supervisory staff. The new form instructs the supervisory staff to e-mail the DCS Help Desk by the close of business on the employee's last day worked requesting "Please terminate all Computer Related Access for (Full Name, EI#) effective today." The supervisory staff is responsible for notifying the DCS Help Desk for all terminations including Contractors, State, CSA and Temporary employees. The DCS Help Desk will delete all access (Mainframe and Novell) as well as the actual RACF and User ID's.

The Security Administration Team will complete one weekly reconciliation and two formal monthly reconciliations. A comparison of the Employee Data Base against Active RACF ID and Active User ID reports will be done on a weekly basis. This comparison will produce a report that lists any Active RACF or User ID numbers that are not on the Employee Data Base. Security Administration will investigate this report and send requests to the Help Desk to terminate access for terminated employees. In addition, the weekly Active RACF ID Report will be used to reconcile any duplicate RACF IDs. Any duplicate ID found will be deleted immediately. At the end of each month the weekly reports will be combined and a formal monthly reconciliation will be completed. As a part of this reconciliation, all mainframe access, including STARS, will be checked for deletion as well as the RACF ID. From this reconciliation, a monthly report will be generated with all terminated employees which the Help Desk did not receive proper notification of termination. Thirdly, a monthly reconciliation of the 30-Day No Log In Report will be conducted. Any exceptions will be investigated and appropriate action will be taken. All monthly reconciliations will be signed, dated and sent to the Information Systems Director.

Finding Number	01-DFA-01
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Finance and Administration
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The Tennessee Insurance System is not functioning efficiently and effectively

Finding

As noted in the five prior audits, the Tennessee Insurance System (TIS) has not been designed, implemented, and maintained in a manner which allows it to function efficiently and effectively. As a result, changes are being made directly to the TIS database through the Application Development Facility (ADF), necessitating manual reconciliations and adjustments. Management responded to the prior audit finding by stating that accounting transactions have been brought up-to-date with only an occasional problem, and two accounting positions have been added to the Division of Insurance accounting section. Also, the TIS upgrade project began in March 2000. Management stated that in addition to the TIS upgrade project, the division had implemented the TIS automated reconciliation project. Our review indicated that most accounting transactions were up-to-date, positions were added, and the TIS upgrade project is in progress. We also found that the automated reconciliation process is functioning and items that still require manual reconciliation are being handled appropriately. However, the upgrade project and Master Transaction Study are not complete. ADF is still used, and large differences between TIS and the State of Tennessee Accounting and Reporting System (STARS) still occur that result in manual processing.

The division is still using ADF, a software program, to manually adjust participants' accounts on TIS. These adjustments to participants' accounts are made directly in the TIS database rather than through transactions. The system's security must be overridden in order for an ADF change to be made. The division sends a request for the ADF change to the department's Information Systems Management (ISM) group, which in turn submits a request to the Office for Information Resources (OIR). OIR assigns one of its employees to make the ADF changes on the TIS database. As noted in the prior audit, overriding system security to make manual adjustments is a significant deficiency in the design and operation of the system.

The Division of Insurance Administration uses ADF as a "quick fix" to correct participant balances or errors attributable to unresolved system problems. Although division staff maintain paper documentation of the ADF changes, the system has no history or record of the changes because division staff simply overwrite previous information in the database. If the system had been designed and was functioning properly, use of ADF would not be necessary.

As previously noted, making changes directly to a database instead of correcting errors through properly authorized and documented transactions circumvents system controls.

In addition, when the TIS database is corrected using ADF, STARS is not updated concurrently. As a result, the two systems do not agree. We noted that differences between the daily net change in the TIS database and the cumulative accounting transactions passed from TIS to STARS daily during the year ended June 30, 2001, ranged from ($417,929.19) to $493.50. Differences in the daily net change must be researched and adjusted as necessary. Again, if the system had been designed and was functioning properly, there would not be a need for these additional manual procedures.

Recommendation

To ensure that all TIS system problems are corrected as soon as possible, the Director of Insurance Administration should complete the TIS upgrade project that began in March 2000 and begin the TIS Master Transaction Study that is scheduled for Fiscal Year 2002. As the system problems are corrected, the use of ADF changes should be minimized and, if possible, eventually eliminated. As problems arise in the future, causes of the problems should be quickly identified, and TIS should be corrected quickly through program changes or other appropriate means.

Management's Comment

We concur. The issue of reconciliation between TIS and STARS has been the topic of considerable effort on the part of the Division for quite some time. The Division has implemented a number of changes including the TIS reengineering project implemented in March of 2000 in order to address the balancing between TIS and STARS. As noted, accounting transactions have been brought up to date, positions have been added and the TIS Automated Reconciliation Project has been completed. All of these improvements have positively impacted the TIS to STARS balancing processes.

The TIS Upgrade Project began in March of 2000 and is scheduled for completion by April 2003. The planning and analysis phases of the project have been completed. The design phase is scheduled for completion by the end of January 2002. The project is intended to enhance the capabilities of the present system as well as improve its maintainability. Key areas that will be addressed with this systems project include the following:

- Enhance existing functionality,
- Add new functions,
- Enable TIS to balance with STARS,
- Improve interfaces with other systems,
- Improve processing, and
- Improve reporting.

Every effort is being made to correct as many problems as possible in the current version of TIS while designing the upgraded TIS so that the use of ADF will be minimized.

The TIS Master Transaction Study is scheduled to begin after July 1, 2003.

In summary the Division of Insurance Administration is committed to upgrade TIS, to the judicious use of ADF changes and subsequently to resolve the issue of TIS to STARS balancing.

Finding Number	01-DFA-02
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Finance and Administration
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

Application Development Facility changes were not always properly supported or made correctly

Finding

Application Development Facility (ADF) changes were not always properly supported or made correctly. The Division of Insurance Administration uses the ADF software program to manually adjust participants' accounts on the Tennessee Insurance System (TIS). ADF is a "quick fix" to correct balances or errors attributable to unresolved system problems. When finding number 01-DFA-01 is resolved, the use of ADF should no longer be needed. Currently, however, ADF is the only method available to correct errors or adjust participants' accounts that cannot be adjusted directly through TIS.

ADF changes overwrite previous information in the database without leaving a record of the change in the system. For control purposes, the division maintains paper documentation for each ADF change. However, for 5 of 25 items tested (20%), the ADF change either was not made correctly or could not be verified for correctness. The testwork produced the following results:

- For 3 of the 25 ADF changes tested (12%), the changes were made incorrectly or not made at all.
- For 2 of the 25 ADF changes tested (8%), the changes could not be verified for correctness due to lack of documentation.

If ADF changes are not made correctly, then participants' accounts on the Tennessee Insurance System will be inaccurate. These situations contribute to the TIS reconciliation problems. If paper documentation is not maintained for ADF changes, the related data change will not be supported at all.

Recommendation

The Division of Insurance Administration should continue its efforts to reengineer the TIS system in order to eliminate the need for ADF changes. Until the time when the reengineering is complete, the division should concentrate its efforts to keep ADF changes

minimal. When ADF changes are necessary, extra care should be taken to ensure that the changes were made as intended. The Director should ensure that all changes are reviewed by a supervisor to ensure that the change made was the correct one. The Director should also ensure that complete paper documentation is maintained for all ADF changes.

Management's Comment

We concur. The planning and analysis phases of the TIS Upgrade Project have been completed. The general design phase of the project is expected to be completed by the end of January 2002. Detail design will then resume. The project is scheduled for implementation in April 2003. Every effort is being made to correct as many system problems as possible in the current version of TIS while designing the upgraded TIS so that the current use of ADF is minimized.

The Division's Accounting Technician II reviews all ADFs processed to ensure that changes were made as intended. An additional step will be put in place where a supervisor reviews all ADFs after completion. Also, in order to ensure that complete paper documentation is maintained for all ADF changes, a dedicated printer has been installed at the workstation where ADF changes are conducted.

Finding Number	01-TCRS-01
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of the Treasury
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The Tennessee Consolidated Retirement System should develop and implement written procedures related to the preparation and use of credit analysis reports that support the purchase of commercial paper

Finding

The Board of Trustees establishes investment policies of the Tennessee Consolidated Retirement System (TCRS). Those policies require investment staff to prepare a credit analysis report on a corporation before the TCRS purchases that corporation's commercial paper. The credit analysis report is to include a company profile, business description, financial profile, rating information, strengths and opportunities, weaknesses and threats, and an outlook and recommendation.

Investment staff began preparing the credit analysis reports shortly before the amendment to the investment policies requiring the preparation of these reports was approved in March of 2001. However, guidance on certain aspects of preparing and using the reports is lacking. One directive needed is how often credit analysis reports should be updated. Reports for some corporations have not been updated to reflect the most recent financial information. The latest financial information on these corporations was from December 1999. As of December 4, 2001, these reports had not been updated for 2000, although the investment staff was still making frequent acquisitions of these corporations' commercial paper.

Other guidance needed is how the decision to purchase commercial paper contrary to the recommendation in the credit analysis report should be documented. One instance was noted where a credit analysis report recommended against purchasing commercial paper of a corporation. However, investment staff frequently acquired commercial paper of this corporation contrary to that recommendation without documenting why such a decision was made.

If the period of time for which credit analysis reports are to be valid, when they are to be updated, and how decisions not to follow their recommendations are to be documented are not clearly established, the risk of purchasing commercial paper of a vulnerable corporation is increased.

Recommendation

The Treasurer should ensure that written procedures for the preparation and use of credit analysis reports that support the purchase of commercial paper are developed. The procedures should indicate the period for which the reports should be valid, when they should be updated, and how decisions not to follow their recommendations should be documented.

Management's Comment

Management concurs. Procedures have been written relative to the process for the preparation and use of credit analysis reports. Regarding the credit analysis report referred to in this finding where the analyst requested a second opinion prior to approval, the chief investment officer of TCRS reviewed and discussed the credit analysis report with the manager of cash management. The chief investment officer, who has final authority for investment decisions, authorized the acquisition of such commercial paper. While we concur that such decisions need to be documented, we would emphasize that the purchase of this commercial paper was properly authorized and the State was not placed at risk by purchasing commercial paper issued by the company in question.

Finding Number	01-TCRS-02
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of the Treasury
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

TCRS should strengthen controls for preventing, detecting, and collecting overpayments to deceased persons

Finding

The Tennessee Consolidated Retirement System (TCRS), established in 1972, provides retirement coverage to state employees, higher education employees, teachers, and employees of political subdivisions that have elected to participate in the plan. As of June 30, 2001, there were 194,725 active TCRS members. TCRS paid out $756.4 million in benefits to retirees and beneficiaries during the year ended June 30, 2001.

Death Match Procedures

Management receives death match reports from a contracted vendor. The death match reports received from the vendor report matches between the vendor's database of deceased persons and an electronic file submitted by TCRS to the vendor. The electronic file submitted by TCRS to the vendor includes data fields for certain inactive TCRS members and all retirees and beneficiaries. The vendor report includes matches between its database and the electronic file submitted to the vendor by TCRS in three categories: exact matches (last name, first name, social security number, and date of birth), highly probable matches (last name, first name, and either the social security number or the date of birth), and other matches. Management uses these death match reports to identify possible overpayments to deceased retirees and beneficiaries. The death match report received from the vendor, dated April 19, 2001, reported 179 exact matches and 23 highly probable matches. According to information provided by the vendor, there is approximately a 4 percent chance that both exact and highly probable matches are false.

TCRS has written procedures to be performed as a result of information obtained from death match reports. Our review of the procedures performed and discussions with Retired Payroll staff indicated several instances of noncompliance with the written procedures.

- Letters were not sent to every person in the death match report. According to Retired Payroll staff, letters were only sent to retirees and beneficiaries who were reported as exact matches.
- Retiree and beneficiary accounts were not placed in pending status in accordance with time frames established in the written procedures.

- Second letters were not sent.
- Semi-annual death match reports were not obtained from the contracted vendor. Management only requested one death match report from the vendor during fiscal year 2001.
- Periodic status reports were not provided to the Director of TCRS. Written procedures require that staff provide information to the Director of TCRS indicating the number of matches, action taken, and the results of such matches.

In addition to the instances of noncompliance noted above, our review of written procedures and discussions with Retired Payroll personnel indicated internal control weaknesses related to the death match process. Specifically, established procedures used to verify the accuracy of information reported in the death match report are not sufficient to reduce the risk that deceased retirees and beneficiaries are still receiving benefits. In addition, there is no system in place to adequately document the actions taken regarding individuals included in death match reports. These internal control weaknesses are discussed below.

Written procedures require that all individuals reported as deceased in the death match report be sent letters, in part, to verify the status reported in the death match report. For those individuals receiving benefits, the letters are addressed to the beneficiary or the estate of the retiree. If the retiree or beneficiary is not deceased, the letter requires the retiree or beneficiary to indicate this in the letter by checking "no," signing the letter, and returning the letter to TCRS. If such a letter is returned to TCRS, it is presumed that the retiree or beneficiary is not deceased. As such, a retiree or beneficiary would continue to receive retirement benefits. However, it appears that this control does not sufficiently reduce the risk that the letter was signed fraudulently by someone other than the retiree or beneficiary.

Management has not established a system to adequately and efficiently document and track the status of all persons reported in death match reports. Based on discussions with Retired Payroll personnel, information received in the death match reports is entered manually into an electronic spreadsheet. During the course of the audit, it was noted that the spreadsheet was incomplete and did not contain sufficient information to document the number and type of matches, the actions taken, and the results of the matches. Based on review of the contract with the vendor, the death match reports are available to TCRS in an electronic format. An electronic death match report would provide a more efficient means of accumulating and documenting the information received in the death match reports. In addition, TCRS could modify the vendor's electronic file to include additional fields to serve as a tracking mechanism for actions taken and the documentation used for such actions.

Failure to comply with and strengthen procedures related to death match reports increases the risk that payments will continue to be made in the name of deceased retirees and beneficiaries.

Accounts Receivable Procedures

TCRS has written procedures for the collection of overpayments to deceased retirees or beneficiaries. These procedures require an initial letter to be sent advising the payee of the

overpayment. If a response to the initial letter is not received within 30 days, procedures require a second letter to be sent under the signature of the Payroll Supervisor. The procedures require the second letter to contain specific information such as reasonable repayment plans. Finally, if a response to the second letter is not received within 30 days, procedures require a third letter to be sent under the signature of a staff attorney. Our testwork on overpayments indicated that neither the Retired Payroll staff nor the staff attorney complied with these written procedures. In addition, our review of overpayment documentation and the related procedures indicated that the procedures did not always provide sufficient guidance for staff performing the procedures and did not address a specific circumstance which routinely occurred as a result of overpayments.

Our testwork regarding the first letter indicated several weaknesses. For 1 of 11 applicable overpayments tested (9%), the required first letter was not sent. In this particular circumstance, a bank sent a cashier's check to TCRS for the overpayment. However, this overpayment was not recorded as an account receivable until 93 days after TCRS was notified of the individual's death. There was no evidence that either the bank or the payee was contacted by letter regarding the overpayment. According to the Payroll Counselor, the bank may have been contacted by phone.

Although the written procedures do not address when the first letters are supposed to be sent, our testwork indicated that the first letters were not always sent in a timely manner. The Payroll Counselor documents the dates on which TCRS was notified of retiree and beneficiary deaths. Using the dates documented by the Payroll Counselor, our testwork indicated that 6 of 24 applicable first letters tested (25%) were sent more than 30 days after TCRS was notified of the retiree's or beneficiary's death. The number of days ranged from 34 to 603. Regarding the dates that TCRS was notified of retiree and beneficiary deaths (as documented by the Payroll Counselor), our testwork indicated that Retired Payroll staff had access to death match reports which provided for an earlier date of notification. For 7 of 25 overpayments tested (28%), death match reports were available which provided an earlier date of notification of retiree and beneficiary deaths. The number of days Retired Payroll had access to the death match reports' notification dates, as compared to the date documented by the Payroll Counselor, ranged from 22 to 98.

In certain circumstances, the first letter required by the written procedures was not sent. For example, when the Payroll Counselor was aware that a deceased retiree's or beneficiary's benefits were paid electronically through an automated clearing house (ACH) transfer between banks, the required first letter was not sent. Instead, an "ACH letter" was sent to the bank. Although it appears proper to handle such overpayments in this manner, written procedures do not address this routine occurrence. Our testwork indicated a weakness concerning the use of ACH letters. In two instances, a second request ACH letter was sent to the banks. However, the second ACH letter requests were not sent until 584 and 593 days after the first ACH letter was sent.

According to the Payroll Counselor, a receivable for overpayments to deceased retirees and beneficiaries is not recorded in the accounting records until an overpayment worksheet, prepared by the Payroll Counselor, is forwarded to the Accounting Division. Our review of the overpayment worksheets indicated that they were not reviewed or approved by the Payroll

Counselor's supervisor before being forwarded to the Accounting Division. Also, based on discussions with Retired Payroll personnel, neither the second letters (under the signature of the Payroll Supervisor) nor the third letters (under the signature of a staff attorney) were sent to the beneficiaries included in our sample. As of December 4, 2001, 12 of 25 overpayments tested (48%) were still uncollected. Finally, 6 of 25 overpayments tested (24%) were recorded as accounts receivable in the accounting records more than 60 days past the date of the notification of death. The number of days ranged from 93 to 619.

If written procedures over accounts receivable do not adequately address circumstances which arise as a result of overpayments and are not complied with, the risk that accounts receivable will not be collected is increased.

Recommendation

Management should ensure that Retired Payroll staff comply with written procedures for death match reports and that appropriate retiree and beneficiary accounts are placed in pending status promptly. Written procedures should be strengthened to attain a higher level of assurance that information received in the letters returned by retirees and beneficiaries is accurate and sufficient to continue making payments to retirees and beneficiaries who have been reported deceased by the contracted vendor. For example, management should consider requiring these letters to be signed in the presence of a notary public. Finally, to provide for an easier and more efficient means of tracking the follow-up results, management should consider requesting electronic copies of death match reports from the vendor.

The Director of TCRS should ensure that written procedures address the various circumstances that arise as a result of overpayments and that employees comply with the procedures. The Director should ensure that time requirements for sending the first letter to the payee, procedures to perform when a retiree or beneficiary was paid by an automated clearing house transfer, and any reviews and approvals of overpayment documentation are adequately addressed in the written procedures. The written procedures should be designed to ensure that accounts receivable as a result of overpayments are recorded in the accounting records and collected in a reasonable period of time.

Management's Comment

Management concurs. New procedures are being written on the death match process including related overpayment collection. In addition, staff will be properly trained to follow the procedures. At the time this problem was brought to the attention of management, a full review of recent death match reports was performed. Staff has finished that review and taken appropriate action. The problem resulted from the retirement of a long term employee and staff not being properly trained with updated procedures to handle the death match process.

Finding Number	01-TDT-01
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of the Treasury
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The Department of the Treasury should develop and implement written procedures related to the preparation and use of credit analysis reports that support the purchase of commercial paper

Finding

The State Funding Board establishes investment policies of the State Pooled Investment Fund. Those policies require the Department of the Treasury to prepare a credit analysis report on a corporation before the department purchases that corporation's commercial paper. The credit analysis report is to include a company profile, business description, financial profile, rating information, strengths and opportunities, weaknesses and threats, and an outlook and recommendation.

The department began preparing the credit analysis reports shortly before the amendment to the investment policies requiring the preparation of these reports was approved in March of 2001. However, guidance on certain aspects of preparing and using the reports is lacking. One directive needed is how often credit analysis reports should be updated. Reports for some corporations have not been updated to reflect the most recent financial information. The latest financial information on these corporations was from December 1999. As of December 4, 2001, these reports had not been updated for 2000, although the department was still making frequent acquisitions of these corporations' commercial paper.

Other guidance needed is how the decision to purchase commercial paper contrary to the recommendation in the credit analysis report should be documented. One instance was noted where a credit analysis report recommended against purchasing commercial paper of a corporation. However, the department frequently acquired commercial paper of this corporation contrary to that recommendation without documenting why such a decision was made.

If the period of time for which credit analysis reports are to be valid, when they are to be updated, and how decisions not to follow their recommendations are to be documented are not clearly established, the risk of purchasing commercial paper of a vulnerable corporation is increased.

Recommendation

The Treasurer should ensure that the department develops written procedures for the preparation and use of credit analysis reports that support the purchase of commercial paper. The procedures should indicate the period for which the reports should be valid, when they should be updated, and how decisions not to follow their recommendations should be documented.

Management's Comment

Management concurs. Procedures have been written relative to the process for the preparation and use of credit analysis reports. Regarding the credit analysis report referred to in this finding where the analyst requested a second opinion prior to approval, the chief investment officer reviewed and discussed the credit analysis report with the manager of cash management. The chief investment officer, who has final authority for investment decisions, authorized the acquisition of such commercial paper. While we concur that such decisions need to be documented, we would emphasize that the purchase of this commercial paper was properly authorized, and the state was not placed at risk by purchasing commercial paper issued by the company in question.

Finding Number	01-TDT-02
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of the Treasury
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The Collateral Pool Board and the Department of the Treasury should ensure that annual, quarterly, and monthly reports required from participating financial institutions are received and reviewed

Finding

The Collateral Pool was established in 1990 to allow financial institutions and governments statewide to participate in a collateral pool to provide an effective, low-risk system of collateralizing public funds. *Tennessee Code Annotated* prescribed the formation of the board to oversee the operations of the pool and attached the board, for administrative purposes, to the Department of the Treasury. The department began administering the pool in November 1995. Currently, the pool has approximately 47 participating financial institutions.

The Collateral Pool requires certain annual, quarterly, and monthly reports from participating financial institutions. These reports are used to determine if the institutions have reported all public deposits held and pledged sufficient collateral for the public deposits held. However, some required reports are not being received, are not received by the due date, or are not properly completed. Each type of report and related exceptions are discussed in the following paragraphs.

Pursuant to Rule 1700-4-1-.07(3) adopted by the Collateral Pool Board, every qualified public depository shall file an annual report not later than March 31 of each year. The annual report consists of two reports, the Annual Management Certification and the Annual Certification by Independent Auditors. The Annual Management Certification requires management to certify that their financial institution has the systems and controls in place to ensure that public deposits are properly identified and reported. The Annual Certification by Independent Auditors requires an independent auditor to certify that he/she has examined and tested the institution's systems and procedures that identify and report public deposits and found them effective, with any deficiencies noted in the audit report. The following exceptions were noted regarding the annual reporting requirements:

- Three of thirty-one institutions tested (10%) failed to submit complete annual reports. One bank failed to submit the Annual Certification by Independent Auditors. Two banks failed to submit the first page of the Annual Management Certification.

- Four of thirty-one institutions tested (13%) failed to submit the complete annual report or part of the annual report by the due date. The reports were submitted 47 to 179 days late, or an average of 125 days late.
- Three of thirty-one institutions tested (10%) failed to properly complete the Annual Certification by Independent Auditors. Two banks submitted an Annual Certification by Independent Auditors that was signed by the same person that signed the Annual Management Certification. The Annual Certification by Independent Auditors for the other bank stated that "There are no independent audits of these systems and procedures."

Pursuant to Rule 1700-4-1-.07(2) adopted by the Collateral Pool Board, every qualified public depository shall file with the Treasurer on a quarterly basis a statement of selected financial information. The department has established a due date of 30 days after the end of each quarter. The following exceptions were noted regarding the quarterly reporting requirements:

- Four of thirty-one institutions tested (13%) failed to submit all required quarterly reports for the period tested. Three banks failed to submit one quarterly report. One bank failed to submit two quarterly reports.
- Six of thirty-one institutions tested (19%) failed to submit the quarterly report by the due date for the period tested. The reports were submitted 10 to 193 days late, or an average of 50 days late.

Pursuant to Section 9-4-518(a), *Tennessee Code Annotated*, and Rule 1700-4-1-.07(1) adopted by the Collateral Pool Board, a qualified public depository shall submit a monthly report to the Treasurer containing information required by the Board and prescribed by the Treasurer. The report includes a Monthly Depository Report and a Monthly Pledged Collateral Report. Both reports are due by the fifteenth (15th) day after the end of each calendar month. The following exceptions were noted regarding the monthly reporting requirements:

- Fourteen of thirty-one institutions tested (45%) failed to submit complete Monthly Pledged Collateral Reports for the months tested.
- Four of thirty-one institutions tested (13%) failed to submit the monthly report by the due date for the month tested. The reports were submitted 1 to 25 days late, or an average of 11 days late.

Although the department has attempted to follow up with institutions that fail to send required reports, it appears that the department lacks adequate enforcement procedures to ensure that required reports are completed and submitted to the department. Also, the department needs to review the Annual Management Certifications and the Annual Certifications by Independent Auditors to determine that the appropriate person completes them. These reports are necessary to determine if all public deposits are sufficiently collateralized. The Annual Certification by Independent Auditors provides additional assurance from an independent auditor that the institution's systems and procedures are effective for identifying and reporting public deposits. This assurance is necessary in determining if adequate collateral has been pledged by each institution. If a participating financial institution becomes insolvent, the other Collateral Pool

members are assessed for any collateral deficiency of the insolvent member. As a result, the risk of loss to a Collateral Pool member is increased if other pool members have not pledged collateral at the required target level.

Recommendation

The Collateral Pool Board should adopt enforcement procedures to help ensure that all required reports are submitted to the department by the due date and are properly completed. The enforcement procedures should be sufficiently strong to encourage compliance with reporting requirements. The department should review annual reports to ensure that an independent auditor has completed the Annual Certification by Independent Auditors and follow up with institutions that failed to have the certification properly completed by an independent auditor.

Management's Comment

Management concurs. In August 2001, Treasury Internal Audit identified the failure of collateral pool participants to timely file monthly, quarterly, and annual reports. The internal audit report stated "while cash management has followed-up with banks failing to submit the required reports through phone calls and letters, staff lacks the adequate enforcement procedures to ensure institutions are complying with the reporting requirements."

At the September 20, 2001, meeting of the Collateral Pool Board, the internal audit report was presented for the Board's consideration. The Board took three actions:

a. The Board requested the Chairman to write the institutions that had not complied with filing the annual report. Subsequently, the reports were received.

b. The Board eliminated the filing of the quarterly financial report by institutions and instead authorized the obtaining of financial data from a third party source.

c. The Board requested staff to outline a series of recommendations for better enforcement to be considered at the next meeting, probably in March 2002.

In addition, the staff has implemented a tracking compliance log so that failure to timely file reports can be documented so as to address problems with specific institutions.

It should be noted that failure to report timely does not put public deposits at risk, since the risk of default is borne by financial institutions participating in the pool.

Finding Number	01-DHS-04
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Human Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

DHS datasets not protected by RACF security software

Finding

Through a manual reconciliation of Department of Human Services (DHS) mainframe-resident datasets and established RACF security profiles, auditors discovered that 997 DHS datasets were outside RACF protection. Datasets are mainframe computer files that contain detailed information needed for various services provided by the Department. RACF is the state mainframe security software, which is used to provide an initial level of access security before the user can access department- or agency-level systems. Production environment datasets for the following agency systems were affected: Automated Client Certification and Eligibility Network of Tennessee (ACCENT), Clearinghouse, Daycare, the Automated Rehabilitation Teacher Tracking System (ARTTS), Blind Services, and DHS Data Warehouse. The datasets could contain detailed information on benefit recipients, other clients, and case histories. Additionally, a small number of the datasets contained RACF security information. These datasets could contain information on specific users' access rights to resources on the state mainframe. When the 997 datasets were either created or renamed by programming staff, they were named in such a way that they fall outside of established RACF security profiles. Security administration staff were not notified of the need for new security profiles; therefore, these datasets currently are not protected by the RACF security software and are potentially vulnerable to compromise.

During the prior-year audit, 315 datasets unprotected by RACF profiles were identified by the auditors and communicated to the DHS RACF Security Administrator. Of these 315, 43 (13.7%) are still unprotected and are included in the count above.

The state's Information Technology Policies require that

> All information Technology resources must be appropriately and adequately protected against unauthorized access, modification, destruction or disclosure.

Failure to comply with this standard could result in unintended or illegal access to department data.

Recommendation

DHS management should emphasize to its administrative and programming staff the necessity of notifying security administration personnel when datasets are created or renamed in such a way that does not adhere to existing RACF-protected naming conventions. DHS security administration should periodically perform testwork comparable to that performed by the auditors and should review agency datasets for compliance with existing RACF security profiles. Also, DHS security administration personnel should investigate the list of unprotected datasets provided to them by the Division of State Audit. Applicable datasets should either be renamed to fit the naming convention for existing RACF security profiles, or new RACF security profiles should be established to protect the datasets.

Management's Comment

We concur. As of January 1, 2002, the following have been implemented to correct access control problems, and improve safeguard measures for our production data files:

- System Analysts identified production datasets, and the Security Administrator has created profiles to control access to the datasets.
- Systems development Directors and Analysts have been given access to online reports that show the disk and tape datasets that are not RACF-protected.
- Designated systems analysts will review the report monthly, and inform the Security Administrator when production datasets that should be protected appear on the reports.
- Systems development Directors will inform the Security Administrator when new billing codes that are to be used for new production systems and applications are created. The Security Administrator will review and create dataset profiles on RACF as deemed appropriate.

Finding Number	01-DHS-05
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Human Services
Grant/Contract No.	N/A
Finding Type	Material Weakness
Questioned Costs	None

Security over computer systems needs improvement

Finding

As noted in the prior audit, the Department of Human Services (DHS) does not have adequate controls over access to the Tennessee Child Support Enforcement System (TCSES), the Automated Client Certification and Eligibility Network (ACCENT), and the Resource Access Control Facility (RACF). TCSES and ACCENT are DHS systems. RACF is the state mainframe security software, which is used to provide an initial level of access security before the user can access department- or agency-level systems. During the review for the fiscal year ended June 30, 2001, the auditors noted that terminated employees' access privileges were not revoked in a prompt manner; and security authorization forms were missing, not properly completed, or did not match the current access privileges of the users. The prior year audit report contained a finding concerning discrepancies related to security over the agency's computer systems, notably that authorization forms were discovered to be missing, incomplete, or inconsistent with the employees' actual access rights.

Management concurred with the prior audit finding and made the following statement regarding authorization forms:

> The Security Administrator has drafted a comprehensive document/form to request, authorize, and grant access to ACCENT, TCSES, and other RACF-protected systems. Currently, multiple forms are being used. The Security Administration Focus Group will review the form prior to its implementation. The new procedures will require the original form to be retained by the Resource Security Administrator and a copy to be maintained by the user's supervisor.

Review during the current year revealed that the Security Focus group had continued work to assess the security environment and to attempt to revise and update the security policies and procedures followed by DHS personnel. Additionally, the consolidated security form mentioned above was implemented. While this Security Focus group is continuing work relating to DHS security issues, additional effort is still needed.

Terminated employees' access privileges were not revoked in a prompt manner.

- Twelve users who had terminated employment possessed active RACF privileges. Five of the users also possessed active ACCENT privileges.
- One TCSES contract user who was no longer working for DHS possessed active RACF privileges and active TCSES ALL staff type, which would give unlimited access to TCSES.

Good security practices require that terminated users' system privileges within all applicable systems be promptly revoked upon their termination. The failure to revoke terminated users' system privileges increases the possibility that sensitive information could be inappropriately modified.

Authorization forms were missing, incomplete, or inconsistent with users' actual access rights.

- Department personnel were unable to locate six of 50 (12%) RACF security authorization forms selected for testwork.
- Eleven of 25 ACCENT security authorization forms selected for testwork (44%) were not properly authorized by management.
- Five of 25 ACCENT security authorization forms selected for testwork (20%) did not match the actual access levels possessed by the employees. All five users possessed greater access then originally authorized.

As noted in the prior audit, good security practices require that an access authorization form should be completed for each employee using departmental or state application systems. This authorization should be prepared by the employee's management, and should specify the employee's access level(s) and the justification for such access. If the access privileges required by an individual legitimately change, a new authorization form should be completed prior to the changing of the access rights by the security administration staff. All of the completed authorization forms should be maintained in a secure location by appropriate security administration personnel. The failure to prepare, collect, and maintain access authorization forms as suggested above increases the possibility that access to sensitive systems and information may be granted to ineligible individuals, and that authorization may be granted to employees in excess of what is warranted for their job responsibilities.

Recommendation

As noted in the prior-year audit report, DHS Management should improve security for TCSES, ACCENT, and RACF. Users should be granted the appropriate level of system access based on their job responsibilities. Security authorization forms should be completed by management and maintained. DHS Management should monitor the system security for TCSES, ACCENT, and RACF and take appropriate action if problems are noted.

Additionally, as noted in the prior year audit report, the Security Focus group should continue efforts to strengthen system security within the agency. Revised or updated policies and procedures should be communicated to agency personnel and training should be provided as needed.

Management's Comment

We concur. The Department continues to work on the detailed processes that are necessary in order to put in place the larger improvements in our security controls that are more visible in audit reviews. Security Administration Focus Group staff have continued to work toward integrating security management controls with ACCENT so that we can properly authorize and terminate user access to this system. As we move toward department-wide access control procedures, the following outlines our plan to ensure that ACCENT user tables have integrity, and to integrate effective access control procedures for these systems.

A target date of March 2002 has been set to pilot implementation of the new department-wide access control procedures for Family Assistance and Field Operations staff. We will pilot the procedures in one of our eight administrative districts. Under the new procedures:

- All user profiles will be added to RACF and ACCENT (i.e., created and/or changed) by Central Office security staff. All subsequent changes that are made by field staff require the submission of a new form that explains the permanent change in access.
- One form will be used to apply for a User ID and authorize access to ACCENT.
- The authorization form will be sent by designated management staff and approved by Central Office security administration staff based on established policies and procedures. A new authorization form must be sent for all changes, and procedures will be put in place to detect unauthorized changes. All authorization forms will be stored centrally. Upon termination of employment or a change in work groups, users will automatically be terminated on ACCENT.
- A training package is being finalized for all users: managers who are designated as being responsible for requesting access, and security staff who are responsible for granting and terminating access to ACCENT. The training packages will be completed for the pilot in March 2002.
- Plans are to expeditiously implement the new procedures in all of the other program areas after the Family Assistance and Field Operation work groups have finished their work.

Terminated employees' access privileges were not revoked in a prompt manner. Authorization forms were missing, incomplete, or inconsistent with user's actual access rights.

In January 2002, we implemented a new screen in ACCENT to eliminate the need for Family Assistance Field and State office staffs who require multiple ID's on ACCENT to have

multiple user profiles on RACF. The SMUG screen also allows security staff to view the ID's that an individual has active in ACCENT, and inactivate them when employment is terminated or the user leaves the work group.

Also, we began generating and using reports that enable security staff to review the ACCENT user data table to review users who have multiple active ID's and detect profiles that allow specific access authorizations that are not consistent with the user's job title. In all instances, the appropriate manager is responsible for ensuring that the authorized profile is consistent with the user's job responsibilities, which may not be consistent with the user's job title. This point will be stressed in the training for designated managers.

In addition, a department-wide memorandum was issued with a checklist of things to be done when an employee leaves the department. The memo was issued so that each supervisor or manager knows all that is expected when an employee leaves the department. The termination of computer access is among these items.

Finding Number	01-DOT-03
CFDA Number	Various
Program Name	Various
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	N/A
Finding Type	Material Weakness
Questioned Costs	None

The Department of Transportation should improve controls over programmer access to DOT STARS production data sets

Finding

Resource Access Control Facility, or RACF, is the security software that protects the state's mainframe computer programs and data files from unauthorized access. The auditors found that the RACF user group AGRM041, which contained Office for Information Resources' (OIR) Systems Development Support (SDS) programmers as members, had ALTER access to DOTSTARS data sets for extended periods of time. ALTER access grants users the ability to directly change or delete the contents of application data sets. The anomalies during processing sometimes cause data elements or control tables to become corrupted and, because of their technical expertise, OIR's SDS programmers may be asked to make corrective changes to the affected databases. However, making such changes is not a normal application programmer duty and must be controlled. The preferred procedure is for the agency's security administrator to set access privileges for the programmers' user group to ALTER only long enough for the corrections to be made and then to promptly reset them back to NONE or READ. Under no circumstances should the programmers' user group access be continuously set to ALTER. Failure to follow this procedure could result in illegal or inappropriate changes to or destruction of state data.

Recommendation

The department should change the access privileges for RACF user group AGRM041 to READ or NONE. In addition, the department should provide ALTER access to SDS programmers on an as-needed basis and promptly remove ALTER access after the necessary modifications have been completed. Furthermore, after the modifications have been completed, the department should review the changes made to verify that the only changes made were the requested modifications.

Management's Comment

We concur and will establish closer controls and give programmers access only as needed. It should be noted, after modifications have been completed, there is currently in place a thorough review by Finance and Information Technology staff to ensure that the changes made were only those requested modifications.

Finding Number	01-DOT-04
CFDA Number	Various
Program Name	Various
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The DOT STARS disaster recovery plan is insufficient

Finding

As noted in the prior two audit reports, the disaster recovery plan dated August 17, 1993, for the Department of Transportation (DOT) State Transportation Accounting and Reporting System (STARS) is insufficient. DOT STARS is a mission-critical system that processes virtually all of the department's accounting data. The DOT STARS disaster recovery plan lacks the specific instructions necessary to restore the system in an emergency. Much of the plan is simply a set of generic guidelines. For example, the plan states, "If there are different requirements for recovery depending on time of month or year, these should be documented." The plan also states, "Agencies should plan for the retention of production job output, as needs dictate." However, there is no documentation indicating that these issues have been considered. Specific instructions—such as an alternate office site and a plan to recover data entered since the most recent system backup—are vital to the execution of a sufficient plan.

In the two prior audit reports, management concurred and stated that the department's Information Technology Division (IT) was completing revisions. The reports also stated that management planned to follow up to ensure completion of the plan. However, the detailed plan revisions have never been completed or incorporated into the plan, and management has not followed up with the department's IT division.

Recommendation

The department should thoroughly document specific disaster recovery procedures and specific actions to be taken from the declaration of a disaster until the time that normal business operations are resumed to help ensure that business and accounting functions are quickly restored.

The guidelines presented in the current plan for considering specific issues should be addressed and incorporated into the comprehensive plan. The comprehensive plan should be reviewed, updated, and reapproved periodically. The procedures should be prioritized and should list the specific actions to be taken from the declaration of a disaster until the time that normal business operations are resumed.

Management's Comment

We concur. TDOT Information Technology staff and TDOT Finance staff have met to address the specific concerns provided in meetings during the audit. The current Disaster Recovery Plan has been annotated with each specific concern and the proposed response to address the concern. These will be incorporated into the final plan and stored with other IT procedures for the Department. This annotated copy is available for review upon request until the plan is finalized.

Finding Number	01-LWD-01
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

The department does not maintain access code authorization forms

Finding

The department does not maintain access code authorization forms controlling access to departmental mainframe systems. Internal Audit is responsible for maintaining the access code authorization forms. User management is required by Internal Audit to request system access in writing. However, the Director of Internal Audit does not maintain access documentation beyond two years. After two years, these forms are destroyed.

Good security practices require that an access code authorization form should be completed and maintained for each employee using departmental or state application systems. If the access privileges required by an individual legitimately change, a new authorization form should be completed prior to the changing of access rights. The Director of Internal Audit should maintain all completed authorization forms in a secure location for as long as the employee has access to departmental or state application systems. The failure to maintain access code authorization forms increases the possibility that access to sensitive systems and information may be granted to ineligible individuals, and that authorization may be granted to employees in excess of what is warranted for their job responsibilities.

Recommendation

The Director of Internal Audit should maintain access code authorization forms for all employees who have access to departmental or state application systems. If an employee's access level changes, a new authorization form should be completed and maintained. These forms should be maintained for as long as the employee has system access.

Management's Comment

We do not concur. Internal Audit maintained access code authorization forms and all related paperwork for two years and the current year. Internal Audit had not previously been informed of any standard requiring it to keep the paperwork as long as an individual accesses a

system. After the field exit conference, which was held on February 14, 2002, Internal Audit was given information on RDA S836-5, which can serve as such a standard.

Internal Audit staff receives properly prepared and approved authorization forms from supervisors before employees are added to any mainframe system. All changes in system access are also authorized in writing before the change is made. The documentation is reviewed and reconciled to transaction reports from ESCOT, TRUMP, and RACF before being filed. Internal Audit will develop a system to maintain the authorization forms and related paperwork indefinitely.

Rebuttal

As stated in the finding, failure to maintain access code authorization forms increases the possibility that access to sensitive systems and information may be granted to ineligible individuals, and that authorization may be granted to employees in excess of what is warranted for their job responsibilities. Also, state and federal laws, rules, and regulations are readily available to the Director of Internal Audit via the internet.

Finding Number	01-UTS-01
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	University of Tennessee
Finding Type	Reportable Condition
Questioned Costs	None

Failure to properly perform bank reconciliations

Finding

The University of Tennessee prepares monthly bank reconciliations for its general, disbursements, payroll, and various depository accounts. The general account and a depository account at Memphis were not properly reconciled with the general ledger during the 2001 fiscal year.

For these two accounts, the university attempts to match bank activity (deposits, transfers, bank charges, etc.) with items recorded on the general ledger. Prior to the conversion to its new accounting system, IRIS, on May 1, 2001, the university received daily imports from First Tennessee Bank for these two accounts. The imports were stored in a computer file, and at the end of the month, personnel would attempt to match bank activity from the stored files to items recorded on the general ledger. Items recorded at the bank which could not be matched to the general ledger and items recorded on the general ledger which could not be matched to the bank were considered reconciling items. On the June 30, 2001, bank reconciliation, there was $4,312,987.79 that was recorded at the bank, which could not be matched to the general ledger. Also, there was $3,913,156.99 of items recorded on the ledger, which could not be matched to bank activity.

With the reconciling items unresolved, the university cannot be sure that these items were properly recorded on the general ledger or that the bank correctly posted all transactions to the university's bank accounts.

Recommendation

The university should ensure that bank reconciliations are properly performed. Reconciling items should be reviewed and resolved in a timely manner to ensure that ledger balances are correct and that university bank accounts properly reflect all cash transactions.

Management's Comment

The university concurs with the finding. Controller's office staff will perform bank reconciliations on a timely basis. To that end, the controller's office has added a position to assist in this procedure and has used temporary help to help identify reconciling items. To date, controller's office staff have reduced the unreconciled amount by an additional $1,856,675.43 per bank and $1,279,788.15 per ledger.

Finding Number	01-DHS-09
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	Material Weakness
Questioned Costs	None

The Department of Human Services did not maintain adequate documentation of the information needed to determine eligibility for Temporary Assistance for Needy Families and Food Stamps

Finding

The Department of Human Services (DHS) does not maintain adequate documentation of the enrollee's information used to determine eligibility for Temporary Assistance for Needy Families (TANF) and Food Stamps.

DHS uses the Automated Client Certification and Eligibility Network (ACCENT) system to determine eligibility for TANF and Food Stamps. During the enrollment process, county DHS eligibility counselors meet with the potential enrollees in face-to-face interviews. Each applicant is required to provide hard-copy documentation to support various eligibility criteria. This information includes income, resources, medical expenses, family information, social security numbers, date of birth, etc. During the enrollment process, eligibility counselors examine documentation supporting the information that is entered into ACCENT. For example, before entering income into the system, an eligibility counselor would examine such documentation as employment pay stubs or federal tax returns. At the end of the enrollment process, the documentation supporting the information entered into the system is then returned to the applicant/enrollee. ACCENT makes the eligibility determination based upon the information entered into the system by the eligibility counselor.

Testwork revealed that the enrollee's application is the only paper documentation consistently kept by DHS. Although ACCENT maintains electronic case notes, there is no documentation kept to support the eligibility information entered into ACCENT. Without adequate documentation of the information entered into ACCENT, the risk is increased that ineligible enrollees may be enrolled in the TANF and Food Stamps programs.

Discussions with management at DHS revealed that the department relies heavily upon information from the Tennessee Department of Labor and Workforce Development, the Social Security Administration (SSA), the Tennessee Department of Health, and the Internal Revenue Service (IRS) for verification of eligibility information. From the Department of Labor and Workforce Development, DHS receives monthly data on Unemployment Insurance Benefits that can be used to verify unemployment income.

DHS also receives monthly beneficiary and earnings data, daily social security number verification, and daily information on Supplemental Security Income (SSI) recipients from SSA. The data from SSA provide DHS a method of verifying an individual's social security payments, social security number, Medicare eligibility status, and SSI eligibility status. Through the Office of Vital Records within the Department of Health, DHS has daily access to birth records. This information can be used to verify ages and relationships needed when making an eligibility determination. DHS also receives wage data from the Department of Labor and Workforce Development. However, not all employers are required to report employee wages to the state. Employers that are not required to report include churches, regardless of the size of payroll or number of employees, and non-government organizations with a small payroll and/or few employees. Furthermore, this information is sometimes several months old and is reported on a quarterly basis. Eligibility is determined based upon current monthly income. In addition, the income data DHS receives from the IRS that is reported on an individual's IRS 1099 form is delayed several months and is reported on a yearly basis.

Although DHS receives information from outside sources, not all eligibility requirements can be verified through this information. These outside information sources do not provide a systematic way to verify all types of income an enrollee might have. In addition, none of the updates received from other departments include documentation of other resources for non-SSI recipients or medical expenses that could affect an eligibility decision.

The department relies on quality control sampling to monitor the accuracy of information in ACCENT and to monitor the eligibility determination made. Quality control personnel select samples monthly of persons eligible for Food Stamp benefits. This unit verifies the accuracy of information in ACCENT with outside sources. They also select a sample of denied cases to ensure that the person was appropriately denied. Sample sizes are approved by the federal government; and the samples are selected randomly. However, certain types of cases are not tested. These consist mainly of non-cooperation cases where the enrollee either fails or refuses to cooperate or the department is unable to locate the individual. If one of these cases is selected for inclusion in the sample, it is replaced by another case. The case is investigated, but it is not considered in the calculation of the error rate of the sample. Excluding those cases from the error rate of the review could affect the results of the reviews. For example, the error rate of the sample could be higher or lower based upon the results of the non-cooperation cases.

The department contracts with the University of Tennessee to review active TANF cases on a continuing basis. On a monthly basis, DHS Information Systems personnel randomly select cases for review by the University of Tennessee. This testwork consists only of determining if the caseworkers properly determined eligibility and benefit amounts based on the information in ACCENT. There is no attempt made to determine the accuracy of the information in ACCENT.

Maintaining documentation provided by the applicant during enrollment would allow the department to test all cases selected. The department should no longer have the problem of being unable to locate the enrollee or obtain cooperation of the enrollee.

Without maintaining the documentation, the department cannot ensure that the information entered into ACCENT is accurate and that enrollees are eligible. Not maintaining

this documentation also reduces accountability for information entered and makes researching cases more difficult.

Recommendation

The Commissioner should ensure the department keeps documentation of the information entered into ACCENT that is used to determine eligibility for TANF and Food Stamps. While it might be possible to reduce the amount of documentation needed with an effective quality control process, documentation should still be maintained for areas of higher risk of ineligibility as determined by the quality control efforts. At best a quality control system is an after the fact determination of eligibility. It is important that the department be able to support eligibility determinations at the time benefits are awarded.

If management wishes to reduce the level of documentation maintained by reliance on a quality control process, that process should adequately cover the entire Food Stamp and TANF eligible population and it should consider any unsupported eligibility determinations to be errors and appropriately project such results to the population.

Management's Comment

We do not concur.

TEN YEARS IN OPERATION

The ACCENT system has been operational since 1992. For ten years two departments of the federal government (the Department of Health and Human Services and the Department of Agriculture) have provided significant federal funds to support Tennessee's eligibility determination process for three programs: Food Stamps, Families First (formerly Aid to Families with Dependent Children or AFDC) and Medicaid. The affected federal agencies are also concerned about the integrity of their programs. By approving the ACCENT system, these agencies recognized that ACCENT's method of eligibility documentation employed met their high standards. They have never expressed any concern regarding a lack of adequate documentation to verify the accuracy of information entered in ACCENT following the certification of the system.

The Department of Human Services is the single state agency for both Food Stamps and Families First. The Bureau of TennCare (Department of Finance and Administration) serves as the single state agency for the Medicaid program. Both federal agencies (Dept. of Health and Human Services and Dept. of Agriculture) concurred in the design and development of the ACCENT system. Without federal approval there would have been no federal funding of either ACCENT's development or program service funding since 1992.

Federal funding for ACCENT has been consistent for both system development and ongoing eligibility processing. The "closeout" letter from the Department of Health and Human Services dated February 9, 1995 is evidence of the approval of both AFDC and Medicaid

program participation. This letter represents the final approval and certification of the ACCENT system. USDA was well aware of the "paperless" aspects of the system.

ATTORNEY GENERAL'S OPINION

A memorandum dated December 8, 1992 was received from Tennessee's Office of the Attorney General providing an informal legal opinion regarding the legal sufficiency of maintaining a one-page paper application and an electronic case file. The opinion was that "the application form and the electronic file satisfies the legal requirements for determining eligibility and would be admissible evidence in legal proceedings regarding such eligibility." The opinion further states that "[t]here are no federal requirements specifying that the Department of Human Services maintain written documentation other than the signed application form."

QUALITY CONTROL SYSTEM

Traditionally, as part of the funding agreement and program oversight, the federal agencies require a Quality Control system to review a sample of case actions. Currently only the Food Stamp program requires that a complete Quality Control review be conducted as part of the federal/state funding agreement. For the Medicaid program, the state and the federal agency mutually target a portion of the Medicaid population for a Quality Control review with a corrective action plan as the goal for improving case quality. For both the Food Stamp and Medicaid programs, there is a random case selection sample each month. This sample is made from the list of all Food Stamps households or all Medicaid cases with children (current Medicaid QC plan) as applicable. Please note that with the Food Stamp program there is a federal re-review using a sub-sample of the state QC review cases. The Food Stamp federal review is conducted electronically by reading the ACCENT record and the QC review packet.

Based on a sample of Food Stamp cases, the Quality Control system ensures that the electronic file includes the required information for eligibility determinations and verifies the accuracy of that information. Further, the Quality Control system serves as a deterrent to creating fraudulent cases/documentation. Contrary to what is stated in the finding, the Quality Control reviewer must independently verify all points of eligibility. The Quality Control process ensures that the verification sources (primary, secondary, or others) used by the eligibility counselor are appropriate. The eligibility counselor must rely on a variety of sources to correctly determine eligibility. Depending on the source (bank statement, pay stub, birth certificate, self-declaration), the eligibility counselor must obtain further verification. While it is true that there are numerous online matches with a variety of agencies (Social Security and Department of Labor), these sources only serve as indicators and additional verifications must be pursued. Quality Control oversight provides on-going assessment of worker skill and knowledge in establishing financial eligibility and verifies that the information entered into ACCENT is accurate.

The department conducts the QC review of a random sample of Food Stamp cases in accordance with federal guidelines contained in 7 CFR 275. Any deviations from the federal guidelines may cause financial sanctions to the department. The federal policy regarding the disposition of cases dropped from the QC sample applies to states with paper files, as well as to states without paper files. Every state, regardless of its system of eligibility determination, drops cases from the sample for the same reasons Tennessee drops cases. None of the dropped cases

are used to calculate an error rate. If the QC reviewer is unable to complete the review for any number of valid reasons, it is inappropriate to show the case as being in error or as being correct.

The QC reviewer examines eligibility in a particular month, not necessarily in the month of application. Therefore, no matter what documentation is or is not on file, all points of eligibility must be re-verified by the QC reviewer independent of the initial determination. We do not rely, nor have we ever relied, on the documentation of the county office provided at the time of the eligibility interview, whether it is paper or electronic.

The audit recommendation states that the QC process should include TANF. Due to the integrated nature of the ACCENT system (overlapping of program eligibility), both the Food Stamp and Medicaid QC processes include the TANF program. The Medicaid QC covers all assistance groups with children except those that are Families First related and 80% of the Families First cases are subject to the Food Stamp QC sample. The common eligibility requirements for all 3 programs are subject to review in the QC process. Therefore, the QC review of Food Stamps and Medicaid cover the Families First program as well.

The department has also elected to adopt our own quality assurance program called, "Active Case Review" (ACR) for Families First. The ACR appropriately reflects the programmatic goals of not only process (i.e. eligibility determination), but also outcomes (i.e. case management), as outcomes are the primary focus of the program. While the ACR does not contact the client to re-verify the information on ACCENT, all of the data matches (with the exception of the IRS match due to confidentiality issue) are reviewed and any discrepancies noted are resolved. Data matches are considered independent verification and are used to confirm the accuracy of the information in ACCENT.

ADMINISTRATIVE REVIEW PROCESS

Another federal/state requirement is the right of all program applicants/recipients to due process through a fair hearing. Fair hearings are held to review challenged case actions. Since the implementation of ACCENT, there has been no challenge of the use of an electronic file in eligibility determinations. Please refer to Tennessee Court Rules Annotated, Rules of Evidence, Article VIII, Rule 803 (6) and (8).

Rebuttal

Based on discussions with the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services have indicated that office believes documentation is necessary and required by Office of Management and Budget, Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

Finding Number	01-DHS-06
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G9901TNTANF;G0001TNTANF;G0101TNTANF; G9801TNTANF; G0002TNTANF
Finding Type	Reportable Condition
Questioned Costs	$18,491.40

The department did not always properly administer the Temporary Assistance for Needy Families program

Finding

Temporary Assistance for Needy Families (TANF) is a federal program established for the purpose of providing time-limited assistance to needy families with children. One of the most important facets of this program is to encourage the head of the household to engage in work for pay so that dependence on government benefits can eventually be eliminated. The Department of Human Services (DHS) administers the TANF program in Tennessee under the name Families First. As a result of testwork performed, the following weaknesses were noted:

a. The Department of Human Services as administrator of the Families First program is required to conduct proper monitoring to ensure compliance with federal program requirements. In order to perform this function, the department contracts with the University of Tennessee to review active Families First cases on a continuing basis to verify that caseworkers are acting in accordance with federal requirements. On a monthly basis, DHS Information Systems personnel randomly select cases for review by the University of Tennessee. From this random selection, university personnel monitor the performance of caseworkers. Based on testwork performed, 9 of 40 active TANF cases tested (23%) that should have been reviewed by the University of Tennessee had not been reviewed. The reason given by DHS management was that the review program had not been established in District 8 (Shelby County) until July 2001.

b. Testwork on 40 applicable sample cases revealed that there was no reduction of benefits on any cases in which child support "non-cooperation" letters were issued. *Code of Federal Regulations*, Title 45, Section 264.30(c)(1), requires that recipients of TANF benefits who do not cooperate with child support authorities shall be sanctioned by "deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance. . . ." As a result, total questioned cost was determined to be $18,491.40. *Code of Federal Regulations*, Title 45, Section 264.31(a)(3), further states that the state may be penalized up to 5% of the State

Family Assistance Grant for such failure to substantially comply with this child support related requirement.

Another example of DHS's failure to reduce benefits for non-compliance with program requirements is shown in the department's failure to reduce benefits in a case in which the recipient did not comply with work requirements. *Code of Federal Regulations*, Title 45, Section 261.14 (b)(1), requires that if an individual refuses to engage in required work, "The State must, at a minimum, reduce the amount of assistance otherwise payable to the family pro rata with respect to any period during the month in which the individual refuses to work." *Code of Federal Regulations*, Title 45, Section 261.14(b)(2), also states, "The State may impose a greater reduction, including terminating assistance." In one of 40 cases tested (2.5%), a recipient was issued monthly Families First benefits of $226 for five months without participating in the required work component of the personal responsibility plan.

Failure to follow proper quality control procedures and applicable federal regulations could result in undetected federal noncompliance as was shown in the cases described above.

Recommendation

The Commissioner should ensure that active case monitoring reviews are actually performed on all cases selected for review. Also, the Commissioner should ensure that Families First benefits are promptly reduced when required, especially in cases of child support noncooperation and cases of failure to comply with the work requirements.

Management's Comments

a. We do not concur.

At the time the sample was selected (June 2001) Active Case Review (ACR) had not been fully implemented statewide. The finding states that 9 of the 40 sample cases selected by the department for ACR were not reviewed. The 9 cases were all from Shelby County and ACR has not been implemented in Shelby County at that time.

Families First is Tennessee's Temporary Assistance for Needy Families (TANF) program. Based on the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) and the associated regulations issued in April 1999, states are no longer federally mandated to have a quality control program for Title IV-A. This is a change from the Aid to Families with Dependent Children, TANF's predecessor.

However, because of our own need to ensure that case actions are being executed properly and to help prevent fraud in the program, the Department decided to voluntarily implement a quality assurance program to ensure proper use of taxpayer dollars. This process is

known as Active Case Review (ACR), and was initiated in early 2000 with a phased in implementation schedule across the state. Effective July 2001, we implemented the quality assurance initiative statewide, including Shelby County, thereby ensuring all sample cases selected are reviewed.

b. We concur.

We agree that improvements can be made to ensure complete compliance with child support non-cooperation.

Tennessee's federal TANF waiver, state law, regulations and policy require that a family be terminated from the program for child support non-cooperation, if good cause does not exist. In Federal FY2001, ninety-one families were denied or sanctioned off from the program due to non-cooperation with child support requirements, without good cause.

Cooperation with child support requirements is fundamental to the Families First Program. Caseworkers work the alerts or respond to phone calls from the child support office if a client is non-cooperative with child support. The child support office is responsible for alerting Family First to the non-cooperation. The Family First caseworker is responsible for determining whether the client had good cause for the non-cooperation. If good cause exists, the non-cooperation alerts may not result in a sanction. However, there are two areas significant in assessing Tennessee's complete compliance with this provision of state and federal law where we will take steps to improve.

First, TCSES, the child support system, has not always issued alerts to the caseworker when a non-cooperation code has been entered. Therefore, there are some alerts that did not reach the Families First caseworker, so no action was taken. This has been identified as a problem within the system, and we will start working to resolve it.

The second issue is a failure of the caseworker to take action when they do receive an alert of non-cooperation from child support. We plan to address this deficiency in two ways. First, a formal memorandum will be issued to the field as a reminder of the importance of child support cooperation and that sanctions for non-cooperation are imposed in the Families First Program. This memorandum will be accompanied by a mandate to field management staff to ensure that each staff understands the child support requirements. Second, effective February 1, 2002 the Active Case Review includes a mandatory question regarding participants failure to cooperate with child support requirement. While the staff who review cases do not have access to the alerts that may be generated related to non-cooperation, they do have access to TCSES, and are researching all cases reviewed in that system to determine compliance with IV-D requirements. The Active Case Review process incorporates the following questions:

C5. Has participant failed to cooperate with child support requirements?

___ Y ____ N ____ N/A

Comments/Other_____

If Yes, then:

1. - retained child support (no good cause exists)
2. - AP not named and no documentation to support
3. - failed to show for appointments or court dates
99 - other (comments required)

C6. Was good cause claimed? ____ Y ____ N ____ N/A

C7. Has good cause been granted correctly? ____ Y ____ N ____ N/A

If NO, then:

1 - good cause not verified
2 - no good cause exists for non-cooperation
3 - not a good cause reason

This finding also found one case out of the 40 reviewed where a client continued to receive benefits without being required to participate in a work activity. This case had a participant who was required to work, though the caseworker, when notified of their non-compliance did not take timely action to start conciliation and the customer service review process and ultimately, a sanction. While this caseworker failed to take proper action, our Active Case Review statistics indicate that, for the last three months of statistics available, it only occurred in 0.7% of all cases reviewed.

An important function of the ACR process is to review active Families First cases to ensure that caseworkers are correctly and timely referring participants to required work activities in accordance with policy. The latest statistics from ACR indicate that only 1.7% of the cases reviewed had customers who were not in compliance with their Personal Responsibility Plan and needed worker action to be taken.

We have numerous reports from Infopac and data matches to ensure that those participants required to work are in activities and participating for the required amount of hours. These reports are reviewed and monitored by each county office to ensure that no one is staying on the program without complying with the work requirements.

Rebuttal

While it is acknowledged that the department included District 8 (Shelby County) in its Active Case Review in July 2001, cases were selected for review from Shelby County during FY2001 and were reviewed.

Finding Number	01-DHS-09
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G9901TNTANF;G0001TNTANF;G0101TNTANF; G9801TNTANF; G0002TNTANF
Finding Type	Material Weakness
Questioned Costs	None

The Department of Human Services did not maintain adequate documentation of the information needed to determine eligibility for Temporary Assistance for Needy Families and Food Stamps

Finding

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Testwork revealed that the enrollee's application is the only paper documentation consistently kept by DHS. Although ACCENT maintains electronic case notes, there is no documentation kept to support the eligibility information entered into ACCENT. Without adequate documentation of the information entered into ACCENT, the risk is increased that ineligible enrollees may be enrolled in the TANF and Food Stamps programs.

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Workforce Development, DHS receives monthly data on Unemployment Insurance Benefits that can be used to verify unemployment income.

DHS also receives monthly beneficiary and earnings data, daily social security number verification, and daily information on Supplemental Security Income (SSI) recipients from SSA. The data from SSA provide DHS a method of verifying an individual's social security payments, social security number, Medicare eligibility status, and SSI eligibility status. Through the Office of Vital Records within the Department of Health, DHS has daily access to birth records. This information can be used to verify ages and relationships needed when making an eligibility determination. DHS also receives wage data from the Department of Labor and Workforce Development. However, not all employers are required to report employee wages to the state. Employers that are not required to report include churches, regardless of the size of payroll or number of employees, and non-government organizations with a small payroll and/or few employees. Furthermore, this information is sometimes several months old and is reported on a quarterly basis. Eligibility is determined based upon current monthly income. In addition, the income data DHS receives from the IRS that is reported on an individual's IRS 1099 form is delayed several months and is reported on a yearly basis.

Although DHS receives information from outside sources, not all eligibility requirements can be verified through this information. These outside information sources do not provide a systematic way to verify all types of income an enrollee might have. In addition, none of the updates received from other departments include documentation of other resources for non-SSI recipients or medical expenses that could affect an eligibility decision.

The department relies on quality control sampling to monitor the accuracy of information in ACCENT and to monitor the eligibility determination made. Quality control personnel select samples monthly of persons eligible for Food Stamp benefits. This unit verifies the accuracy of information in ACCENT with outside sources. They also select a sample of denied cases to ensure that the person was appropriately denied. Sample sizes are approved by the federal government; and the samples are selected randomly. However, certain types of cases are not tested. These consist mainly of non-cooperation cases where the enrollee either fails or refuses to cooperate or the department is unable to locate the individual. If one of these cases is selected for inclusion in the sample, it is replaced by another case. The case is investigated, but it is not considered in the calculation of the error rate of the sample. Excluding those cases from the error rate of the review could affect the results of the reviews. For example, the error rate of the sample could be higher or lower based upon the results of the non-cooperation cases.

The department contracts with the University of Tennessee to review active TANF cases on a continuing basis. On a monthly basis, DHS Information Systems personnel randomly select cases for review by the University of Tennessee. This testwork consists only of determining if the caseworkers properly determined eligibility and benefit amounts based on the information in ACCENT. There is no attempt made to determine the accuracy of the information in ACCENT.

Maintaining documentation provided by the applicant during enrollment would allow the department to test all cases selected. The department should no longer have the problem of being unable to locate the enrollee or obtain cooperation of the enrollee.

Without maintaining the documentation, the department cannot ensure that the information entered into ACCENT is accurate and that enrollees are eligible. Not maintaining this documentation also reduces accountability for information entered and makes researching cases more difficult.

Recommendation

The Commissioner should ensure the department keeps documentation of the information entered into ACCENT that is used to determine eligibility for TANF and Food Stamps. While it might be possible to reduce the amount of documentation needed with an effective quality control process, documentation should still be maintained for areas of higher risk of ineligibility as determined by the quality control efforts. At best a quality control system is an after the fact determination of eligibility. It is important that the department be able to support eligibility determinations at the time benefits are awarded.

If management wishes to reduce the level of documentation maintained by reliance on a quality control process, that process should adequately cover the entire Food Stamp and TANF eligible population and it should consider any unsupported eligibility determinations to be errors and appropriately project such results to the population.

Management's Comment

We do not concur.

TEN YEARS IN OPERATION

The ACCENT system has been operational since 1992. For ten years two departments of the federal government (the Department of Health and Human Services and the Department of Agriculture) have provided significant federal funds to support Tennessee's eligibility determination process for three programs: Food Stamps, Families First (formerly Aid to Families with Dependent Children or AFDC) and Medicaid. The affected federal agencies are also concerned about the integrity of their programs. By approving the ACCENT system, these agencies recognized that ACCENT's method of eligibility documentation employed met their high standards. They have never expressed any concern regarding a lack of adequate documentation to verify the accuracy of information entered in ACCENT following the certification of the system.

The Department of Human Services is the single state agency for both Food Stamps and Families First. The Bureau of TennCare (Department of Finance and Administration) serves as the single state agency for the Medicaid program. Both federal agencies (Dept. of Health and Human Services and Dept. of Agriculture) concurred in the design and development of the ACCENT system. Without federal approval there would have been no federal funding of either ACCENT's development or program service funding since 1992.

Federal funding for ACCENT has been consistent for both system development and ongoing eligibility processing. The "closeout" letter from the Department of Health and Human Services dated February 9, 1995 is evidence of the approval of both AFDC and Medicaid program participation. This letter represents the final approval and certification of the ACCENT system. USDA was well aware of the "paperless" aspects of the system.

ATTORNEY GENERAL'S OPINION

A memorandum dated December 8, 1992 was received from Tennessee's Office of the Attorney General providing an informal legal opinion regarding the legal sufficiency of maintaining a one-page paper application and an electronic case file. The opinion was that "the application form and the electronic file satisfies the legal requirements for determining eligibility and would be admissible evidence in legal proceedings regarding such eligibility." The opinion further states that "[t]here are no federal requirements specifying that the Department of Human Services maintain written documentation other than the signed application form."

QUALITY CONTROL SYSTEM

Traditionally, as part of the funding agreement and program oversight, the federal agencies require a Quality Control system to review a sample of case actions. Currently only the Food Stamp program requires that a complete Quality Control review be conducted as part of the federal/state funding agreement. For the Medicaid program, the state and the federal agency mutually target a portion of the Medicaid population for a Quality Control review with a corrective action plan as the goal for improving case quality. For both the Food Stamp and Medicaid programs, there is a random case selection sample each month. This sample is made from the list of all Food Stamps households or all Medicaid cases with children (current Medicaid QC plan) as applicable. Please note that with the Food Stamp program there is a federal re-review using a sub-sample of the state QC review cases. The Food Stamp federal review is conducted electronically by reading the ACCENT record and the QC review packet.

Based on a sample of Food Stamp cases, the Quality Control system ensures that the electronic file includes the required information for eligibility determinations and verifies the accuracy of that information. Further, the Quality Control system serves as a deterrent to creating fraudulent cases/documentation. Contrary to what is stated in the finding, the Quality Control reviewer must independently verify all points of eligibility. The Quality Control process ensures that the verification sources (primary, secondary, or others) used by the eligibility counselor are appropriate. The eligibility counselor must rely on a variety of sources to correctly determine eligibility. Depending on the source (bank statement, pay stub, birth certificate, self-declaration), the eligibility counselor must obtain further verification. While it is true that there are numerous online matches with a variety of agencies (Social Security and Department of Labor), these sources only serve as indicators and additional verifications must be pursued. Quality Control oversight provides on-going assessment of worker skill and knowledge in establishing financial eligibility and verifies that the information entered into ACCENT is accurate.

The department conducts the QC review of a random sample of Food Stamp cases in accordance with federal guidelines contained in 7 CFR 275. Any deviations from the federal guidelines may cause financial sanctions to the department. The federal policy regarding the

disposition of cases dropped from the QC sample applies to states with paper files, as well as to states without paper files. Every state, regardless of its system of eligibility determination, drops cases from the sample for the same reasons Tennessee drops cases. None of the dropped cases are used to calculate an error rate. If the QC reviewer is unable to complete the review for any number of valid reasons, it is inappropriate to show the case as being in error or as being correct.

The QC reviewer examines eligibility in a particular month, not necessarily in the month of application. Therefore, no matter what documentation is or is not on file, all points of eligibility must be re-verified by the QC reviewer independent of the initial determination. We do not rely, nor have we ever relied, on the documentation of the county office provided at the time of the eligibility interview, whether it is paper or electronic.

The audit recommendation states that the QC process should include TANF. Due to the integrated nature of the ACCENT system (overlapping of program eligibility), both the Food Stamp and Medicaid QC processes include the TANF program. The Medicaid QC covers all assistance groups with children except those that are Families First related and 80% of the Families First cases are subject to the Food Stamp QC sample. The common eligibility requirements for all 3 programs are subject to review in the QC process. Therefore, the QC review of Food Stamps and Medicaid cover the Families First program as well.

The department has also elected to adopt our own quality assurance program called, "Active Case Review" (ACR) for Families First. The ACR appropriately reflects the programmatic goals of not only process (i.e. eligibility determination), but also outcomes (i.e. case management), as outcomes are the primary focus of the program. While the ACR does not contact the client to re-verify the information on ACCENT, all of the data matches (with the exception of the IRS match due to confidentiality issue) are reviewed and any discrepancies noted are resolved. Data matches are considered independent verification and are used to confirm the accuracy of the information in ACCENT.

ADMINISTRATIVE REVIEW PROCESS

Another federal/state requirement is the right of all program applicants/recipients to due process through a fair hearing. Fair hearings are held to review challenged case actions. Since the implementation of ACCENT, there has been no challenge of the use of an electronic file in eligibility determinations. Please refer to Tennessee Court Rules Annotated, Rules of Evidence, Article VIII, Rule 803 (6) and (8).

Rebuttal

Based on discussions with the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services have indicated that office believes documentation is necessary and required by Office of Management and Budget, Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

Finding Number	01-DCS-01
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
Pass Through Agency	Bureau of TennCare
State Agency	Department of Children's Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	$168.00

Children's Services inappropriately requested and received reimbursement of $1,757,565 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, 2001.

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, . . . 2) behavioral health services for children under the age of three, . . .

Although the department has made substantial progress in reducing reimbursements for services provided outside the scope of its agreement with TennCare, there were still the following areas where inappropriate reimbursements occurred.

Payments for Incarcerated Youth

As noted in the prior four 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, "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." However, using computer-assisted audit techniques, our search of TennCare's paid claims records revealed that TennCare was inappropriately billed for and made payments totaling at least $254,880 from July 1, 2000, through June 30, 2001, for juveniles in youth development centers and detention centers. The prior audit finding disclosed inappropriate billings of $813,270 from July 1, 1999, through June 30, 2000.

Children Not in State Custody

As noted in the prior two audits, Children's Services inappropriately billed and received payment from TennCare for children not in state custody. Management partially concurred with this portion of the prior finding and attributed the problem to a misunderstanding regarding TennCare coverage related to a pilot program and noted that corrective actions had been taken. Management felt that the majority of the other children were in fact in custody. Management pointed to delays in court proceedings when children in "physical custody" are removed from a home by Child Protective Services, thereby delaying a court order declaring a child in "legal custody" of the department. Management stated that several days might pass before the department receives a written court order. In addition, management described how the TNKIDS system is able to record a "physical custody" date whereas the previous database used could only document the "legal custody" date for a child. In our rebuttal, we stated that it was possible 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.

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, we 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 $363,800 from July 1, 2000, through June 30, 2001, for services to children who were not in the state's custody. The prior audit finding disclosed inappropriate billings of $3,512,975 from July 1, 1999, through June 30, 2000.

In addition, the data match performed above resulted in a listing totaling $4,590,432 in billings where the names, dates of birth, and/or social security numbers did not match with TNKIDS. A sample of 60 children from this listing representing $453,194 of the above total was selected for further analysis. Further review of these names revealed that all 60 children had a record in TNKIDS. The results of the testwork performed on the sample disclosed that $47,821 was paid for dates of services during which time these children were not in custody according to the related records in TNKIDS.

Children on Runaway Status

As noted in the prior two audits, 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, "The department put controls in place to eliminate billing TennCare for children on runaway status on April 28, 2000." Management further stated that it "will continue to evaluate whether the controls in place will remedy the situation or whether additional controls are needed." 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 $266,670 from July 1, 2000, through June 30, 2001, for services to children on runaway status. The prior audit finding disclosed inappropriate billings of $827,010 from July 1, 1999, through June 30, 2000.

Payments for Services Provided to Children Under Three Years

As noted in the prior two audits, 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 and stated,

> DCS will examine the process available to appeal this finding with [Health Care Financing Administration] 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.

In our rebuttal, we noted that 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.

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 billed TennCare $1,142,312 from July 1, 2000, through June 30, 2001, for behavioral services for children under the age of three. The department attempted corrective action by reimbursement and voiding transactions. An analysis of 292 claims totaling $170,739 revealed that 232 were properly voided and reimbursed. However, the remaining 60 claims (21%) totaling $13,020 had not been properly voided or reimbursed.

Hospitalized Children

As noted in the prior audit, 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 Managed Care Organizations (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.

In response to the prior audit finding, management stated, "The department will discontinue billing TennCare for hospitalized children until further investigation into the matter can be performed." However, 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 $42,151 from July 1, 2000, through June 30, 2001, for children while they were in hospitals. The prior audit finding disclosed inappropriate billings of $1,999,313 from July 1, 1999, through June 30, 2000.

Alcohol and Drug Treatment

As noted in the prior audit, 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. In response to the prior audit finding, management stated,

> 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 impatient services. DCS provides all residential treatment services.

Children's Services billed TennCare $769,055 from July 1, 2000, through June 30, 2001, for these services. The prior audit finding disclosed billings of $3,722,966 from July 1, 1999, through June 30, 2000. Contract changes beginning July 1, 2001, state that TennCare eligible children in custody will receive medically necessary behavioral health services from the assigned BHO, with the exception of residential services (including continuum services) which are provided by DCS.

Targeted Case Management

The Department of Children's Services bills and receives reimbursement from TennCare for targeted case management, which reimburses DCS for TennCare's share of costs associated with providing case management services for children in the state's custody. Targeted case management includes, but is not limited to, case manager visits with children, developing permanency plans, maintaining case files, and arranging TennCare related services such as health screenings and behavioral health services. DCS bills TennCare a daily rate for each child in its custody that has been assigned a case manager. Targeted case management billings to TennCare were over $50 million for the fiscal year. We selected a sample of 30 children that were billed to TennCare for targeted case management. Based on the testwork performed, there was no

evidence that case management was provided to one of 30 children tested (3.3%) during the dates of service specified on the billing. Questioned costs total $168. We believe likely federal questioned cost exceed $10,000 for this condition.

Questioned costs associated with the instances of noncompliance reported in this finding, except those associated with targeted case management, 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, 2001.

Recommendation

The Commissioner should continue to develop and implement 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, on runaway status, placed in hospitals, under the age of three, or for children that have not received $30,000 of drug and alcohol services provided by the BHOs. In addition, targeted case management rates and billings should be based on children receiving targeted case management services. 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 monitor the implementation of corrective measures and evaluate their effectiveness. 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

The department is pleased that the questioned costs for this category have been reduced from $813,270 in fiscal year 2000 to $254,880 in fiscal year 2001. This represents a reduction of 68%. The department has not had adequate time to analyze all transactions provided by the auditors for payments for incarcerated youth. A couple of the possible causes could be that detention center contracts are being billed to TennCare or the placement history in TNKIDS is inaccurate. The department will have to determine what the underlying causes are before corrective action for this category can be taken. Once the department determines what the underlying causes are, management will make adjustments to the department's control structure.

Children Not in State Custody

As to the auditor's listing of other children who they believe were not in custody, the department submits that some 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).

Children on Runaway Status

The department is pleased that the questioned costs for this category have been reduced from $827,010 in fiscal year 2000 to $266,670 in fiscal year 2001. This represents a reduction in questioned cost of 67%. The department has not had adequate time to analyze every transaction on the data match provided by State Audit. However, in our initial analysis, there appears to be two main causes for the children to appear on the data match. It appears that the runaway placement was not always entered correctly in TNKIDS. Therefore, a child could appear on runaway status when, in fact, they are not on runaway status. There also appears to be an issue with the invoice approval process. It appears that the approvers may not always catch coding errors on the invoices submitted by the vendors. Management will continue to analyze the data match and evaluate what additional controls are needed.

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 continue to pursue an appeal of this finding with HCFA through TennCare. Until a ruling can be determined by that process, the department has already made modifications to the accounting system to disallow billing children under three to TennCare. This population will be served by using state funding until an approval from HCFA is received. In determining whether a child is less than three years of age, the department uses the date of birth from the invoice submitted by the vendor and approved by field staff. Part of the approval process is to determine whether the date of birth is correct on the invoice. It appears that for the children in question date of birth on the invoice does not agree to the date of birth showing in TNKIDS. The TNKIDS date of birth is indicating they are under three years of age at the date of service, while the date of birth on the invoices are indicating they are over three years of age at the date of service. The department will investigate to determine which date of birth is accurate and will make any necessary refunds to TennCare.

Hospitalized Children

The department is pleased that the questioned costs for this category have been reduced from $1,999,313 in fiscal year 2000 to $42,151 in fiscal year 2001. This represents a reduction in questioned cost of 97%. The department has not had adequate time to analyze all transactions of the data match of hospitalized children. However, we believe that the $42,151 is attributable to transactions that were processed before our control was put into place. The department will continue to monitor hospitalized children to ensure that our current control structure is sufficient.

Alcohol and Drug Treatment

TennCare does not have a mechanism to monitor and provide notification to DCS the dollar amount of alcohol and drug treatment. As stated in the finding, the fiscal year 2002 contract contains language that clarifies that the BHO provides all acute inpatient services, and DCS provides all residential treatment services.

Targeted Case Management

Management believes that the vast majority of the children in its custody receive services that fall under the definition of targeted case management. However, it does appear for this one child that the services provided do not fall under the definition of targeted case management. Management does believe that this was an isolated incident and is not a systematic problem.

Rebuttal

Children Not in State Custody

Although it is possible that some of the costs questioned included payments for children removed from homes in emergency situations 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.

Payments for Services Provided to Children Under Three Years

As previously stated, the U.S. Department of Health and Human Services' response to the 1999 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	01-DCS-02
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
Pass Through Agency	Bureau of TennCare
State Agency	Department of Children's Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Children's Services did not have a reasonable system to determine medical treatment costs associated with providing services to children in the state's care

Finding

As noted in the prior three audits covering the period July 1, 1997, through June 30, 2000, the Department of Children's Services (DCS) did not have a reasonable system to determine medical treatment costs associated with providing services to children in the state's care. DCS completed a new time and cost study in January of 2000, which is to serve as the methodology for determining actual costs associated with the treatment of children in its custody. On November 5, 2001, the federal Department of Health and Human Services' Division of Cost Allocation approved Amendment 00-1 to the department's cost allocation plan, effective July 1, 2000. This amendment, which establishes standard rates based on levels of service to be billed to TennCare and documents the methodology for determining those rates, is awaiting implementation and retroactive application.

During the audit period, the department's basis for billing TennCare was a 1991-92 cost analysis study of all the treatment facilities providing services to DCS, which was performed by an independent contractor. If a treatment facility was not included in the 1991-92 cost study, the department arbitrarily set rates of approximately 45% to 50% of the facility's charge for the treatment portion of service. According to Medicaid/TennCare regulations, TennCare reimbursements must be based on actual costs.

Testwork performed on the billing procedures revealed that in 23 of the 30 billings tested (77%), the amount billed to TennCare for treatment costs did not comply with the billing percentages described above. 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.

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 during the audit period.

Recommendation

The department should promptly implement the approved cost allocation plan. Furthermore, the department should develop a strategy to retroactively apply the cost allocation plan, effective July 1, 2000. This strategy must consider the effects of application on the revenues and expenditures of both federal and state programs and ensure that all adjustments pertaining to the retroactive application are adequately documented.

Management's Comment

We concur. As stated in the finding, the department received approval from the federal government in November 2001 to apply the methodology it developed. The required adjustments to implement these new rates retroactively to July 2000 will be complicated and time consuming. The method used to make the required adjustments will require a thorough analysis prior to implementation in order to minimize the probability of errors. These expenditures were funded from several funding sources, which means all the various funding sources will need adjustments. In addition, contracts which were in place during the development of the methodology have changed in structure requiring an analysis of how each has changed and what effect that change will have on the required adjustments. The department is dedicated to making the required retroactive adjustments as timely as possible; however, accuracy of the adjustments is just as imperative as the timeliness issue.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

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

Finding

As noted in the previous audit, 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 audit finding, as discussed throughout this finding. However, problems still exist.

As discussed in the "Objectives, Methodologies, and Conclusions" section of this report, 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 organizational 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.

Inadequate System and Staff Resources

Management concurred with the prior audit finding and stated, "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." However, as discussed further in finding 01-DFA-37, 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.

Management also stated in response to the prior audit finding:

> Our new Deputy Director. . . 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. . . . We have a new TennCare Partners Program Operations Director, who has been on the job since August 2000. . . . We now have a Manager of Personnel. . . . A new Director of the Solutions Unit has recently been hired. . . . 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. . . . 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.

However, according to management, the TennCare program is still understaffed. During fieldwork, we did note attempts by management to hire additional staff.

Inadequate Written Operating Policies and Procedures

Management stated in response to the prior audit finding that "written policies and procedures have been developed for the following units: Administrative Appeals, TennCare Information Line, Provider Services, Legislative Response." However, 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. For example:

- A TennCare eligibility policy and procedures manual has not been approved for the County Health Offices (CHOs). See finding 01-DFA-12 for further details.
- TennCare's policies and procedures manual for pricing cross-over claims is not adequate. See finding 01-DFA-28 for further details regarding this matter.
- TennCare has no written, comprehensive operating policies and procedures pertaining to utilization control and suspected fraud (finding 01-DFA-36).
- There were no written procedures during the audit period for Financial Change Requests as discussed in finding 01-DFA-06.
- TennCare's fiscal agent, EDS (Electronic Data Systems), is responsible for entering adjustments in the TennCare Management Information System (TCMIS) for fee-for-service claims. The adjustments are entered using Adjustment/Void Request forms. EDS staff including the supervisor key in adjustments based upon the forms. The supervisor then randomly reviews these adjustments keyed by others. However, testwork revealed that there was no review of the changes that were keyed into TCMIS by the supervisor.

Inadequate Due Process Procedures for Enrollees

TennCare did not have adequate due process procedures in place for enrollees. Please see 01-DFA-08 for further details regarding this matter.

Inadequate Monitoring

TennCare's monitoring effort needs improvement see findings 01-DFA-04, 01-DFA-17, 01-DFA-18, 01-DFA-32, and 01-DFA-33 for further details.

In addition, as noted in the prior two audits, in its August 9-12, 1999, site visit report, the Centers for Medicare and Medicaid Services (CMS), formerly known as the 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.

Concerning the TennCare Monitoring Plan, management stated in response to the prior audit finding, "We are reviewing this plan and taking steps to determine whether there should be changes before we implement." However, TennCare still does not have a monitoring plan in place.

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 administrative structure of the program.

The Director should also develop a plan to address the personnel requirements of the program. 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 adequate written and comprehensive operating policies and procedures are developed for all areas of the TennCare program. The Director should ensure adequate review of all adjustments that are made to fee-for-service claims in TCMIS. 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 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

TennCare concurs with the overall finding. Significant energy has been invested in addressing these issues, but many of these issues require substantial planning and development. The results of these efforts are obvious in a number of areas, but still need development in others. Overall internal controls are being upgraded.

TennCare concurs that it still does not have an adequate information system to meet the business demands it faces. Significant progress has, however, been made on changing this. The Bureau has invested a year in developing a procurement for a replacement TCMIS. This development process included many users and constituents, including other state agencies and affected outside parties. The procurement is expected to be public before the end of March 2002. The new system is to be implemented by October 1, 2003. This procurement has substantial new requirements for administrative and programmatic monitoring of the system processes. The contractor will develop new operations and procedures manuals. All documentation, as well as policies and procedures, will be accessible by approved users electronically. The system will have a flexible table-driven design to quickly respond to new policy and regulatory changes. The system will facilitate compliance with all federal and state laws and regulations. Audit trails will be provided throughout the system to identify and track all transactions (e.g., eligibility changes, claims adjustments). The system will retain the fields changed, reason, source, date, time, and previous transaction information.

A second procurement for a decision support system (DSS) will follow in a couple of months. This system will permit greater flexibility and access to TennCare data. It will permit business users to analyze data that affects their units without requiring ad hoc reports from the operating system.

In the mean time, the Bureau has added a new appeals tracking system with substantial data analysis capabilities. This new system now permits detailed tracking of appeals activity and detailed analysis of appeal issues. The system was fully implemented for medical appeals November 1, 2001 and should be fully implemented in administrative appeals by June, 2002.

Significant changes have also been made in staffing. A number of new positions have been hired into the Bureau. Staffing shortages still occur when appeals volumes peak, but overall staffing is substantially improved. The organization has also been restructured to include a stronger senior management structure. A new assistant commissioner for member services has been established to coordinate all activities directed at members, including eligibility policy, the member hotline, administrative appeals, and medical appeals. A new assistant commissioner for delivery systems has been hired to coordinate all of the ways in which TennCare delivers services, including the MCO program, behavioral health, pharmacy, dental, and long term care.

In addition, a separate MCO program director has been created to coordinate all interaction with MCOs.

The Bureau has made substantial progress on developing operating policies and procedures. All of TennCare's eligibility and reverification procedures have been rewritten. A detailed manual has been created for the Department of Health staff. A comprehensive waiver operating protocol has also been created to coincide with the implementation of the new waiver. We have documented MCO and BHO contract and oversight responsibilities and linked these responsibilities to the contracts paragraph by paragraph. Procedures for MCO/BHO financial and claims reviews have been established jointly by the Bureau and Tennessee Department of Commerce and Insurance (TDCI). Monthly MCO/BHO performance reviews have been established to review all available performance data.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

The Department of Finance and Administration did not exercise its responsibility to ensure that the Department of Human Services maintained adequate system security over the ACCENT system

Finding

The Department of Finance and Administration did not ensure that the Department of Human Services (DHS) maintained adequate system security over the Automated Client Certification and Eligibility Network (ACCENT). While the Department of Finance and Administration (F&A) does not have the day-to-day responsibility for the ACCENT system, the accuracy and integrity of the data in the TennCare Management Information System (TCMIS) is ultimately dependent upon system controls present in both the TCMIS and the ACCENT system. Under a cooperative agreement with the Bureau of TennCare, DHS is responsible for determining Medicaid eligibility for the state. DHS uses the ACCENT system to determine eligibility for Medicaid-eligible recipients and sends ACCENT records to the Bureau of TennCare in the Department of Finance and Administration daily to update eligibility information in TCMIS. Since TennCare relies upon DHS to make eligibility determinations for Medicaid, it is critical that F&A ensures adequate system controls exist for the ACCENT system.

During the audit for the fiscal year ended June 30, 2001, we noted terminated employees' access privileges were not revoked in a prompt manner; and security authorization forms were missing, were not properly completed, or did not match the current access privileges of the users.

Terminated employees' access privileges were not revoked in a prompt manner

Testwork noted 5 of a sample of 38 Resource Access Control Facility (RACF) users, who possessed active ACCENT privileges, (13%) were terminated users. RACF is the state mainframe security software, which is used to provide an initial level of access security before the user can access department- or agency-level systems. Good security practices require that terminated users' system privileges within all applicable systems are promptly revoked upon their termination. The failure to revoke terminated users' system privileges increases the possibility that sensitive information could be inappropriately modified.

Authorization forms were missing, incomplete, or inconsistent with users' actual access rights

Testwork noted the following issues:

- Department personnel were unable to locate RACF security forms for 3 of 38 users (8%) who had active access rights to the ACCENT system.
- Eleven of 25 ACCENT security authorization forms selected for testwork (44%) were not properly authorized by management.
- Five of 25 ACCENT security authorization forms selected for testwork (20%) did not match the actual access levels possessed by the employees. All five users possessed greater access than originally authorized.

Good security practices require that an access authorization form should be completed for each employee using departmental or state application systems. This authorization should be prepared by the employee's management, and should specify the employee's access level(s) and the justification for such access. If the access privileges required by an individual legitimately change, a new authorization form should be completed prior to the changing of the access rights by the security administration staff. All of the completed authorization forms should be maintained in a secure location by appropriate security administration personnel. The failure to prepare, collect, and maintain access authorization forms as suggested above increases the possibility that access to sensitive systems and information may be granted to ineligible individuals, and that authorization may be granted to employees in excess of what is warranted for their job responsibilities.

Recommendation

The Commissioner of Finance and Administration should ensure that DHS Management improves security for ACCENT. The Commissioner of Finance and Administration should ensure users are granted the appropriate level of system access based on their job responsibilities. Security authorization forms should be completed by management and maintained. The Commissioner of Finance and Administration should monitor the system security for ACCENT and take appropriate action if problems are noted.

Management's Comment

Department of Finance and Administration

We concur in part. However, to maintain data integrity, the TennCare TCMIS regularly receives and validates data from the DHS ACCENT system. This validation includes format and limitations review. TennCare staff inspects a portion of the data from ACCENT within 24 hours of receipt of the data to verify the accuracy of that data and reports back to DHS when the information is not acceptable.

We concur that there are external agencies who have access to the TCMIS. We have aggressively attempted to obtain signed justification for users in those agencies. TennCare Information Systems management has reviewed security forms based on previous audit findings and modified the forms to include justification. As new users were granted access to the TCMIS, the new justification form was submitted. In addition, in cases where justification forms for

existing users could not be located, justification was requested from section managers and the security forms were updated. We are currently in the process of obtaining justifications from users in the Department of Human Services (DHS).

The current TCMIS has many controls and edits included which allow for extensive internal access control and audit capabilities. However, TennCare Information Systems management will concede that external access control from other state agencies such as Department of Health (DOH) and Department of Human Services (DHS) could be improved. Therefore, Information Systems is currently in negotiations with DOH and DHS to develop a no-cost inter-departmental contract that will include enhanced procedures to control access to the TCMIS. The execution of these contracts will provide administrative procedures and controls over access to the MIS as well as provide for audits by the comptroller.

Department of Human Services

We concur.

The Department continues to work on the detailed processes that are necessary in order to put in place the larger improvements in our security controls that are more visible in audit reviews. Security Administration Focus Group staff have continued to work toward integrating security management controls with ACCENT so that we can properly authorize and terminate user access to this system. As we move toward department-wide access control procedures, the following outlines our plan to ensure that ACCENT user tables have integrity, and to integrate effective access control procedures for these systems.

A target date of March 2002 has been set to pilot implementation of the new department-wide access control procedures for Family Assistance and Field Operations staff. We will pilot the procedures in one of our eight administrative districts. Under the new procedures:

- All user profiles will be added to RACF and ACCENT (i.e., created and/or changed) by Central Office security staff. All subsequent changes that are made by field staff require the submission of a new form that explains the permanent change in access.
- One form will be used to apply for a User ID and authorize access to ACCENT.
- The authorization form will be sent by designated management staff and approved by Central Office security administration staff based on established policies and procedures. A new authorization form must be sent for all changes, and procedures will be put in place to detect unauthorized changes. All authorization forms will be stored centrally. Upon termination of employment or a change in work groups, users will automatically be terminated on ACCENT.
- A training package is being finalized for all users; managers who are designated as being responsible for requesting access; and security staff who are responsible for granting and terminating access to ACCENT. The training packages will be completed for the pilot in March 2002.
- Plans are to expeditiously implement the new procedures in all of the other program areas after the Family Assistance and Field Operation work groups.

Terminated employees' access privileges were not revoked in a prompt manner.
Authorization forms were missing, incomplete, or inconsistent with user's actual access rights.

In January 2002, we implemented a new screen in ACCENT to eliminate the need for Family Assistance Field and State office staffs who require multiple ID's on ACCENT to have multiple user profiles on RACF. The SMUG screen also allows security staff to view the ID's that an individual has active in ACCENT, and inactivate them when employment is terminated or the user leaves the work group.

Also, we began generating and using reports that enable security staff to review the ACCENT user data table to review users who have multiple active ID's and detect profiles that allow specific access authorizations that are not consistent with the user's job title. In all instances, the appropriate manager is responsible for ensuring that the authorized profile is consistent with the user's job responsibilities, which may not be consistent with the user's job title. This point will be stressed in the training for designated managers.

In addition, a department-wide memorandum was issued with a checklist of things to be done when an employee leaves the department. The memo was issued so that each supervisor or manager knows all that is expected of them after an employee leaves the department. The termination of computer access is among these items.

Rebuttal

While the procedures described by management could provide for the validity of data, it is still imperative that management improve system security by granting appropriate access based on job responsibilities.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

Controls over financial change requests should be strengthened

Finding

As noted in the prior audit, the TennCare Bureau needs to improve controls and policies over financial change requests (FCRs). Management concurred with the prior audit finding and stated that TennCare "will review controls and procedures over FCRs and implement changes as needed." However, testwork revealed that the controls and procedures were still inadequate. Although TennCare implemented some controls over FCRs on April 1, 2001, in response to the prior audit finding, testwork revealed that the controls implemented were not adequate.

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). The following deficiencies were noted during the audit:

- There were no written procedures for the FCR review process implemented on April 1, 2001.
- TennCare does not examine system reports for adjustments that are not supported by FCRs. Without this examination, there is a possibility that adjustments could be entered into the system without authorization.
- One of 60 FCRs sampled had not been signed by all the required individuals and had not been correctly entered into TCMIS. The FCR requested a recovery from a provider of $25,340; however, only $25,240 was recovered. Discussions with management revealed that this under recovery was made because of an oversight.

These weaknesses in internal controls over FCRs could permit unauthorized payments to be made and not be detected in the normal course of business.

Recommendation

The Director of TennCare should ensure written procedures are developed and followed for the FCR review process. These procedures should include requirements to examine system reports for unsupported adjustments and should require all examinations to be documented.

Management's Comment

We concur. The Bureau developed a procedure that went into effect on April 2001 related to financial change requests and will ensure that it addresses these issues. This procedure instructs the fiscal staff involved in initiating an FCR to sign off at the bottom of the FCR as final approval of completion. The sign off completes the FCR process by verifying what was requested was done accordingly and correctly. An addition to the procedure was written and implemented in October 2001, which created another internal control for verifying each FCR has been completed and that no financial transactions occurred that were not requested in an FCR document. The fiscal staff member responsible will tick mark each line 13 and line 16 transaction shown on the report. These lines indicate the financial transaction was initiated by an FCR. These written procedures were put in place to strengthen controls over the FCR process.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

TennCare did not have adequate due process procedures in place for enrollees, and as a result, the United States District Court issued a Temporary Restraining Order

Finding

Although TennCare has been in operation since January 1, 1994, TennCare did not have adequate due process procedures in place for enrollees to protect their rights when denied services or terminated from the program. As a result, on May 5, 2000, the United States district court issued a Temporary Restraining Order (TRO). In reaction to the TRO, TennCare did not terminate any uninsured or uninsurable member for any reason other than a voluntary termination per the member's request or by death. In addition, TennCare stopped mailing out reverification notices in November 2000, which ceased the face-to-face reverification process. However, having adequate due process procedures in place for enrollees could have prevented the TRO and would have allowed TennCare to continue the reverification process. During the fiscal year ended June 30, 2001, TennCare did terminate enrollees who requested in writing to be disenrolled and enrollees that died. On February 9, 2001, the court lifted a portion of the TRO when court-approved policies and procedures are followed for terminating incarcerated persons, enrollees with access to insurance coverage from other sources, and individuals who are no longer residents of Tennessee. Procedures were placed in operation during the year ending June 30, 2001, to identify and terminate incarcerated persons. In addition, procedures were placed in operation during the year ending June 30, 2001, to identify enrollees who have access to insurance coverage from other sources, and procedures were placed in operation to terminate these enrollees after the audit period. Procedures to identify or terminate individuals who are no longer residents of Tennessee were not placed in operation until after the end of the audit period.

On March 12, 2001, an Agreed Order and a Settlement Agreement were entered into. According to management, when all the requirements in the Agreed Order and Settlement Agreement are met, TennCare will start reverifying uninsured and uninsurable recipients. Per discussion with management, as of November 14, 2001, the requirements in the Agreed Order and Settlement Agreement have been met, and the Court has approved TennCare's process for reverification.

Recommendation

The Director of TennCare should ensure that adequate due process procedures for enrollees continue to be in place. Now that a court approved plan is in place the Director of TennCare should ensure that enrollees are reverified annually. Enrollees who are found to be ineligible through the reverification process should be removed from TennCare's roles. The Director should ensure that the process approved by the court for due process and terminations is followed.

Management's Comment

We do not completely concur with the finding but recognize the importance of ensuring due process for our enrollees. Decisions that were made regarding compliance procedures that we have implemented in light of the *Rosen* Order were effectuated upon advice from the Office of the Attorney General. TennCare has worked diligently to revise policies and procedures to comply with the federal and state regulations. We have worked with plaintiffs counsel to attempt to ensure that the revised policies and procedures met with the approval of the court. We continue to meet with the Attorney General's office and plaintiffs counsel weekly to improve our system and address any issues that are identified. We believe that we have in place monitoring mechanisms that will alert us immediately as to any new issues that may arise and the ability to address them forthwith.

With agreement of the Court and Plaintiffs' counsel, the first 10,000 reverification notices were mailed by year-end 2001. Of the initial 500 enrollees who have kept their appointments and been reverified, only 12 have been determined to be ineligible. These enrollees will be notified and advised of due process appeal rights in accordance with federal rule (42 C.F.R. §431 Subpart E). The second mailing of reverification notices has recently been mailed to an additional 25,000 enrollees. These and all others, where adverse decisions may result, will be afforded all due process safeguards. The Bureau will monitor this process and bring the level of reverification notices to 40,000 per month.

The local Departments of Health are being provided detailed Desk References to assist in processing reverifications. The process will be monitored to assure quality compliance. Effective September 19, 2001 additional rules concerning this process have been promulgated.

Auditor's Comment

It is not clear from management's comment with which part(s) of the finding management does not concur. As indicated in the finding, a U.S. district court determined that TennCare did not have adequate due process procedures. Management appears to agree with the part of the recommendation concerning reverification and termination as evidenced by corrective actions for reverification and termination stated in management's comments.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

TennCare did not require the Department of Human Services to maintain adequate documentation of the information used to determine Medicaid eligibility

Finding

The Bureau of TennCare did not require the Department of Human Services (DHS) to maintain adequate documentation of the enrollee's information used to determine Medicaid eligibility. The Department of Human Services performs Medicaid eligibility determinations under the cooperative agreement with the Bureau of TennCare. Testwork has revealed that this agreement is not adequate. See finding 01-DFA-04 for further details on this matter.

DHS uses the Automated Client Certification and Eligibility Network (ACCENT) system to determine eligibility for Medicaid. During the enrollment process, county DHS eligibility counselors meet with the potential enrollees in face-to-face interviews. Each applicant is required to provide hard copy documentation to support various eligibility criteria. This information includes income, resources, medical expenses, family information, social security numbers, date of birth, etc. During the enrollment process eligibility counselors examine documentation supporting the information that is entered into ACCENT. For example, before entering income into the system, an eligibility counselor would examine such documentation as employment pay stubs or federal tax returns. At the end of the enrollment process, the documentation supporting the information entered into the system is then returned to the applicant/enrollee. ACCENT makes the eligibility determination based upon the information entered into the system by the eligibility counselor.

DHS transmits eligibility updates from ACCENT daily to the Bureau of TennCare to update TennCare eligibility information in the TennCare Management Information System (TCMIS).

Testwork revealed that the enrollee's application is the only paper documentation consistently kept by DHS. Although ACCENT maintains electronic case notes, there is no documentation kept to support the eligibility information entered into ACCENT. Without adequate documentation of the information entered into ACCENT, the risk is increased that ineligible enrollees may be enrolled on Medicaid.

Discussions with management at DHS revealed that the department relies heavily upon information from the Tennessee Department of Labor and Workforce Development, the Social Security Administration (SSA), the Tennessee Department of Health, and the Internal Revenue Service (IRS) for verification of eligibility information. From the Department of Labor and Workforce Development, DHS receives monthly data on Unemployment Insurance Benefits that can be used to verify unemployment income.

DHS also receives monthly beneficiary and earnings data, daily social security number verification, and daily information on Supplemental Security Income (SSI) recipients from SSA. The data from SSA provide DHS a method of verifying an individual's Social Security payments, social security number, Medicare eligibility status, and SSI eligibility status. Through the Office of Vital Records within the Department of Health, DHS has daily access to birth records. This information can be used to verify ages and relationships needed when making an eligibility determination. DHS also receives wage data from the Department of Labor and Workforce Development. However, not all employers are required to report employee wages to the state. Employers that are not required to report include churches regardless of the size of payroll or number of employees and non-government organizations with a small payroll and/or few employees. Furthermore, this information is sometimes several months old and is reported on a quarterly basis. Medicaid eligibility is determined based upon current monthly income. In addition, the income data DHS receives from the IRS that is reported on an individual's IRS 1099 form is delayed several months and is reported on a yearly basis.

Although DHS receives information from outside sources, not all eligibility requirements can be verified through this information. These outside information sources do not provide a systematic way to verify all types of income an enrollee might have. In addition, none of the updates received from other departments include documentation of other resources for non-SSI recipients or medical expenses that could affect an eligibility decision.

Without maintaining the documentation, the Bureau of TennCare cannot ensure that the information entered into ACCENT is accurate and Medicaid enrollees are eligible. Not maintaining this documentation also reduces accountability for information entered and makes researching cases more difficult.

Discussions with management at the DHS also revealed that the department relies heavily on quality control processes used to monitor the accuracy of information in ACCENT and the eligibility determinations made. Quality control personnel select samples monthly of Medicaid and Food Stamp eligible individuals. The unit verifies the information entered in ACCENT with outside sources. They also select a sample of denied cases to ensure that the person was appropriately denied. Although these quality control processes could provide some assurance that the information in ACCENT is accurate, testwork on the quality control procedures revealed the following weaknesses:

- For Medicaid eligible enrollees the department does not include all Medicaid eligible enrollees in the population sampled.
- The treatment of dropped cases needs improvement. Dropped cases include mainly cases that are not pursued by the department because the enrollee either fails or

refuses to cooperate or the department is unable to locate the individual. While the department does replace dropped cases with additional cases, it does not count them as errors. Excluding those cases from the error rate of the review could affect the results of the reviews. For example, the error rate of the sample could be higher or lower based upon the results of the dropped cases. Maintaining documentation provided by the applicant during enrollment would allow the department to test all cases selected. The department should no longer have the problem of being unable to locate the enrollee or obtain cooperation of the enrollee.

Not having adequate quality control procedures and using these control procedures as a substitute for keeping the documentation increases the risk that inaccurate information is used in making eligibility determinations and increases the risk that incorrect eligibility determinations are made.

Recommendation

The Director of TennCare should ensure that DHS keeps documentation of the information entered into ACCENT that is used to determine Medicaid eligibility. TennCare's contract with DHS that is currently being developed should include requirements for DHS to keep the needed documentation. While it might be possible to reduce the amount of documentation needed with an effective quality control process, documentation should still be maintained for areas of higher risk of ineligibility as determined by the quality control efforts. At best a quality control system is an after the fact determination of eligibility. It is important that the department be able to support eligibility determinations at the time benefits are awarded.

If management wishes to reduce the level of documentation maintained by reliance on a quality control process, that process should adequately cover the entire Medicaid eligible population and it should consider any unsupported eligibility determinations to be errors and appropriately project such results to the population.

Management's Comment

Bureau of TennCare

We do not concur. Approval of the ACCENT system design, which includes the electronic recording of eligibility data, was obtained from the U.S. Department of Health and Human Services before implementation of the system in 1992. There has never been any indication from the Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration, that the process in place was not adequate to meet federal requirements. In addition, the State Attorney General also issued an opinion in 1992 that the use of an electronic eligibility file and the application form satisfied legal requirements for determining eligibility.

As required by federal law and to ensure program integrity, the Department of Human Services (DHS) has had a quality control system in place since implementation of TennCare (and

previously under the Tennessee Medicaid program). In this quality control system, called Medicaid Eligibility Quality Control (MEQC), each month DHS uses a random sampling of Medicaid cases to validate eligibility determinations, whether active (eligible) or negative (denied). The MEQC system is designed to reduce erroneous expenditures by monitoring eligibility determinations, third party liability activities, and claims processing (State Medicaid Manual, Part 7, Quality Control). MEQC programs approved in Section 1115 waiver states are relieved of any liability for disallowances for Medicaid eligible enrollees and for individuals added under the waiver resulting from errors that exceed the 3 percent tolerance level established by federal regulations.

TennCare believes that the eligibility procedures, including the level of documentation, and the MEQC reviews and follow-up activities provide adequate internal controls over the eligibility process and meet federal requirements. However, consideration will be given as to whether any additional monitoring of the process in place at DHS should be performed.

Department of Human Services

We do not concur.

The ACCENT system has been operational since 1992. For ten years, two departments of the federal government (the Department of Health and Human Services and the Department of Agriculture) have provided significant federal funds to support Tennessee's eligibility determination process for three programs: Food Stamps, Families First (formerly Aid to Families with Dependent Children or AFDC) and Medicaid. The affected federal agencies are also concerned about the integrity of their programs. By approving the ACCENT system, these agencies recognized that the method of eligibility documentation employed by ACCENT met their high standards. They have never expressed any concern regarding a lack of adequate documentation to verify the accuracy of information entered in ACCENT following the certification of the system.

The Department of Human Services is the single state agency for both Food Stamps and Families First. The Bureau of TennCare (Department of Finance and Administration) serves as the single state agency for the Medicaid program. Both federal agencies concurred in the design and development of the ACCENT system. Without federal approval there would have been no federal funding of either the ACCENT's development or program service funding since 1992.

Federal funding for ACCENT has been consistent for both system development and ongoing eligibility processing. The "closeout" letter from the Department of Health and Human Services dated February 9, 1995 is evidence of the approval of both AFDC and Medicaid program participation. This letter represents the final approval and certification of the ACCENT system. There are also letters from USDA approving ACCENT functionality. USDA was well aware of the "paperless" aspects of the system.

A memorandum dated December 8, 1992 was received from Tennessee's Office of the Attorney General providing an informal legal opinion regarding the legal sufficiency of maintaining a one-page paper application and an electronic case file. The opinion was that "the application form and the electronic file satisfies the legal requirements for determining eligibility

and would be admissible evidence in legal proceedings regarding such eligibility." The opinion further states that "[t]here are no federal requirements specifying that the Department of Human Services maintain written documentation other than the signed application form".

Traditionally, as part of the funding agreement and program oversight, the federal agencies require a Quality Control system to review a sample of case actions. Currently only the Food Stamp program requires that a complete Quality Control review be conducted as part of the federal/state funding agreement. For the Medicaid program, the state and the federal agency mutually target a portion of the Medicaid population for a Quality Control review with a corrective action plan as the goal for improving case quality. For both the Food Stamp and Medicaid programs, there is a random case selection sample each month. This sample is made from the list of all Food Stamps households or all Medicaid cases with children (current Medicaid QC plans) as applicable. The Medicaid QC covers all assistance groups with children except those that are Families First related and 80% of the Families First cases are subject to the Food Stamp QC sample. Please note that with the Food Stamp program there is a federal re-review using a sub-sample of the state QC review cases. The Food Stamp federal review is conducted electronically by reading the ACCENT record and the QC review packet.

Based on a sample of Medicaid cases (an average of 35 cases per month), the Quality Control system ensures that the electronic file includes the required information for eligibility determinations and verifies the accuracy of that information. Further, the Quality Control system serves as a deterrent to creating fraudulent cases/documentation. Contrary to what is stated in the finding, the Quality Control reviewer must independently verify all points of eligibility. The Quality Control process ensures that the verification sources (primary, secondary, or others) used by the eligibility counselor are appropriate. The eligibility counselor must rely on a variety of sources to correctly determine eligibility. Depending on the source (bank statement, pay stub, birth certificate, self-declaration), the eligibility counselor must obtain further verification. While it is true that there are numerous online matches with a variety of agencies (Social Security and Department of Labor), these sources only serve as indicators and additional verifications must be pursued. Quality Control oversight provides on-going assessment of worker skill and knowledge in establishing financial eligibility and verifies that the information entered into ACCENT is accurate.

The plan for selecting certain categories of Medicaid for review is determined between state TENNCARE program staff and the U.S. Department of Health and Human Services Center for Medicaid Services. In the absence of specific federal guidelines for Quality Control on Medicaid cases, we follow the Quality Control guidelines for the U.S. Department of Agriculture Food Stamp program.

There appears to be concern about the Medicaid Quality Control process based on the statement in the audit finding that "The treatment of dropped cases needs improvement". This concern is specifically regarding "Cases Not Subject to Review", "Refusal to Cooperate" and "Failure to Cooperate", commonly referred to as "dropped cases".

The federal policy regarding the disposition of cases dropped from the QC sample applies to states with paper files, as well as to states without paper files. Every state, regardless of its

system of eligibility determination, drops cases from the sample for the same reasons Tennessee drops cases. None of the dropped cases are used to calculate an error rate. If the QC reviewer is unable to complete the review for any number of valid reasons, it is inappropriate to show the case as being in error or as being correct.

The Quality Control reviewer examines eligibility in a particular month, not necessarily in the month of application. Therefore, no matter what documentation is or is not on file, all points of eligibility must be re-verified by the QC reviewer independent of the initial determination. We do not rely, nor have we ever relied, on the documentation of the county office provided at the time of the eligibility interview, whether it is paper or electronic.

Another federal/state requirement is the right of all program applicants/recipients to due process through a fair hearing. Fair hearings are held to review challenged case actions. Since the implementation of ACCENT, there has been no challenge of the use of an electronic file in eligibility determinations.

Rebuttal

While keeping copies of various documents to support eligibility determinations is not a guarantee that individuals are indeed eligible, it is a piece of evidence that provides some additional assurance that the correct determination was made. If that documentation is maintained, it would seem less likely that eligibility workers might enter unsupported information into the system. It would also allow those who might have cause to review eligibility determinations, such as supervisors, internal auditors, and external auditors, to have some additional assurance that the correct determination was made.

Not maintaining adequate documentation could make criminal prosecution of enrollees more difficult. For example, if an enrollee is believed to have fraudulently submitted information during the enrollment process, TennCare could provide evidence of critical documentation such as pay stubs or statements of medical expenses to assist in proving that the applicant intentionally misrepresented eligibility information.

Finally, our discussions with the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services have indicated that office believes documentation is necessary and required by Office of Management and Budget, Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare does not have a court-approved plan to redetermine or terminate the TennCare eligibility of SSI enrollees that become ineligible for SSI

Finding

As noted in a prior audit finding, TennCare does not redetermine or terminate the TennCare eligibility of Supplemental Security Income (SSI) enrollees that become ineligible for SSI. This is because TennCare does not have a court-approved plan which allows TennCare to make a new determination of the eligibility of these enrollees. According to 1200-13-12-.02(1)(c) of the *Rules of the Tennessee Department of Finance and Administration, Bureau of TennCare*, "The Social Security Administration determines eligibility for the Supplemental Security Income (SSI) program. In Tennessee, SSI recipients are automatically eligible for Medicaid. All SSI recipients are therefore TennCare eligibles." However, when an individual enrolled in TennCare as an SSI enrollee is terminated from SSI, TennCare does not redetermine or terminate the enrollee's eligibility. Management concurred in part with the prior audit finding and stated,

> 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.

During the current audit TennCare management indicated that to comply with the *Cluster Daniels, et. al. vs. the Tennessee Department of Health and Environment, et. al.* court order, TennCare does not terminate SSI recipients unless the recipient dies, moves out of state and is receiving Medicaid in another state, or requests in writing to be disenrolled. However, the court order states,

> . . . defendants are hereby ENJOINED from terminating Medicaid benefits without making a de novo [a new] determination of Medicaid eligibility independent of a determination of SSI eligibility by the Social Security

> Administration. The Court further ENJOINS defendants to submit to the Court and to plaintiffs, within thirty (30) days of entry of this Order, the plan by which defendants have implemented de novo determination of Medicaid eligibility. . . .

Furthermore, the court has required that the Medicaid program must make a determination whether or not the recipient's termination from SSI was made in error.

Management stated that TennCare follows the direction of the Attorney General's office on how to comply with the court order. We requested information from the Attorney General's office on this matter and received a response dated October 17, 2001, which stated,

> There is no reason that the affected state agencies (Bureau of Medicaid/TennCare, Department of Human Services) cannot or should not proceed to attempt to comply with the district court's orders and injunction by devising a plan which would satisfy the requirements of those orders. (Under the terms of the Court's orders, <u>the Court will have to approve</u> any State plan to make de novo determinations of Medicaid eligibility independent of determinations of SSI eligibility by the Social Security Administration.) Furthermore, we understand that a number of efforts have been made over the years following entry of those orders to devise a plan which would satisfy the orders' requirements. The efforts have included extensive negotiations between counsel for plaintiffs, counsel for the federal defendants, the Attorney General's office and the Tennessee Department of Human Services (which makes, under law, the Medicaid eligibility determinations). Unfortunately, these efforts have been unsuccessful to date.

By not developing and implementing a court-approved plan that would allow TennCare to determine if terminated SSI recipients are still eligible for TennCare and to terminate ineligible enrollees, TennCare is allowing potentially ineligible enrollees to remain on TennCare until they die, move out of state and receive Medicaid in another state, or request in writing to be disenrolled.

Recommendation

The Director of TennCare should ensure that TennCare complies with all court orders and injunctions that relate to the eligibility of SSI enrollees. TennCare should develop and implement a court-approved plan that would allow TennCare to determine if terminated SSI recipients are still eligible for TennCare and terminate ineligible enrollees.

Management's Comment

We concur. The Director of TennCare should ensure that TennCare complies with all court orders and injunctions that relate to the eligibility of SSI enrollees.

The Director will ask the Attorney General to take action to bring this issue back before the court for final disposition. This request will be based, at least in part, upon the decision in Cureton v. Rudolph, in which the United States District Court for the Middle District of Tennessee, Nashville Division, held that the State is bound by disability decisions made by the Social Security Administration. Therefore, an enrollee is not entitled to a State hearing on an allegation of disability which has been declined or revoked by the SSA.

The AG will be asked to present this decision, coupled with assurances that eligibility review will be performed by the Department of Human Services to determine whether the individual qualifies for any other category of TennCare benefits (including the right to appeal if DHS determines that the individual is no longer eligible for any category of benefits) to the Court with a request to set aside or modify its November 13, 1987, Order. A positive finding by the Court could lift the injunction and permit the disenrollment, if appropriate, of those individuals who have been provided continuous Medicaid and TennCare benefits following termination of SSI.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

TennCare should seek revisions to the TennCare waiver which would require specific medical conditions for eligibility

Finding

The Office of Health Services Audit, Investigations, and Program Integrity unit in the Department of Finance and Administration is charged with the internal audit function for the Bureau of TennCare. The office performed an audit of the TennCare Uninsurable Program within the Department of Finance and Administration, Bureau of TennCare, for the period January 1, 2000, through October 23, 2000. The issues noted in this finding were originally noted in the office's TennCare Uninsurable Program internal audit report dated May 24, 2001.

The current TennCare waiver population includes those determined to be uninsurable. To be eligible for TennCare as an uninsurable enrollee, TennCare, as specified by the TennCare waiver, requires only a letter of denial from the insurance agent. TennCare does not require medical verification to determine the uninsurable condition.

As a result of the design of the program, the program currently does not have medical criteria to indicate what conditions are considered uninsurable. Furthermore, this decision is made by the insurance companies and not by TennCare staff. Without establishing medical criteria to define what conditions qualify as uninsurable, TennCare is giving the insurance agent the authority to make this decision.

The audit completed by the Office of Health Services Audit, Investigations, and Program Integrity noted that "67 percent of the insurance agents surveyed issued a letter of denial based on sole representation of the applicant. No medical documentation was submitted to the agent to support the statement. Of the insurance agents surveyed, 87 percent of the applicants who received a denial letter from the insurance agent did not submit an application for medical/hospital insurance to the insurance company."

Also, according to the report, "There is a lack of verification of the information contained in the letter of denial from the insurance company or agent. We examined 176 uninsurable applications from all the areas that processed uninsurable applications. We noted two applications with the letter of denial that did not state medical reasons as the reason for denial of insurance. In addition, we noted two applications not dated by the applicant, and three

applications not signed by the spouse. . . . Two applications had a letter of denial that was not dated. Three applications had letters of denial with computer generated signatures from the insurance agents."

The Bureau of TennCare's procedures for processing uninsurable applications state that the, "Current date on the denial letter cannot be over one (1) year old and the letter must be dated. The letter must be on insurance company letterhead stationery. If not on letterhead stationery, call insurance company and verify. . . . Denial must be for health or medical reasons only." According to TennCare personnel, the denial letter must be signed by the insurance agent, and computer-generated signatures are not accepted. In addition, the TennCare application requires the signature and date of the applicant's spouse if the applicant is married.

Recommendation

The Director should seek revisions to the TennCare waiver that would require better proof of uninsurability and, thereby, reduce the likelihood of individuals improperly obtaining TennCare coverage. The waiver could specify what medical conditions are considered uninsurable and could require evidence of that condition be obtained from a medical professional. The Director should ensure that all applications are dated and signed by the spouse and that denial letters that are signed by the insurance company electronically are not accepted.

Management's Comment

We do not concur. The finding addresses policy issues that are outside the scope of the current design of the TennCare Program. The TennCare waiver, which was approved by the federal government in 1993, establishes requirements for uninsurable applicants. Applicants demonstrate they are uninsurable by providing a letter from a health insurance company denying coverage for insurance because of a health reason. There have never been requirements that applicants submit medical documentation or that TennCare establish medical criteria for conditions that would be considered uninsurable. It seems inappropriate, therefore, to take a finding in an area where TennCare is acting in accordance with its approved waiver.

TennCare, in addition to accepting uninsurable letters in accordance with the rules, now accepts medical documentation from health care providers in order to prove uninsurability. This change of policy results from the federal suit Hamby, et al. v. Menke, et al. U.S. Dist.Ct. No. 3:98-1023 (M.D. Tenn), April 13, 2001. The Bureau is not budgeted for health insurance underwriters, but in compliance with due process safeguards, such proof is admitted before administrative judges and hearing officers in fair hearings, to enable the presiding officer to weigh the proof as to uninsurability.

Modifications to the TennCare waiver were submitted to the U. S. Department of Health and Human Services on February 12, 2002. The proposed modifications would change the current process for uninsurable applicants. Rather than having an uninsurable category, a category of eligibility referred to as "medically eligible" would be established. Eligibility for

these applicants would be based on a single underwriting standard. If approved, this change will be effected in the rules, and the rule of the uninsurable letter from an insurance company will be obsolete.

Meanwhile the Bureau, under guidance of in-house counsel, is examining the insurance denial letter process and the policies related to it. The Office of General Counsel Resolution Unit contacts agents, agencies and insurers, where appropriate, to document underwriting practices, verify information and review the denial letter process in those cases for fair hearing, where the denial letter has been deemed inadequate proof of uninsurability by the Bureau. This check adds a layer of scrutiny to discover uninsurability which meets the rule in otherwise questionable cases.

We disagree with comments in the internal audit report regarding insurance industry practice in the verification of applications. It is common practice among large insurers to take "pre-applications," by asking simple health questions. That 'asking' may be over the phone, in writing, or over the Internet. These agents are 'field underwriters.' That is they are trained and authorized to review applications as well as pre-app information and review it against basic underwriting guidelines. Questionable areas and more complex decisions are handled by home office underwriters. The determinations as to insurability are properly overseen by home office underwriters, and the determinations by the field are no less binding and valid than if rendered by the senior home office underwriter.

Further the General Assembly has sought to curb practices of insurance underwriting where field agents might wish to select against TennCare by culling out more at-risk individuals in insurance programs, and to declare them uninsurable so as to render them eligible for TennCare. See, e.g. Tenn. Code Ann. §56-6-163. PIU is investigating agents and agencies who may be violating the above statute as well as committing fraud against TennCare. Under the Agreed Order PIU has been and continues to investigate those with access to insurance. Those identified are terminated and provided due process.

Rebuttal

This finding was not to show TennCare's failure to comply with current rules or regulations, except in the cases noted. We are required by OMB Circular A-133 section 510(a)(1) to report deficiencies in internal control over major federal programs. It was our intent with this finding to show that design of the current waiver is not based upon specific medical criteria. As stated in the finding, in the survey conducted, 67 percent of the insurance agents surveyed issued a letter of denial based on sole representation of the applicant. Since a majority of insurance agents issue denial letters based upon the representation of the applicant and TennCare does not have specific medical eligibility requirements, the risk is increased that those enrolled in the program are not truly uninsurable.

Although management does not concur with the finding they indicate that a modification to the waiver was submitted on February 12, 2002, which will change the waiver to include those that are "medically eligibile."

Management did not address the part of the recommendation concerning applications not being signed and dated and denial letters that are electronically signed.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness, Eligibility
Questioned Costs	$30,982,562

Internal control over TennCare eligibility is not adequate

Finding

As noted in the six prior audits of the Bureau of TennCare, internal control over TennCare eligibility is not adequate. Management concurred in part with the prior audit finding, as discussed throughout this finding. However, problems still exist.

For the uninsured and uninsurable population, which makes up approximately 43% of all TennCare enrollees, responsibility for initial eligibility determination is divided between the county health offices in the Department of Health and the Member Services 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's Services is responsible for eligibility determinations of children in state custody.

Inadequate Policies and Procedures

As noted in the prior two audits, TennCare has not provided the county health offices with a uniform, written policies and procedures manual. Management concurred in part with the prior audit finding and stated that "a companion document [policies and procedures manual] is being developed for health departments." According to the Director of Member Services, as of September 5, 2001, the manual was still in the draft stage. Since the county health offices are involved in the eligibility process for the uninsured and uninsurable population, without a uniform written policies and procedures manual for the county health offices, TennCare cannot ensure that TennCare recipients are appropriately and consistently determined to be eligible for TennCare.

Inadequate Staff to Verify Information on Applications

Management stated in response to the prior audit finding that "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." Although a new Member Services Unit has been organized, the unit within Member Services that reviews the uninsurable, uninsurable with limited benefits, and uninsured with COBRA termination applications is still understaffed. The unit receives approximately 1,000 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 the applications (e.g., income, access to insurance, and citizenship status) is verified for accuracy. Not verifying information on these applications increases the risk that ineligible recipients are enrolled.

Recipients Found on TennCare Twice

Using computer-assisted audit techniques to search the TennCare recipient eligibility history file located on the TennCare Management Information System (TCMIS), a listing of 1,018 recipient records with duplicate social security numbers was compiled. A sample of 60 sets of recipient records with duplicate social security numbers representing 120 of the 1,018 recipient records was tested to determine if overlapping capitation or fee-for-service payments were made during the fiscal year ended June 30, 2001. Testwork revealed that for 9 of 60 sets of recipient records with duplicate social security numbers tested (15%), overlapping capitation payments were made. Follow-up with management regarding these nine pairs of recipient records revealed that these nine individuals were on TennCare twice for all or part of the dates of services that were paid for during the audit period.

TennCare's capitation payment amounts for recipients are based upon the recipients' managed care organization (MCO), age, eligibility classification, and the region of the state. In some cases, when overlapping payments were found, different capitation rates were paid for each recipient in a set. It could not be determined which recipient record contained the appropriate payment and which recipient record contained the inappropriate payment. As a result, we had two different amounts in each set of recipient records that could be unallowable.

In recipient records with the higher amount of overlapping capitation payments, the errors totaled $6,752. The federal questioned costs for these recipient records totaled $4,295, and the remaining $2,457 is state matching funds. In recipient records with the lower amount of overlapping capitation payments, the errors totaled $4,031. The federal questioned costs for these recipient records totaled $2,565, and the remaining $1,466 is state matching funds. We believe likely questioned costs exceed $10,000.

Because adequate controls are not in place to ensure that enrollees with the same social security number are only enrolled in TennCare one time, TennCare cannot ensure that it is not making duplicate capitation or fee-for-service payments for the same person.

No Verification of Applications

Management stated in response to the prior audit finding, "We believe that the accuracy of eligibility determinations will be improved with our new Member Services Unit and proposed rules and policies." However, the Bureau still does not verify information contained on applications for individuals losing Medicaid eligibility. According to 1200-13-12-.02(5)(a) of the *Rules of the Tennessee Department of Finance and Administration, Bureau of TennCare*,

> Persons losing Medicaid eligibility for TennCare who have no access to insurance may remain in TennCare if they are determined to meet the non-Medicaid TennCare eligibility criteria.

These applications are entered on TCMIS and processed without verification of information contained on the application. Without verifying the information on the applications, the Bureau of TennCare cannot ensure that the applicant meets non-Medicaid TennCare eligibility criteria. In addition, not verifying the information on the applications can result in inaccurate premium amounts based upon the unverified and possibly inaccurate income amounts reported by the recipient.

Enrollees With Out-of-State and Post Office Box Addresses Discovered

As noted in the prior audit, TennCare made payments on behalf of out-of-state residents. Management concurred in part and stated that the "definition of Tennessee residency is a part of the on-going lawsuit negotiation. Once resolved, the definition will be used by the Bureau." According to management at TennCare, for more than half of fiscal year ended June 30, 2001, enrollees who had moved out of state could not be disenrolled because of the Temporary Restraining Order. (See finding 01-DFA-08 for more information regarding the restraining order.) In February 2001, the federal court approved policies and procedures for disenrollment of enrollees who have moved out of state. These procedures were not placed in operation during our audit period; however, they were implemented in July 2001.

Using computer-assisted audit techniques to search the TennCare recipient file located on TCMIS, we found 19,959 enrollees who have a non-Tennessee address. Some of the enrollees have addresses in other countries. The total amount paid on behalf of these enrollees was $48,620,701. One of the requirements of TennCare eligibility listed in the *Rules of the Tennessee Department of Finance and Administration*, 1200-13-12-.02(3)(b)(2), states that the non-Medicaid eligible applicant "must be a Tennessee resident." In addition, the *Rules of the Tennessee Department of Human Services*, 1240-3-3-.02(6), states that to be 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."

TennCare has established a policy for terminating enrollees with an out-of-state address that defines residency. The *TennCare Eligibility Policies and Procedures Manual*, Policy #AA-015, states, "State of residence is defined as the state where the individual has established a residence with the intention to remain there permanently or for an indefinite period of time." However, TennCare did not perform procedures during the audit period to determine which out-of-state addresses are appropriate. Some portion of the 19,959 enrollees may be appropriately considered residents of Tennessee. However, because TennCare has not determined which out-of-state addresses are appropriate, TennCare cannot provide any assurance that these individuals are eligible. Therefore, of the $48,620,701 paid, $30,931,274 is considered federal questioned costs. The remaining $17,689,427 is state matching funds.

In addition, using computer-assisted auditing techniques, we found 130,767 enrollees who have P.O. boxes listed as their address. 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. The TennCare application requires enrollees to include their legal address (home address). The application states, "Do NOT list a P.O. box as your home address." The application also includes a line for the enrollee's mailing address, which could be a P.O. box. However, management stated that in certain cases, TennCare believed that only P.O. box

addresses were necessary. Some of these cases include, for example, homeless individuals, individuals who reside in an area of Tennessee where the post office will not deliver to the street address (i.e., in a rural area), individuals who require their address to remain a secret in order to protect themselves from physical harm, and enrollees in state custody or in a mental institution. Testwork revealed that TennCare has not established a written policy that describes the instances where the use of only P.O. boxes would be allowable. Furthermore, TennCare has not developed a way of identifying the individuals who would be in these categories. The amount paid on behalf of these individuals was over $465 million.

Pseudo Social Security Numbers Again Discovered

As noted in the four previous audits, when computer-assisted audit techniques were used to search TCMIS, testwork revealed that 86 TennCare participants had "pseudo social security numbers" that began with "888" or have 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 76 of 86 individuals (88%) found with "pseudo" social security numbers had not had a correct social security number entered on TCMIS, although they were enrolled more than one year. The Bureau does not have a time limit for the use of pseudo social security numbers. Some of these TennCare participants had been enrolled in the Medicaid program as early as 1986. 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 $72,711. Federal questioned costs totaled $46,257. The remaining $26,454 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 same section states that "the agency must verify each SSN [social security number] of each applicant and recipient with SSA [Social Security Administration], as prescribed by the Commissioner, to ensure that each SSN furnished was issued to that individual, and to determine whether any others were issued."

Ineligible Enrollees Discovered

A sample of the Medicaid population, excluding Supplemental Security Income (SSI) enrollees, was tested to determine if the enrollees were eligible for Medicaid on the date of service, based solely upon the information in the Automated Client Certification and Eligibility Network (ACCENT). Testwork revealed that TennCare did not ensure that the Department of Human Services maintained adequate documentation of the information entered into ACCENT. See finding 01-DFA-09 for further details on this matter. Medicaid enrollees are enrolled through the Department of Human Services using ACCENT. TennCare receives daily eligibility data files from ACCENT, which update information in TCMIS. The Bureau of TennCare pays the MCOs and behavioral health organizations (BHOs) a monthly capitation payment to provide services to these enrollees. For the fiscal year ended June 30, 2001, the Bureau paid capitation payments totaling over $2.5 billion to MCOs and over $381 million to BHOs for TennCare

enrollees. Of the 61 capitation payments for Medicaid enrollees tested, testwork revealed 13 enrollees (21%) were not eligible for Medicaid on the date of service, based solely upon the information in ACCENT. Of the 13 ineligible enrollees, 11 enrollees were no longer eligible for Medicaid according to ACCENT, one enrollee's medical expense was not supported in ACCENT, and one enrollee did not have a valid social security number.

For 8 of the 11 enrollees, Medicaid ended per ACCENT between March of 1994 and February of 2000. However, TennCare did not close their Medicaid eligibility on TCMIS, which allowed them to continue receiving Medicaid services. According to TennCare personnel, individuals losing Medicaid eligibility are mailed an application to complete and return to apply for TennCare as an uninsured or uninsurable enrollee. If the application is returned with incomplete information, it is placed on hold. TennCare has allowed enrollees with applications on hold to remain on Medicaid instead of following up on these applications. For 2 of the 11 enrollees, Medicaid eligibility ended on ACCENT after 18 months of "Transitional Medicaid." In Tennessee, Families First eligibility automatically qualifies an individual for Medicaid. According to the Families First Policy and Procedure Manual, "Transitional Medicaid" is Medicaid eligibility that is extended for 18 months after an individual loses Families First eligibility. However, TennCare did not close their Medicaid eligibility on TCMIS until 24 months after the end of Families First eligibility. Per discussion with TennCare personnel, TennCare gives eligibility for these individuals in segments of 12 months only. Management stated there was a section in the TennCare waiver that allows the granting of multiple 12-month segments for these enrollees. It appears that the TennCare waiver grants eligibility for only one year for "medically needy" enrollees if they are eligible for any month of a calendar year. The enrollees in question were classified as "categorically needy," not as "medically needy".

Additionally, one of the 11 enrollees' Medicaid eligibility ended on ACCENT in November of 2000 because the enrollee moved out of state. However, TennCare did not close this person's Medicaid eligibility on TCMIS until August 2001, at the end of a 12-month segment. This enrollee is also classified as "categorically needy."

The Medicaid population, excluding SSI enrollees, makes up approximately 53% of the TennCare population. The total amount of capitation improperly paid for all the errors noted above was $1,271, out of a total of $6,320 tested. The total amount of errors not already questioned in other sections of this finding is $1,157. Federal questioned costs totaled $736. The remaining $421 was state matching funds. We believe likely questioned costs exceed $10,000.

Because TennCare has not ensured that only Medicaid-eligible individuals are enrolled in TennCare as a Medicaid enrollee, ineligible enrollees could be inappropriately enrolled in other programs. For example, according to the *Code of Federal Regulations*, Title 7, Part 246, Section 7 (d)(2)(vi)(A), Medicaid enrollees are automatically income-eligible for the Department of Health's special supplemental nutrition program for women, infants, and children (WIC).

Recommendation

The Director of TennCare should promptly develop and implement an adequate, uniform, written policy and procedures manual for the county health offices to ensure that the eligibility status of TennCare recipients is determined properly, consistently, and timely. The Director should ensure that adequate staff is assigned to verify information on uninsurable, uninsurable with limited benefits, and uninsured with COBRA termination applications. The Director should ensure that enrollees are not enrolled on TennCare more than once. In addition, the Director should ensure that the information contained on applications for individuals losing Medicaid eligibility is verified.

The Director of TennCare should also ensure that the court-approved policies and procedures for disenrollment of enrollees who have moved out of state are implemented. The Director should ensure that the Bureau develops a written policy that describes the situations where use of a P.O. box would be allowable. In addition, the Director should ensure that valid social security numbers are obtained for all individuals in a timely manner. All applications that are currently on hold should be followed up on and resolved. The Director should ensure that only eligible Medicaid enrollees are receiving TennCare. Ineligible Medicaid enrollees should be removed from the program.

Management's Comment

Inadequate Policies and Procedures

We concur. However, we are pleased to report that a desk reference, which includes guidance and uniform policies and procedures for workers in the 95 county health department offices, will be distributed by the end of February 2002. TennCare's Division of Member Services worked with the Department of Health in the development of the *Health Department Desk Reference* and an accompanying training guide. In addition, two training sessions were held in October and December 2001 with Department of Health, Health Services Administration Help Desk staff in order that they could begin the process of training their staff.

Inadequate Staff to Verify Information on Applications

We concur. Members Services reorganized resources to assure that all services related to members were under one TennCare Division. However, staffing of the uninsurable unit has not increased. The unit is still not staffed to verify all information on all TennCare applications. Under the modifications to the TennCare waiver, submitted to U. S. Department of Health and Human Services in February 2002, the Department of Human Services would be the single point of entry for all TennCare applications. This process will include a face-to-face interview with verification of critical eligibility components. If approved, the modified waiver would become effective January 1, 2003 with eligibility determinations to begin July 1, 2002, at the county Department of Human Services offices.

Recipients Found on TennCare Twice

We do not concur. TennCare has a process in place to ensure that duplicate records do not occur for the same individual in the TCMIS. TennCare executes a weekly process which identifies potential records that need to be merged together as a single record. Records that meet these criteria must match on specific data elements. The monthly capitation payment cycle will recover any duplicate capitation payments for up to twelve months of reconciliation. Suspect records from the weekly process are reviewed manually and corrected if needed. Information Systems has documented procedures for this process. TennCare Information Systems management will review the auditor's samples as a follow-up to this finding.

No Verification of Applications

We concur. As stated previously in the response to Inadequate Staff to Verify Information on Applications, the Division of Member Services currently does not have the staffing capability to verify all the information on every application that it is received. It should also be pointed out that in the original TennCare waiver, the application process for the demonstration eligible enrollees was designed to be as simple as possible. We did not have staff devoted to verification of information submitted, although we did put in place various data matches to identify persons who might have access to insurance. The new waiver design, which upon approval is intended to go into effect in July, requires that persons applying for the demonstration population, including those who are exiting the Medicaid program, go into Department of Human Services offices to have all information checked in a face-to-face interview process. This process will be more rigorous than the process that is currently in place and will resolve this finding, we believe.

Enrollees with Out-of-State and Post Office box Addresses Discovered

We concur. Termination of out-of-state enrollees was held up because of the Temporary Restraining Order. Since that time, the Bureau has worked to identify and disenroll out-of-state enrollees when possible. In accordance with the Settlement Agreement to the Agreed Order, the enrollees with out-of-State addresses have been identified and contacted by the Program Integrity Unit (PIU) of the Office of Health Services. The PIU has opened over 6,000 cases of enrollees with out-of-state addresses. Approximately one-third of these cases has been closed, resulting in 1,737 recommended terminations. As of February 2002, 748 enrollees elected voluntary termination. Notices are currently being sent to enrollees with verified out-of-state addresses, who did not elect to voluntarily terminate. These enrollees will be afforded all due process appeal rights. In some cases, enrollees have disputed living out-of-state. The PIU will examine the proof presented by these enrollees and determine whether to recommend termination. Where adverse decisions result, enrollees will be given proper notice of termination and due process appeal rights. Cases will be closed where the affected individuals establish proof of their Tennessee residence. Addresses for some enrollees cannot be confirmed. The out-of-state address of record has been cross-checked with the MCOs, but no confirmation has been received in the Bureau's attempt to contact these individuals. TennCare is reviewing with counsel how to proceed so as to (1) terminate individuals who are not eligible; and (2) afford them their due process rights. In addition, printing and distribution of the desk reference to all local Department of Health offices will be completed in February 2002.

Pseudo Social Security Numbers Again Discovered

We concur. There are pseudo social security numbers in the TCMIS and the Bureau is working on a means of validating and correcting them through the Social Security Administration (SSA). The TCMIS assignment of pseudo social security numbers occurs for newborns to the system through the uninsured/uninsurable process. Currently, any adds to the TCMIS will also assign pseudo social security numbers for any record added to the system received from eligibility determination by external entities such as the Department of Human Services (DHS) and the Social Security Administration (SSA).

Ineligible Enrollees Discovered

We do not concur that individuals eligible under Medicaid categories in the TCMIS and not eligible in ACCENT represent ineligible TennCare enrollees. As stated in the audit finding, existing business rules allow certain categories of eligibles to be extended for up to 12 months of eligibility within the TCMIS. We concur that Medicaid enrollees could remain eligible beyond the twelve month extended end date as a result of pended/incomplete applications. TennCare generates notices to all Medicaid enrollees 30 days in advance of reaching their TCMIS end date. If an application is entered into ACCENT or the TCMIS within the window allowed, the end date is opened until the application is completed. TennCare Information Systems has worked closely with the Department of Human Services to ensure these pended applications are reported accurately to TennCare, and TennCare reviews any incomplete/pended uninsured/uninsurable applications.

Beginning in November 2001 TennCare is identifying the population who have been extended for greater than 12 months of eligibility with aged/pended or incomplete applications, loading end dates to those records and re-sending the 30 day advanced termination notice.

Rebuttal

Recipients Found on TennCare Twice

As stated in the audit finding, we found duplicate payments for individuals that were enrolled on TennCare twice. Because our audit work found these duplicate payments, it is clear that the procedures described by management were not effective and need improvement.

Ineligible Enrollees Discovered

As noted in the finding, we found 13 enrollees who were not eligible for Medicaid on the dates of service. Although management does not concur, it has not provided any documentation to support the eligibility of those enrollees in question.

Furthermore, there is no provision in the rules or written polices that allows individuals who submit incomplete applications to remain eligible for program services indefinitely. As stated in the audit finding, one enrollee's application has been on "hold" since March of 1994.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	$476,506

TennCare made payments on behalf of full-time state employees, resulting in federal questioned costs of $476,506 and an additional cost to the state of $272,511

Finding

As noted in the prior audit, TennCare paid capitation payments on behalf of full-time state employees who are classified as uninsured or uninsurable in the TennCare Management Information System (TCMIS). Management concurred with the prior audit finding and stated that "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." (See finding 01-DFA-08 for more information regarding the restraining order.) However, in February 2001, the court approved policies and procedures for disenrollment of enrollees who have confirmed access to other insurance. Although no disenrollment of state employees occurred during the year ending June 30, 2001, procedures were placed in operation to identify these enrollees. According to the Department of Finance and Administration, Division of Insurance and Administration personnel, all full-time state employees have access to health insurance at the time of hire or when the employee reaches full-time status.

According to *Rules of the Tennessee Department of Finance and Administration*, 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 and must not have been eligible for such coverage as of March 1, 1993 (effective October 1, 1994 as of July 1, 1994). . . ." 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." State employees were not disenrolled during the year ending June 30, 2001; therefore, TennCare was not in compliance with these rules.

Using computer-assisted audit techniques to search TennCare's paid claim records, testwork revealed that 542 uninsured and uninsurable TennCare participants were also full-time employees who were eligible for insurance through their employment with the State of Tennessee. Of the 542 enrollees, 454 recipients have had a deduction for state insurance through state payroll at least once in the past two years, and 88 recipients have not. All these employees

have access to health insurance and are not eligible for the TennCare program according to rules for eligibility.

The total amount of capitation payments paid for the errors noted above was $749,017. Federal questioned costs totaled $476,506. The remaining $272,511 was state matching funds.

Recommendation

The Director of TennCare should continue to ensure that any court-approved procedures are followed. Bureau management should ensure that full-time employees of the State of Tennessee are removed from the TennCare rolls.

Management's Comment

We concur. A process was put in place in May 2001 to ensure that full-time employees of the State of Tennessee are removed from the TennCare rolls. The Department of Finance and Administration, Division of Insurance, sends a database from the Tennessee Insurance System to TennCare once a quarter of all new state employees. That database is then forwarded to TennCare Information Systems to complete an electronic match against the TennCare rolls. TCMIS sends Program Integrity a list of perfect and imperfect matches.

For perfect matches, an employer verification letter is sent to the Department of Finance and Administration, Division of Insurance to complete. Once this verification letter is returned to Program Integrity, the TennCare eligibility screens are reviewed to determine the state employee's (and family members, when applicable) TennCare enrollment type (Waiver, DHS, SSI) & the income level when there are children on the TennCare case. Referrals are made to Administrative Appeals for termination and to TCMIS to add TPL, if this is not already reported. However no referral is made to Administrative Appeals recommending termination for Medicaid enrollees or for children who are below poverty guidelines, with access to insurance only; this group of enrollees can't not be terminated under current rules and regulations.

TCMIS is in the development stage to automate this comparison of data systems, and thereby expedite the identification of all state employees with insurance and access to insurance. Once TIS verifies data, the Program Integrity Unit will then recommend appropriate action, such as referring to Appeals for termination, referring to TCMIS to add Third Party Liability insurance or access, or to add and/or update income.

When an imperfect match is received from TennCare IS, Program Integrity investigates to determine if there is an unreported marriage or divorce, or if the Social Security number on one of the databases is incorrect. If the investigation does not validate this information, the case is closed and no referral is made to Administrative Appeals for termination. When an investigation validates that the identity of the TennCare enrollee is the same as the state employee, the case is worked the same as the perfect matches. Program Integrity recommended termination of 672 state employees, and forwarded documentation to add health insurance

coverage for 633 cases during the months of May and June 2001. However, due process prevented these state employees from being terminated until fiscal year 2001-2002.

However, we do not concur with the questioned costs. We terminated these enrollees when permitted by the court and other procedures were followed ensuring these enrollees were not eligible and received due process.

Rebuttal

OMB Circular A-133 defines a questioned cost as a cost which "resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds." TennCare should not pass on costs to the federal government when it has failed to establish adequate due process procedures resulting in a court order. If TennCare had adequate due process procedures in place, the court would not have issued the court order. See finding 01-DFA-08 for further details regarding this matter.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	$803,576

TennCare incorrectly reimbursed the Department of Children's Services for services that were unallowable or not performed, resulting in federal questioned costs of $803,576

Finding

As noted in the prior two audits, TennCare has paid the Department of Children's Services (Children's Services) for services that were unallowable 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 th managed care organizations (MCOs) and the behavioral health organizations (BHOs) that are also under contract with TennCare. During the year ended June 30, 2001, TennCare paid approximately $122 million in fee-for-service reimbursement claims to Children's Services.

The previous audit finding addressed three specific types of unallowable payments made by TennCare to the Department of Children's Services that have not been corrected in the current year:

- payments for incarcerated youth,
- payments for children on leave status, and
- payments for services provided to children under three years.

Overall, testwork revealed that TennCare still did not have critical edits in place to detect and prevent DCS from billing for unallowable services. TennCare still made payments to DCS for services for incarcerated youth, children on leave status, and children under three years.

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, . . . (2) behavioral health services for children under the age of three . . .

Testwork revealed the following deficiencies:

Payments for Incarcerated Youth

Since 1997 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. Management concurred in part with the prior audit finding and stated, "We will request that [the Department of Finance and Administration] F&A Office of Program Accountability Review (PAR) strengthen its efforts to better identify these payments." Although PAR did strengthen its efforts to identify instances of incarcerated youth, payments were still made on behalf of children who were incarcerated.

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), our search of TennCare's paid claims records revealed that TennCare made payments totaling $941,295 for the year ended June 30, 2001, for juveniles in the youth development centers and detention centers. Of this amount, $686,415 was paid to MCOs; and $254,880, to Children's Services. Federal questioned costs totaled $598,829. The remaining $342,466 was state matching funds.

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. As a result, TennCare is making payments on behalf of these individuals to the MCOs who incur no costs for providing services.

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. Management also concurred with the portion of the prior audit finding related to payments for children on leave status and stated that

> 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.

Testwork revealed that TennCare did develop DCS policies and procedures; however, these were not placed in operation during the audit period. In addition, TennCare did make efforts to ensure F&A PAR strengthened its efforts to detect these types of payments. However, the problems with this area continue. 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. Auditor inquiry revealed that Children's Services does not notify TennCare when children are on runaway status or are placed in a medical hospital. TennCare relies upon Children's Services not to bill TennCare when it is determined the child has run away or been 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. In spite of repeat audit findings the Bureau still has no routine procedures, such as data matching, to check for such an eventuality. Therefore, 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 findings, TennCare was 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 for the year ended June 30, 2001, TennCare had improperly paid $266,670 to Children's Services for children on runaway status. Federal questioned costs totaled $169,649. The remaining $97,021 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 for the year ended June 30, 2001, TennCare had improperly paid $42,151 to Children's Services for children while they were in hospitals. Federal questioned costs totaled $26,815. The remaining $15,336 was state matching funds.

Payments for Services Provided to Children Under Three Years

Despite HHS' recommendation discussed above, and audit findings repeated for the last two years, TennCare failed to take corrective action and again paid Children's Services for behavioral health services provided to children under the age of three. As in previous years, using CAATs, a search of TennCare's paid claims records revealed that for the year ended June 30, 2001, TennCare improperly paid 1,946 claims totaling $1,142,312 for children under the age

of three. An analysis of 292 claims totaling $170,739 revealed that 232 were properly voided and reimbursed. The remaining 60 (21%) totaling $13,020 had not been properly voided or reimbursed. Federal questioned costs totaled $8,283. The remaining $4,737 was state matching funds. We believe likely federal questioned costs exceed $10,000 for this condition.

In total, $576,721 was improperly paid to Children's Services; and $686,415, to the MCOs. A total of $803,576 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $459,560 was state matching funds.

A review of our CAATs associated with custody (see finding 01-DFA-15), runaways, incarcerated youth, children under the age of three, children who were placed in medical hospitals, and children who received alcohol and drug treatment (see finding 01-DFA-15), revealed that our results sometimes included duplicate questioned costs. For example, costs for an incarcerated youth that was also receiving alcohol and drug treatment would be questioned twice, once in the test of incarcerated youth and once in the test of youth receiving alcohol and drug treatment. We estimate the amount of duplicate questioned costs which are included in the costs mentioned in the previous paragraph to be approximately $310,500. The estimated federal amount of the duplicate questioned costs is approximately $197,532. The state matching funds are estimated to be approximately $112,968.

Recommendation

In light of the multiple repeat findings over the years, the Director of TennCare must realize 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, 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. In addition, the Director of TennCare should immediately follow up with the Centers for Medicare and Medicaid Services, formerly the Health Care Financing Administration, to comply with HHS's recommendation.

Management's Comment

We concur in part. We concur that TennCare should not be paying the Department of Children's Services (DCS) for services to incarcerated youth or for services for children on leave status. The new eligibility file update system implemented July 1, 2001, when DCS children were moved to TennCare Select should be helpful in making sure that TennCare's eligibility information is current since eligibility information is systematically updated daily. We will continue to work with DCS to request their cooperation in billing only for services for which we have contracted. In fact, DCS currently performs a review of their billings during the year to determine whether inappropriate billings were made to TennCare for services to incarcerated individuals or those on leave status. When identified, these billings are adjusted to reflect only appropriate billings. We will implement procedures to improve our monitoring of DCS's billing

activity to be sure that inappropriate payments requested are either denied or recouped, if payment has already occurred.

We do not concur with the finding that TennCare should not be paying DCS for behavioral health services provided to children under the age of 3. Our position on this matter has been stated in previous management responses. The implicit assumption that children under the age of 3 cannot benefit from or should not receive behavioral health services is clearly flawed. Children at these young ages who are already in custody are likely to already have or to develop serious emotional problems. Federal EPSDT law requires that children receive screening, vision, dental, and hearing services and "such other necessary health care, diagnostic services, treatment, and other measures described in section 1905(a) to correct or ameliorate defects and physical and mental illnesses and conditions discovered by the screening services, whether or not such services are covered under the State plan." There is nothing in the law which provides relief from this responsibility for children under 3.

Rebuttal

As stated in the audit finding, it appears that payments for children under the age of three, may not be appropriate based on HHS' recommendation. The Department of Children's Services has properly voided and reimbursed most of the claims sampled and are awaiting further clarification from HHS.

Management did not address the part of the recommendation concerning their following up with HHS for clarification. We strongly recommend (and recommended in the previous audit) that since the bureau disagrees, the bureau follow up with HHS concerning this issue. In addition, the Director should determine why this action has not been taken.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	$751,117

TennCare incorrectly reimbursed the Department of Children's Services over $1.1 million for services that are covered by and should be provided by the behavioral health organizations

Finding

As noted in the prior two audits, TennCare has continued to incorrectly reimburse 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 in part with the prior audit finding and stated, "We continue to work with DCS and the BHOs to clarify coverage of benefit issues between the two." Management indicated that it had specifically identified to DCS and the BHOs which costs are allowable and which are not. Management also stated that TennCare would "continue to review the monitoring and claims processing procedures to improve detection of unallowable services." Although the Department of Finance and Administration's (F&A's) Office of Program Accountability and Review (PAR) has looked for more types of unallowable payments, testwork revealed that the payment problems still exist. TennCare has chosen to rely solely upon Children's Services to bill TennCare only for children in state custody. Although TennCare staff held meetings with DCS and BHO representatives to clarify benefit issues, problems still exist.

In accordance with its agreement with TennCare, Children's Services contracts separately with various practitioners and other 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, 2001, TennCare paid approximately $122 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. In addition, TennCare has contracted with the BHOs to provide the first $30,000 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.

Since TennCare still has not implemented procedures to identify services covered by the BHOs for children not in state custody or at risk of state custody, TennCare has again paid both the BHOs and Children's Services for services for children not in state custody.

TennCare has made payments to Children's Services for enhanced behavioral health services for children not in state custody during the dates of service. 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 the Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that TennCare had improperly paid $363,800 to DCS for the year ended June 30, 2001, for children who were not in the state's custody during the dates of service billed to TennCare. Federal questioned costs totaled $231,440. The remaining $132,360 was state matching funds.

In addition, a sample of 60 children from a listing totaling $4,590,432 which had mismatched names, dates of birth, and/or social security numbers was selected. Further review of these names revealed that all 60 children had a record in TNKIDS. However, of these 60 children – representing $453,194 of the $4,590,432 – $47,821 was paid to DCS for dates of services during which time the child was not in custody per the related record in TNKIDS. Federal questioned costs totaled $30,423. The remaining $17,398 was state matching funds.

Furthermore, 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 $769,055 for the year ended June 30, 2001, for services covered by the BHOs. Federal questioned cost totaled $489,254. The remaining $279,801 was state matching funds.

We also found that TennCare made some payments to DCS for providers who billed the BHO and then billed DCS for the same child for the same dates of service. While some portion of these payments might be appropriate, the absence of written policies and procedures regarding instances where such a payment is allowable makes this determination very difficult. In some cases, we found that the BHO was billed by one provider and DCS was billed by a different provider for the same child for the same dates of service. In other cases, we found that the BHO and DCS were billed by the same provider.

In total, as a result of the conditions described in this finding, $1,180,676 was improperly paid to Children's Services. A total of $751,117 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $429,559 was state matching funds.

A review of our CAATs associated with custody, runaways (see finding 01-DFA-14), incarcerated youth (see finding 01-DFA-14), children under the age of three (see finding 01-DFA-14), children who were placed in medical hospitals (see finding 01-DFA-14), and children who received alcohol and drug treatment revealed that our results sometimes included duplicate questioned costs. For example, costs for an incarcerated youth that was also receiving alcohol and drug treatment would be questioned twice, once in the test of incarcerated youth and once in the test of youth receiving alcohol and drug treatment. We estimate the amount of duplicate questioned costs which are included in the costs mentioned in the previous paragraph to be approximately $310,500. The estimated federal amount of duplicate questioned costs is approximately $197,532. The state matching funds are estimated to be approximately $112,968.

Recommendation

The Director of TennCare should ensure that monitoring techniques are implemented to detect and prevent unauthorized payments for children in state custody, children not in state custody, and children at risk of being in state custody. Controls should be developed and implemented to ensure the BHOs and Children's Services are paid only for services for which they are responsible. In addition, policies should be developed and implemented to describe instances where providers may bill the BHO and Children's Services for the same dates of service for the same child.

Management's Comment

We concur in part. We concur that TennCare should not be paying the Department of Children's Services (DCS) for services for incarcerated youth, runaways, or children who are not in custody. During the past year there have been extraordinary efforts made to link data from DCS and TennCare. DCS/TennCare file updates had been occurring off-line, approximately every two weeks. On July 1, 2001, all DCS children were moved into TennCare Select. Eligibility information is now updated systematically on a daily basis. This change alone has greatly improved monitoring of a child's custody status. In addition, we will continue to work with DCS to request their cooperation in billing only for services for which we have contracted. We will implement procedures to improve our monitoring of DCS's billing activity to ensure that inappropriate payments requested are either denied or recouped, if payment has already occurred.

We do not concur, however, with other assumptions made in the finding. These assumptions may be based on an incomplete understanding of arrangements that have been in place for many years. TennCare pays DCS through the State's Title V agreement for "children's therapeutic intervention services." These services are defined as the portion of a child's residential placement day at DCS that qualifies as "treatment." Non-Medicaid services are not included in this payment. The portion of the child's residential placement day that is considered

"treatment" is calculated on the basis of a random moment time study that has been approved by CMS. This is a legitimate payment that does not duplicate other payments for services that a child might receive while he or she is in DCS custody. It does not include payment for room and board or other services that are not "treatment." This arrangement allows the state to take advantage of the availability of federal funding for treatment services that would otherwise be provided at 100% state expense.

A residential treatment provider who is being paid by DCS should obviously not be billing the BHO also for residential treatment. It would be unlikely that this would occur, however, since residential treatment for custody children is clearly the responsibility of DCS. It is entirely possible that a child could be in a DCS residential placement, with the treatment portion of his or her day being paid for by TennCare, and still access services from the BHO without duplicate payments being involved.

Example: *A child is in therapeutic foster care at DCS, with the therapeutic portion of his/her day paid for by TennCare. The child sees a psychiatrist on a day when he is in therapeutic foster care. The psychiatrist's services are paid for by the BHO. The services that are being provided are different, and payment for both is appropriate.*

"Children's therapeutic intervention services" could also include alcohol and drug treatment. Thus a child could be in DCS custody, in a DCS residential placement, with the portion of his day that is alcohol and drug treatment related properly billable to TennCare.

We recognize that the arrangements between DCS and TennCare are complex, and we plan to produce a manual in the coming year that will outline written policies and procedures for these interactions.

The Program Integrity Unit of the Office of Health Services has worked with representatives of DCS, the BHOs, TennCare, and the Comptroller's Office to review issues from the June 30, 2000 audit finding that are similar to those mentioned in this finding. This review is still in process, but at this time it has been determined that of the $13 million in billings questioned in the previous audit report, less than $100,000 in billings may be duplicates. Additional research is being performed to determine the appropriate action to take for resolution of these items. Also as a result of this review it was determined that services for children in DCS Continuums 3 and 4 were the most likely to be billed to both DCS and the BHO. Therefore, in October 2001, TennCare Fiscal Services began running a quarterly data match against BHO encounter data for children in DCS Continuums 3 and 4 to search for billings that may be considered inappropriate. When indicated, additional research is performed to ensure billings are appropriate.

Rebuttal

As stated in the finding, in the absence of written policies and procedures regarding payments made to DCS and the BHO for the same child for the same dates of services, we

cannot determine which payments are allowable. Management appears to agree since it plans to produce a manual that will outline written policies and procedures for these interactions.

While management indicates that "children's therapeutic intervention services" could include alcohol and drug treatment while the child is in custody, management did not address the issue that the first $30,000 of these services should be provided by a BHO.

Management, in referring to the prior year audit report, states that "of the $13 million in billings questioned in the previous audit report, less than $100,000 in billings may be duplicates." However, the previous audit report identified only approximately $3.6 million as possible duplicate billings. The $13 million referred in the prior audit finding also included payments for children not in state custody, payments for hometies services that should be provided by the BHOs, and payments for alcohol and drug treatment.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare should exercise its responsibility to ensure the Department of Children's Services' new payment rates are implemented

Finding

As noted in three previous years' audit findings, with which management concurred, TennCare has not ensured that the Department of Children's Services (Children's Services) has established federally approved Medicaid treatment rates for services provided for children in state custody. In response to the prior audit finding, management stated it would "again request a response from HCFA [the Centers for Medicare and Medicaid Services (CMS), formerly known as the Health Care Financing Administration]."

Children's Services completed a new time and cost study in January of 2000, to serve as the methodology for determining actual cost associated with the treatment of children in its custody. On November 5, 2001, the federal Department of Health and Human Services' Division of Cost Allocation approved an amendment to the Department of Children's Services cost allocation plan, effective July 1, 2000. This amendment, which establishes standard rates based on levels of service to be billed to TennCare and documents the methodology for determining those rates, is awaiting implementation and retroactive application by Children's Services.

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 and then bills TennCare for the reimbursement of Medicaid services.

Testwork performed on the billing rates used during the audit period revealed that in 23 of the 30 billings tested (77%), the amount billed to TennCare for treatment cost was greater than 50% of the total amount paid to the provider. In many instances, Children's Services was billing TennCare 70% to 100% of the total amount paid to the provider, and management at Children's Services could not substantiate the rates being used. It appears the amount paid to the provider included room and board and education costs that are not allowable costs to TennCare. As a result, TennCare has been reimbursing Children's Services for non-Medicaid services.

Recommendation

The Director of TennCare should ensure that Children's Services promptly implements the federally approved rates for treatment costs associated with children in state custody.

Management's Comment

We concur. The Department of Children's Services has provided TennCare with rates consistent with the federally approved methodology. TennCare is currently loading these rates and will be operating under them by April 2002.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

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

Finding

The previous four audits have reported that TennCare has not adequately monitored TennCare funded activities of the Department of Children's Services (Children's Services). TennCare uses the services of the Department of Finance and Administration's Division of Resource Development and Support (RDS) to monitor Children's Services. The prior year's audit finding addressed four specific areas where RDS did not follow the requirements of their agreement with TennCare:

- TennCare did not ensure that RDS was aware of all possible unallowable costs associated with certain Children's Services payments.
- RDS did not test service providers to ensure that all provider enrollment qualifications were met.
- RDS did not test the accuracy of Children's Services billing rates.
- RDS did not submit quarterly monitoring reports.

The first two areas were corrected in the audit period; however, RDS still has not tested the accuracy of Children's Services billing rates and did not submit a monitoring report for the first quarter of the fiscal year. RDS has been hampered in testing billing rates by TennCare's not having approved billing rates (finding 01-DFA-16).

Management concurred with the prior audit finding, as they had with previous findings, and stated that TennCare appointed a Children's Services liaison who has met regularly with Children's Services to discuss billing codes, billing practices, coverage of services, and other related issues. Management also stated that the liaison had met with RDS monitoring staff to clarify issues and discuss reports. Also, management stated that TennCare would continue to work with RDS monitoring staff to strengthen monitoring of Children's Services. Although during audit fieldwork evidence of these actions was provided, testwork revealed that monitoring still needs improvement.

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, 2001, TennCare paid approximately $122 million to Children's Services in fee-for-service reimbursement claims.

Because of the inadequate monitoring of Children's Services, TennCare cannot ensure that the amounts billed are correct and allowable.

Recommendation

The Director of TennCare should ensure that RDS properly performs its responsibilities under the monitoring agreement. The Director of TennCare should require quarterly reports from RDS. He should also provide reasonable criteria for RDS to use to determine the accuracy of Children's Services' billing rates.

Management's Comment

RDS did not test the accuracy of Children's Services billing rates.

We concur. Testing of DCS billing rates was discussed with RDS in a planning meeting. It was determined that TennCare would be responsible for monitoring these rates. New DCS rates are currently reviewed by the Comptroller of the Treasury, under contract with TennCare. TennCare will select a sample of claims on a periodic basis and test the rates billed by DCS. Any discrepancies will be resolved with DCS.

RDS did not submit quarterly monitoring reports.

We concur. TennCare will work with RDS to ensure that quarterly reports are submitted.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	$75,382.70

TennCare has still failed to ensure 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 two audits, TennCare has not ensured that the Division of Mental Retardation Services (DMRS) appropriately reviews and authorizes the eligibility of and the allowable services for recipients under the Medicaid Home and Community Based Services for the Mentally Retarded and Developmentally Disabled (HCBS MR/DD) Waiver and the Elderly and Disabled waivers. DMRS allowed providers to render services to recipients before proper eligibility preadmission evaluations were performed and documented and before services were reviewed and authorized. In addition, claims were paid for unallowable and/or unauthorized services, and the required service plan and cost plans were inconsistent.

In response to the prior finding, management stated:

> 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. . . . Cost plan and service plan date consistency has likewise improved with the revised process. . . . A draft policy has been written to address the review of PAEs [preadmission evaluation] for those applying for TennCare reimbursed programs for the mentally retarded. . . .

However, as noted below, the problems have continued.

A sample of 60 claims for the HCBS MR/DD Waiver and the Elderly and Disabled waivers was selected. Fifty-three claims were for individuals enrolled in the HCBS MR/DD Waiver. The remaining seven individuals were enrolled in the Elderly and Disabled waivers.

For the 60 claims, we examined the following documentation:

- the related PAEs for all waiver recipients (60 claims);

- the required physical and psychological exams for HCBS MR/DD recipients (53 claims);
- the independent support plans for HCBS MR/DD recipients (53 claims);
- the service plans for all waiver recipients (60 claims);
- the cost plans for HCBS MR/DD recipients (53 claims);
- the recertification for all waiver recipients (60 claims);
- other required supporting documentation for all waivers (60 claims); and
- service plans for independent support coordination (37 claims).

In a review of the waiver eligibility process, testwork revealed that for 7 of 53 claims tested (13%) for HCBS MR/DD recipients, the PAEs and the required physical exam and/or psychological exam had one or more of the following deficiencies:

- The PAE was not on file, or the PAE was not signed. In DMRS' *Operations Manual for Community Providers*, chapter 1 requires a preadmission evaluation (PAE) to be properly completed for each recipient, and chapter 2 requires service plans to be authorized before entry into DMRS' Community Services Tracking System as approved.
- There was no evidence that a physical and/or psychological exam was performed. Furthermore, for 7 of 53 claims tested (13%) for HCBS MR/DD recipients, there was no evidence on the psychological exam that the recipient had a primary diagnosis of mental retardation prior to age 18 as required by chapter one of the *Operations Manual for Community Providers*. Physical exams and psychological exams are required by the *Operations Manual for Community Providers* as evidence of waiver eligibility for individuals in the HCBS MR/DD Waiver.
- The physical and/or psychological exams were not signed within the required time frame. The *Operations Manual for Community Providers*, chapter 1 requires that the psychological and physical exams must be performed within the preceding 12 months. If an exam was performed over 90 days but less than 1 year before entry into the waiver, it must be updated.

In our review of the service authorization process, testwork revealed that the service plans for 48 of 60 claims tested (80%) were improper. Problems with the service plans included the following discrepancies:

- There were no signatures on the service plans to indicate review.
- The service plans were not reviewed timely before the services were provided.
- The service plans were not on file at the regional offices; therefore, there was no evidence of any review prior to services being rendered.

Support plans serve as a planning tool to identify wants, desires, and goals of a recipient as well as the waiver services needed to achieve these wants, desires, and goals. The services

identified in the support plan are used later in the preparation of the service plan. For 4 of 53 claims (8%) the ISPs were either missing, unsigned, or did not indicate a need for the services provided. The *Operations Manual for Community Providers*, chapter 2 requires the preparation of the support plan and a formal review.

Section 13 of the HCBS Waiver states that services under the waiver will be furnished pursuant to an approved plan of care (service plan). Documentation for approval of the service plan is based on appendix E of the HCBS MR/DD Waiver. Furthermore, the *Operations Manual for Community Providers* in chapter 2 states, "All services funded through the Medicaid Waiver . . . must be pre-authorized by DMRS Regional Offices." The manual also states, "The Service Plan must be submitted to the Regional Office at least one month prior to the person's most recent Service Plan authorization date."

We also examined cost plans as evidence of the preauthorization of waiver services. The cost plans are developed in conjunction with the service plans for each eligible waiver recipient. The cost plans identify the appropriate costs associated with the authorized services provided to eligible waiver recipients.

Testwork revealed that 50 of 53 claims (94%) for HCBS MR/DD Waiver recipients were not proper because of one or more of the following deficiencies:

- The cost plans were not signed to indicate review.
- The review and authorization of services were not performed timely.
- The cost plans were not on file.
- The authorized dates for service on the cost plan did not agree with those on the service plan.

A memorandum to Medicaid Waiver Providers from Mental Retardation Services requires that effective December 1, 1998, "All services must be authorized in advance, and in writing by the Regional Office, using a valid Cost Plan." Furthermore, a recent Compliance Review conducted by the Centers for Medicare and Medicaid Services (CMS), formerly known as the Health Care Financing Administration, during the year ended June 30, 2001, noted, "The effective dates of the plans [Cost Plan and Service Plan] differed and could not be correlated with the data in the plans. . . . [R]egarding late service plans/cost plans . . . [i]n a recent query done by our office, it was noted that three individuals had plans that had expired. . . . Technically, these individuals are no longer in the waiver program."

In addition, we examined the recertifications for all waiver recipients. It was determined that for 2 of 60 claims (3%) there was no recertification on file. All the waivers require recipients to be recertified at least every 12 months.

We also performed testwork to determine if the waiver claims were adequately supported. For 19 of 53 claims for HCBS MR/DD recipients tested (35%), the problems noted included a lack of supporting documentation, documentation that did not agree with the services billed, and/or calculation errors of hours the service was provided in the documentation. For 4 of

7 claims (57%) for recipients enrolled in the Elderly and Disabled Waiver, the problems included claims where the support did not agree with the services billed, and/or calculation errors in the support.

We also examined the appropriateness of waiver rates. Testwork revealed that for 53 of 60 claims (88%), DMRS paid providers based on inappropriate rates. The 53 claims were paid based upon the rates in DMRS' Community Services Tracking System. However, these rates do not agree with the waiver-approved rates in the TennCare Management Information System (TCMIS) (see finding 01-DFA-20 for further details on this matter).

Finally, we examined claims for independent support coordination. Independent support coordination is provided to waiver recipients to assist them in obtaining services that are appropriate to their needs. Testwork revealed that for 4 of 37 claims tested for independent support coordination (11%), the independent support coordinator (ISC) did not maintain service plans or the service plan was not proper. The *Operations Manual for Community Providers*, chapter 3, requires an ISC to complete the service plan and submit it to the regional office.

The total amount of the 60 claims sampled and discussed in this finding were $110,230.80. Errors totaled $107,238.92 of which $68,222.72 is federal questioned costs. The remainder of $39,016.20 is state matching funds. The total amount paid for HCBS waiver claims was $171,982,027.21.

During the testwork, we also discovered that TennCare paid many claims in error to Senior Services, a provider of services for the elderly. Testwork revealed that DMRS paid for 127 "Minor Home Modifications" through the American Disabled for Attendant Programs Today (ADAPT) waiver for Davidson County when in fact Senior Services had not billed for minor home modifications. A total of $11,254.74 was paid to Senior Services because of the payment error for the 127 home modifications. Of this amount, $7,159.98 is federal questioned costs. The remaining $4,094.76 is state matching funds.

This testwork also revealed that one individual was approved to receive services under two different waivers, the Elderly and Disabled Waiver and the HCBS MR/DD Waiver. On the service plan for the MR/DD Waiver, independent support coordination services were approved for the period January 1, 2001, through February 28, 2001, and in the physician's plan for care in the elderly waiver, case management services were approved for the period December 22, 2000, through March 22, 2001. Although no duplicate payments were found, this individual was given the authorization to obtain similar services at the same time under two different waivers. Allowing individuals to be in multiple waivers could prevent others who need waiver services from obtaining access to the services because there is a limited number of slots available.

Since TennCare has not ensured that adequate processes were in place for the approval of recipient eligibility and for the review and payment of services under the Medicaid Home and Community Based Services Waiver, Medicaid providers of HCBS Waiver services were paid for ineligible recipients and inadequately documented services. The Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that costs be adequately documented.

Recommendation

The Director of TennCare should determine why the measures taken in 2000 were inadequate and should ensure that the eligibility criteria for all individuals are documented on the PAE. The Deputy Commissioner over DMRS should ensure that review and approval of services under the HCBS Waiver is adequately documented in all support plans, service plans, and cost plans. In addition, cost plan and service plan dates should be in agreement. The Director should ensure that all individuals are recertified at least every 12 months. Waiver claims without adequate documentation should be denied. The Director of TennCare should ensure claims are paid in accordance with the waiver at the approved rates. The Director should ensure that ISCs maintain proper service plans. Payments for minor home modifications should be made only when the modifications are actually performed and documented on the claims form. The overpayments made for minor home modifications should be recovered. The Director of TennCare should ensure that recipients are approved for only one waiver so as not to limit access to services by others.

Management's Comment

We partially concur.

PAEs: PAEs are not approved by TDLTC without signatures and appropriate physicals and psychologicals for those applying for the MR waiver. It is reasonable to expect that an occasional human error could occur, but DTLC staff are very attentive to ensuring inclusion of the required elements prior to approving the forms. It is possible that supporting documentation could be detached from the original PAE form. We will review the PAEs in question and take appropriate action as necessary.

Update signatures: TDLTC policy is to consider the physician's signature on the PAE as an update to the physical and psychological examinations. We will review the records in question and take appropriate action as necessary.

ISPs: We concur that there continue to be problems with service and cost plans. DMRS is no longer distributing cost plans. Service plans are the mechanism used to authorize services. We are currently working with DMRS and waiver providers to streamline and improve the ISP format and service plan authorization process. A post-payment review process that includes evaluation of a sample of ISPs and service plans is included in this improvement effort. Reviewers will look for corresponding dates on the ISP and service plan, signature authorization of the service plan prior to delivery of services, billing in accordance with hours of service provided and timeliness of updating and authorizing service plans and annual recertification. In addition, reviewers doing post-payment reviews and other QM surveys and targeted reviews will evaluate the appropriateness of the ISP to individual need. TDLTC and DMRS will collaborate in developing resolution to any deficiencies noted.

Individual enrollment in two waiver programs: Senior Services has been informed that it is inappropriate for a person to be enrolled in two waivers simultaneously. DMRS will be

asked to send an information bulletin to all Support Coordination Agencies including the same clarification. In addition, the issue of simultaneous enrollment in two waivers will be addressed at March regional provider meetings. TDLTC will discuss with TennCare Information Systems staff any billing edits that can be done to prevent this from occurring in the future. Funding provided for services provided will be recouped from one of the waiver programs.

Rebuttal

It is not clear from management's comment with which part(s) of the finding management does not concur. Management has concurred with this audit finding in the previous two audits. Management did not address the part of the recommendation concerning minor home modifications.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	$35,897,908.56

TennCare's monitoring of the payments for the pharmacy program needs improvement and TennCare needs to maintain annual drug use review reports

Finding

TennCare's monitoring of the payments for the pharmacy program needs improvement. TennCare contracts with Consultec, LLC (Consultec), to pay claims on a fee-for-service basis to providers for individuals who are both Medicare and Medicaid eligible as well as for behavioral health drugs for TennCare enrollees. Consultec pays the claims submitted by the pharmacy program providers, and then TennCare reimburses Consultec for the cost of the claims paid.

Discussions with management at TennCare revealed that TennCare has not adequately monitored the payments to Consultec. Some examples of the deficiencies in TennCare's monitoring of the contract between TennCare and Consultec include the following:

- TennCare did not monitor to ensure the amount paid to the providers for the drugs was correct.
- TennCare did not monitor to ensure that an individual provider claim was not reimbursed more than once.
- TennCare did not monitor to ensure that Consultec paid only providers for claims for TennCare eligibles who should be receiving benefits through Consultec.
- TennCare did not monitor to ensure that Consultec paid the providers the same amounts billed to TennCare.

Each week Consultec sends an invoice and a listing of the claims paid to the Bureau of TennCare's Fiscal Office. We examined the listings submitted by Consultec and determined that TennCare did not have a listing for 6 of the 52 weeks (11.5%) during the audit period. *Office of Management and Budget Circular A-87* requires that all costs are adequately documented. The total amount paid for these six weeks was $56,427,579, of which $35,897,815 is federal questioned costs. The remaining $20,529,764 is state matching funds.

Testwork on the other 46 weeks also revealed that 4 of the 64 claims selected (6%) did not have a complete date of service. These claims were missing a day or month. The total cost of the 64 claims sampled was $2,639.58. Because we were not able to determine the date the

enrollee received the drugs, we were not able to determine if the enrollee was eligible on the dates in question. For the 60 claims with complete dates, 2 (3%) were not eligible for TennCare on the dates of service, according to the TennCare Management Information System. The amount TennCare reimbursed Consultec was approximately $614 million for the year ended June 30, 2001. The total amount paid for the six claims in question was $147.06. Federal questioned costs total $93.56. An additional $53.50 of state matching funds was related to the questioned costs. We believe likely questioned costs exceed $10,000 for this condition.

This inadequate monitoring could lead to duplicate paid claims, ineligible recipients receiving benefits, Consultec's not paying providers what is billed to TennCare, and/or the incorrect amount being paid for drugs.

In addition, the Social Security Act 1927 (g) (3) (A) through (D) requires that each state must establish a drug use review (DUR) board. The state must require that the DUR Board prepare an annual report that includes a description of the activities of the Board. The Director of Pharmacy said that TennCare submitted the annual report in December 2000. However, management could not locate the report that was sent.

Recommendation

The Director of TennCare should ensure that staff perform adequate monitoring of pharmacy program contract payments and develop and implement written policies and procedures as necessary to effectively monitor the contract with Consultec. All weekly listings of claims paid should be maintained and used to monitor the claims paid by Consultec. The monitoring effort should include procedures to ensure that claims are paid only for individuals who should be receiving benefits thorough Consultec, correct amounts are paid for drugs, no duplicate claims are paid, and Consultec is paying providers all the money transferred by TennCare. The Director should ensure that the annual DUR reports are kept.

Management's Comment

We do not concur with the questioned costs related to this finding since our review indicated that invoices were on file to support all amounts paid to the contractor. For two of the invoices, listings of claims that accompany the invoices were not on file. TennCare has requested the contractor provide these listings immediately. Upon receipt each week, the Bureau will perform the reconciliation that is normally done for these invoices to ensure that listings accompany all invoices.

We do concur with the need for monitoring procedures. The Bureau will coordinate efforts between the Fiscal Unit and the Pharmacy Unit to assure written policies and procedures are developed and followed to effectively monitor the contract between TennCare and Consultec (ACS). The monitoring effort will include procedures that will assure claims are paid correctly for eligible members and that Consultec pays providers exactly as they invoice the TennCare Bureau.

The 2000 annual DUR report was located when the responsible employee returned from medical leave. However, new policies and procedures will also address the writing and storage of the annual DUR report to ensure it is available to all necessary staff.

Rebuttal

OMB Circular A-133 defines a questioned cost as "a cost that is questioned by the auditor because of an audit finding . . . . Where the costs, at the time of the audit, are not supported by adequate documentation." Adequate documentation includes having the listings of individuals that consultec has paid for at the time of audit. By not receiving or maintaining these listings TennCare cannot ensure that payments to Consultec are for valid costs.

Management did not address the following concerns in their comments:

- Claims with incomplete dates of service and
- Claims paid for individuals that were not eligible on the date of service.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	$4,278,607

TennCare paid capitation payments and fee-for-service payments on behalf of incarcerated enrollees, resulting in federal questioned costs of $4,278,607

Finding

As noted in the two prior audits, TennCare still has not ensured that when enrollees become incarcerated, adequate controls are in place to prevent capitation payments to managed care organizations and payments to providers for fee-for-service claims. 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 in part with the prior audit finding and stated that TennCare is 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. However, from the beginning of the audit period until February 2001, because of the temporary restraining order, TennCare did not terminate any incarcerated enrollees (see finding 01-DFA-08 for details). In February 2001, TennCare performed a data match with the Department of Correction's information to identify the prisoners on TennCare, which resulted in TennCare mailing 481 termination notices to enrollees. However, although TennCare mailed the termination notices, it continues to pay capitation payments for incarcerated enrollees. Management further responded to the previous audit finding that, in its opinion, the contracts with the MCOs should not be amended to permit retroactive recovery of payments for incarcerated enrollees.

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 $6,725,519 from July 1, 2000, through June 30, 2001, for approximately 5,400 adult inmates in state prisons. Of this amount, $6,626,578 was paid to MCOs, and $98,941 was paid to providers for fee-for-service claims. Of these amounts, $4,278,607 is federal questioned costs. An additional $2,446,912 of state matching funds was related to the federal questioned costs.

Per the *Code of Federal Regulations*, Title 42, Part 435, Sections 1008 and 1009, the state, not the federal government, is responsible for the health care costs of adult inmates.

Based on discussions with TennCare's Information Systems staff, 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, including those that are incarcerated, until notification of death or proof that the individual has elected Medicaid coverage in another state. Testwork revealed that many of the incarcerated individuals noted in fact were not classified as SSI enrollees in TennCare's System. (See finding 01-DFA-10 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 prevents TennCare from making disenrollment retroactive "except for situations involving enrollment obtained by fraudulent applications or death." For example, if a person was incarcerated in June 2000 and TennCare was notified in September 2000, TennCare would only recover capitation payments made beginning September 2000, rather than going back to the exact date of incarceration in June.
- In May 2000, TennCare was placed under a temporary restraining order that prohibited 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 did not rely upon its reverification process as a basis to terminate an individual. (See finding 01-DFA-08 for more information.) In October 2000, the Bureau was given authorization to terminate incarcerated adults in State Prisons. However, the prisoner match did not occur until February 2001, and the matched prisoners were not terminated until late in the audit period.
- 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. As management has chosen not to make changes in the MCO contract language that would allow full recovery of capitation payments for incarcerated enrollees, TennCare should develop a mechanism to identify these payments and use state dollars only to pay for these ineligible enrollees.

Management's Comment

We concur in part. We agree that a timely identification of incarcerated enrollees is important. We have been working with the Program Integrity Unit to improve a process of data matching in order to identify possible incarcerated enrollees and will continue to work with them to refine those processes. We believe the amounts paid for incarcerated enrollees during the period of the TRO are allowable costs for federal reimbursement because they were due to federal court actions. We will review our controls over fee-for-service claims related to this issue and make adjustments that are cost effective. Further review of the auditor's testwork would assist in this.

Rebuttal

As stated in the finding, per the *Code of Federal Regulations*, Title 42, Part 435, Sections 1008 and 1009, the state, not the federal government, is responsible for the health care costs of adult inmates.

OMB Circular A-133 defines a questioned cost as a cost which "resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds." TennCare should not pass on costs to the federal government when it has failed to establish adequate due process procedures resulting in a court order. If TennCare had adequate due process procedures in place, the court would not have issued the court order. See finding 01-DFA-08 for further details regarding this matter.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
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

As noted in the prior audit, the Bureau of TennCare allowed providers to submit claims later than 12 months from the date of service. In addition, the Bureau did not pay Medicare crossover provider claims within 6 months after receiving the Medicare claim. Management did not concur with the prior audit finding stating that it needed to review the claims in question to determine the reasons for the delay and that processing can appropriately occur outside of the timelines listed for a variety of reasons. But they stated that they would review their policies for this area and ensure they are appropriate. However, testwork revealed that the problems still exist.

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, except in the following circumstances: (i) This time limitation does not apply to retroactive adjustments paid to providers who are reimbursed under a retrospective payment system. . . . (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. (iii) The time limitation does not apply to claims from providers under investigation for fraud or abuse. (iv) The agency may make payments at any time in accordance with a court order, to carry out hearing decisions or agency corrective actions taken to resolve a dispute, or to extend the benefits of a hearing decision, correction action, or other court order to others in the same situation as those directly affected by it.

The Bureau of TennCare pays Medicare crossover providers directly. The Division of Mental Retardation Services (DMRS) within the Department of Finance and Administration pays providers under the Home and Community Based Services Waiver for the Mentally Retarded

and Developmentally Disabled (HCBS-MR) waiver. Department of Children's Services (Children's Services) providers are paid directly by Children's Services. After paying their providers, DMRS and Children's Services submit their provider claims to the Bureau for reimbursement.

Testwork revealed that TennCare paid $3,559,560 in claims to Children's Services and $2,819,304 in claims to DMRS for claims submitted after 12 months from the date of service. In addition, TennCare paid $31,390 in claims to crossover providers that were not paid within 6 months of receipt of the claim. Although federal regulations allow certain exceptions beyond the 12-month or 6-month requirement, the claims in question do not fall within the exceptions listed in the CFR.

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, DMRS, and Medicare crossover provider claims, consistent with federal regulations. However, according to TennCare staff, personnel knowingly override these edits for Children's Services and Medicare crossover provider claims. In addition, TennCare does not use the system edit necessary to prevent payments of claims filed untimely from DMRS.

When claims are not received in a timely manner, the computer edits could be utilized to halt payments to Children's Services, DMRS, and Medicare crossover providers. By not using edits and overriding edits, TennCare cannot ensure that these claims are denied as required, and TennCare enables the state departments to continue to defy federal regulations without 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 and Children's Services claims are received within 12 months of the date of service and that Medicare crossover provider claims are paid within 6 months after receiving notice of the disposition of the Medicare claim. 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 concur. We have implemented edits to prevent payment of claims submitted over twelve months after the service date. We are reviewing the controls over cross-over claims and will implement necessary changes to ensure compliance with regulations.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

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

Finding

As noted in the two previous audits, the TennCare program still did not have adequate internal control for provider eligibility and enrollment to ensure compliance with Medicaid provider regulations. Management concurred with the prior audit finding and corrected two issues concerning the initial verification of out-of-state Medicare crossover providers at the time of enrollment and the reverification of Home Health Care Agency providers by the Division of Mental Retardation Services (DMRS). However, the current audit revealed that TennCare still had the following internal control weaknesses and noncompliance issues that were noted in the previous audit:

- the licensure status of Medicare crossover, managed care organization (MCO), and behavioral health organization (BHO) providers was not reverified after the providers were enrolled;
- 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 DMRS with the Medicaid provider rules and regulations that DMRS should follow, and as a result, DMRS did not comply;
- TennCare did not monitor the enrollment of Medicaid providers at Children's Services and DMRS;
- provider agreements did not comply with all applicable federal requirements;
- departmental rules were not followed;
- documentation that the providers met the prescribed health and safety standards was not maintained for all long-term care facilities; and
- not all providers had a provider agreement, as required.

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 DMRS. The Provider Enrollment Unit is responsible for enrolling MCO and BHO providers; Medicare crossover 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. DMRS 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 and Developmentally Disabled (HCBS-MR waiver) program. (DMRS is responsible for the daily operations of this Medicaid program.) TennCare reimburses Children's Services and DMRS for payments to these providers.

Provider Licensure Not Reverified

Management concurred in the prior year finding and stated that they were working on procedures to implement a license reverification process. However, these procedures were not developed because, according to management in the Provider Enrollment Unit, requested staff positions have not been obtained. The TennCare Provider Enrollment Unit enrolls 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 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. However, during the year ended June 30, 2001, the Provider Enrollment Unit did not use either system to reverify licensure.

The TennCare Provider Enrollment Unit, DMRS, 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 DMRS when a provider's license was suspended or terminated.

Because of the lack of reverification of providers, the Provider Enrollment Unit cannot ensure that only licensed providers are enrolled in the TennCare program as required. The *Rules of the Tennessee Department of Finance and Administration*, 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."

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

Testwork revealed the following weaknesses regarding provider eligibility and enrollment with DCS and DMRS providers:

- 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.
- The contract between TennCare and DMRS 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." TennCare did not provide DMRS with the Medicaid federal and state provider rules and regulations that DMRS should follow.
- TennCare did not monitor the enrollment of Medicaid providers at Children's Services and DMRS. The Division of Resource Development and Support (RDS) in the Department of Finance and Administration (F&A) performed fiscal monitoring procedures at Children's Services during the year ended June 30, 2001, 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 DMRS 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 DMRS 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 Finance and Administration*, 1200-13-1-.05, "Providers."

Provider Agreements Not Adequate

The Children's Services and DMRS provider agreements did not comply with federal requirements. Testwork performed on the Children's Services and DMRS provider agreements noted that both did not disclose ownership and control information and information on a provider's owners and other persons convicted of criminal offenses against Medicare or Medicaid.

In addition, TennCare's agreements for individual crossover, MCO, and BHO providers did not require providers to:

- keep any records necessary to disclose the extent of services the provider furnishes to recipients;
- furnish to the Medicaid agency, the secretary, or the state Medicaid fraud control unit information required in 42 CFR 431.107; and
- disclose ownership and control information and information on a provider's owners and other persons convicted of criminal offenses against Medicare or Medicaid.

Furthermore, TennCare's agreements with group crossover providers did not require providers to

- keep any records necessary to disclose the extent of services the provider furnishes to recipients; and
- furnish to the Medicaid agency, the secretary, or the state Medicaid fraud control unit information required in 42 CFR 431.107.

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.

Departmental Rules Not Followed

The TennCare Provider Enrollment Unit, Children's Services, and DMRS did not limit participation to providers that complied with the *Rules of the Tennessee Department of Finance and Administration*, Section 1200-13-1-.05 (1)(a), "Providers." The TennCare Provider Enrollment Unit did not require Medicare crossover, MCO, and BHO providers to

- accept, as payment in full, the amounts paid by Medicaid or paid in lieu of Medicaid by a third party;
- not be under a federal Drug Enforcement Agency (DEA) restriction of their prescribing and/or dispensing certification for scheduled drugs;
- maintain and provide Medicaid and/or its agency access to all Medicaid recipient medical records for five years from the date of service or upon written authorization from Medicaid following an audit, whichever is shorter;
- provide medical assistance at or above recognized standards of practice; and
- comply with all contractual terms and Medicaid policies as outlined in federal and state rules and regulations and Medicaid provider manuals and bulletins.

In addition, Children's Services and DMRS did not require providers to

- maintain and provide Medicaid and/or its agency access to all Medicaid recipient medical records for five years from the date of service or upon written authorization from Medicaid following an audit, whichever is shorter; and

- comply with all contractual terms and Medicaid policies as outlined in federal and state rules and regulations and Medicaid provider manuals and bulletins.

The *Rules of the Tennessee Department of Finance and Administration*, Section 1200-13-1-.05 (1)(a), "Providers," 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 Medicaid 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.

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

A sample of payments to intermediate care facilities was 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. Intermediate care facilities are long-term care providers. For 5 of 60 payments to intermediate care facilities (8%), TennCare did not have the Certification and Transmittal Form for the dates of service tested. However, after testwork was performed, the five forms were obtained from the Board for Licensing Health Care Facilities. Each time the Board for Licensing Health Care Facilities recertifies a long-term care provider, it sends TennCare a Certification and Transmittal Form, 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 Certification and Transmittal 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. For 1 of 60 payments tested (2%) TennCare did not have a provider agreement. However, after testwork was performed, the provider agreement was negotiated with the provider to correct the errors. TennCare paid approximately $934 million to intermediate care facilities for the year ended June 30, 2001.

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.

Recommendation

The Director of TennCare should ensure that adequate internal control exists for determining and maintaining provider eligibility. The Director should ensure that procedures are implemented to reverify licensure and to prevent future payments to non-licensed providers.

Children's Services and DMRS 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 that 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 DMRS.

Management and staff should ensure compliance with all Medicaid federal and state provider rules and regulations. The provider agreements should be revised to comply with the State Plan and the *Code of Federal Regulations.* Participation should be limited to providers that meet the requirements of the departmental rules. Management should ensure that documentation is maintained showing that the long-term care providers have met the prescribed health and safety standards. 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's Comment

We partially concur with this finding.

Provider Licensure Not Reverified

The Provider Enrollment unit has developed procedures for reverifying the licensure renewal for providers participating in the Medicaid Program. The implementation of this new program will ensure providers participating in the program maintain a valid license. However, the implementation of the license reverification program is pending for mainframe system modifications and the hiring of three new staff members.

We are currently working with the IS unit on system modifications to the provider mainframe file. These modifications will allow us to update the license renewal information on the master provider file and generate monthly reports. The monthly reports will assist staff in identifying providers with licenses that are scheduled to expire within the next sixty days. In addition, we are working with our Personnel Department to obtain registers for the three approved positions requested for this new program. We anticipate this program will be operational by May 1, 2002.

DCS compliance with Medicaid provider rules and regulations:

We do not concur that TennCare's contract with DCS did not require DCS to comply with applicable rules and regulations. In the contract between TennCare and DCS signed June 27, 2001, provision A.4.a.vix requires TennCare to provide DCS with Medicaid Federal and

State provider rules and regulations, and provision E.10 requires DCS to comply with Medicaid provider rules and regulations.

DMRS compliance with Medicaid provider rules:

We do not concur that DMRS was not provided Medicaid rules and regulations to follow. Over the course of the last year, we have had numerous meetings with DMRS staff and have many times discussed the fact that contracted waiver providers are bound by both the HCBS rules and rules that apply to all waiver providers. In addition, the DMRS Deputy Commissioner was provided copies of last year's audit findings with rule cites and areas of non-compliance identified. The Director of Long-Term Care will draft a cover letter this week and attach the draft findings and copies of the referenced rules for which non-compliance has been identified. This will be sent to the DMRS Interim Deputy Commissioner.

Department Rules Not Followed and Provider Agreements Not Adequate

The Provider Enrollment unit developed and implemented the use of a new Provider Participation Agreement form and revised the current Provider Enrollment application to comply with the requirements of 42 CFR-431.107. We implemented the use of these new forms in October 2001. Each provider must complete these forms to enroll and participate in the Medicaid Program. Copies of the Provider Participation Agreement and the revised Provider Enrollment applications were given to the Auditor in October 2001.

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

We do not concur. The Provider Enrollment unit receives the Medicare/Medicaid Certification and Transmittal forms from Health Care Facilities (HCF). These forms certify that the Long Term Care Facility has met the required regulations to operate a nursing home in Tennessee. The C&T forms received from HCF are the documentation that the LTCF has met all of the requirements including the prescribed health and safety standards.

Not All Providers Had Agreements:

To ensure all intermediate care and skilled nursing facilities provider files contain the appropriate forms and agreements; the reviewer must complete an enrollment checklist. We currently depend on HCF to notify our office of nursing home facilities needing new contracts. However, we are currently working with the IS unit on system modification to track all LTCF recertification due dates and to generate monthly reports to alert staff of upcoming contract termination dates.

Provider enrollment monitoring of BHO providers:

TDMHDD, through a MOU (Memorandum of Understanding) with TennCare, has the responsibility for monitoring the enrollment of providers. They have agreed to include the verification of eligibility as a part of their network and provider review.

Provider enrollment monitoring of MR providers:

With respect to monitoring of provider enrollment, the TennCare Division of Long-Term Care (TDLTC) is reviewing DMRS provider enrollment processes and has asked for the processes to be reviewed by the Division of Provider Services. Recommendations for changes in the process will be submitted to DMRS upon completion of the review. Preliminary discussions of recommendations have been informally discussed during meetings with DMRS staff. In addition, since July 2001, summaries on new providers and providers expanding to different regions have been submitted to TDLTC for review and approval.

Regarding the Certification and Transmittal Forms for ICFsMR, these forms are submitted to the Provider Services Unit. The TDLTC Director will meet with the Director of the Provider Services Division to determine a mechanism of ensuring provider eligibility and to make appropriate revisions to the provider agreement.

Adequate provider agreements:

Regarding the DMRS/TennCare Interagency Agreement and provider agreements with MR Waiver Providers, staff from the Office of Health Services have been working to revise contract language. Revisions were made to the Interagency Agreement; however, revisions to the Provider Agreement have not yet been completed. The revisions are to be completed so that Providers will sign the revised provider agreement for the upcoming contract period which begins July 1, 2002.

DMRS notification of suspension/termination of provider certification:

The majority of MR waiver providers are not required to be certified and are not licensed/certified by Health Care Facilities. This would apply to Home Health Agencies providing waiver services. Development of procedures to correct this finding for those providers which do require certification will be completed in conjunction with DMRS.

Monitoring of provider enrollment:

TDLTC is reviewing DMRS provider enrollment processes and has asked for the processes to be reviewed by the Division of Provider Services. Recommendations for changes in the process will be submitted to DMRS upon completion of the review. Preliminary discussions of recommendations have been informally discussed during meetings with DMRS staff. In addition, since July 2001, summaries on new providers and providers expanding into different regions have been submitted to TennCare for review and approval.

Certification and Transmittal Forms for ICFsMR:

These forms are submitted to the Provider Services Unit. The TDLTC Director will meet with the Director of the Provider Services Division to determine a mechanism of ensuring provider eligibility and to make appropriate revisions to the provider agreement.

Rebuttal

DCS compliance with Medicaid provider rules and regulations:

Management's comments pertain to the contract that was to be effective July 1, 2001, for the period ending June 30, 2002. The contract that was in place during the audit period was the same contract that was in place in the previous audit. Management fully concurred with this audit finding last year.

DMRS compliance with Medicaid provider rules:

During fieldwork when we discussed our concern of provider agreements not containing all the required terms required by Medicaid rules with DMRS' central office staff, it appeared that they were not aware of the rules. In addition, during fieldwork we provided these rules to DMRS' central office staff. If management were aware of all provider rules and regulations, it is unclear why for the third consecutive audit, the provider agreements did not contain all the guidelines required by these same provider rules and regulations.

TennCare Did Not Have Documentation That All Providers Met Prescribed Health and Safety Standards

We agree that the Certification and Transmittal forms serve as documentation of compliance with provider health and safety standards. Although management did not concur with this portion of the finding, they did not address the lack of forms noted in the finding. As stated in the finding, TennCare did not have 5 of 60 forms. These forms were not in the provider's file at the time of audit. Only after we brought the matter to staff's attention were these forms obtained.

Finding Number	01-DFA-37
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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

The TennCare Management Information System lacks the necessary flexibility and internal control

Finding

As noted in three previous 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 flexibility it needs to ensure that the State of Tennessee can continue to run the state's $5.3 billion federal/state health care reform program effectively and efficiently. Management concurred with the prior finding and indicated it had begun the process of identifying the requirements for the new system and performing strategic planning. Management'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 Information Systems (IS) staff, the implementation of a new TCMIS is to occur in 2003.

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 organization, 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.

Recommendation

The Director of TennCare 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 system's internal control to prevent or recover erroneous payments. TennCare should ensure that an updated system is implemented timely that more effectively supports TennCare's operations.

Management's Comment

We partially concur with this audit finding. We agree that the current system is outdated. We have begun preparations for implementing a new TennCare Management Information System by Oct 1, 2003. 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.

TCMIS requirements analysis has been completed. A TCMIS Advanced Planning Document (APD) has been approved by the Center for Medicare and Medicaid Systems (CMS). The APD also includes a Data Warehouse/Decision Support System (DSS) which will also be implemented in conjunction with the replacement TCMIS.

The draft Request for Proposal (RFP) associated with the new TCMIS has been developed and is under review by CMS staff. The current work schedule calls for the RFP to be released on February 28, 2002. TennCare Information Systems management and Fox Systems are working aggressively to meet that deadline. 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.

We partially concur that the current system lacks sufficient controls. Some of the issues stated in the finding are related to policy directed by management and not a limitation of TCMIS. However, the current system has numerous internal controls which are continuously verified. For example:

- The TennCare Information staff receives periodic updates of recipient information from the TennCare Information Line, recipients, system generated reports, providers and MCO's on an ongoing basis. The information is manually validated by comparing the information on the system to information that is on the update and ensuring that the recipient is in the system, that the name is correct, that the social security number is correct for that person, and that the format and value of other identification numbers is correct before it is added to or modified in the TennCare system.
- Information received on newborns from both the TennCare Information Line and from the individual MCO's is verified from system generated reports before entry into the system. The information from the reports is compared to the original inputs to ensure that the data was entered and processed correctly. These verifications include infant date of birth, that a mother is assigned, and the mother's TennCare status.
- TennCare is responsible for changing addresses for the uninsured/uninsurable, inactive Department of Human Services (DHS), and inactive Supplemental Security Income (SSI) recipients. Inactive DHS and inactive SSI are enrollees who currently have TennCare coverage but are closed on the DHS and SSI systems. Recipient address changes come from many sources in both paper and electronic (tape) formats.

TennCare staff compares information that is in the system to that on the reports and makes or requests changes as necessary.

- Notification regarding enrollees who are no longer residents of Tennessee may be received by the various units within the Bureau of TennCare, TennCare affiliated agencies (e.g., DHS), a county health office (CHO), the CHO HelpDesk, the Program Integrity Unit, etc. Information System staff reviews the written request or report to determine the member(s) to be terminated and identify the member's Social Security Number. The staff member to researches eligibility, reviews the recipient eligibility history to determine whether or not the request includes an enrollee who is DHS/SSI eligible, and terminates the recipient if they do not meet eligibility criteria.

The TennCare Information Systems staff reviews the results of all operations at regular intervals. Furthermore, TennCare has documented policies and procedures in place to handle and correct any errors which are found in the information that is processed.

We concur that we focus heavily on ensuring that proper payments are made to the various providers throughout Tennessee. However, TennCare Information Systems also takes the accuracy of the system very seriously and keeps a careful watch on the internal controls present in the system. TennCare Information Systems management continuously monitors and modifies internal controls as necessary to ensure that all TennCare data is processed accurately.

Rebuttal

Numerous findings in this report indicate that the system does not have adequate internal control. For example, these findings indicate that the TennCare Bureau

- has weak system security internal control (finding 01-DFA-39);
- does not pay claims in accordance with the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (finding 01-DFA-20); and
- produces inconsistent premium reports (finding 01-DFA-31).

While some of the findings in this report relate to policy issues directed by management, the lack of policies or inadequate policies to require staff to implement needed controls as indicated in this audit report still result in inadequate internal control. As illustrated in this audit report ineffective system controls result in noncompliance and questioned costs.

Finding Number	01-DFA-38
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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

Controls over access to the TennCare Management Information System need improvement

Finding

As noted in the three previous 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 ensuring, 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.

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 access to data and transaction screens on 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

Management concurred with this portion of the prior audit finding and stated, "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." However, testwork revealed that justification forms have not been obtained for all existing users outside of the Bureau of TennCare. Access to TCMIS is controlled by Resource Access Control Facility (RACF) software, which prohibits unauthorized access to confidential information and system transactions. The TennCare security administrator in the Division of Information systems 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. RACF controls access by allowing each member of a user group to access a set of transaction screens.

On July 12, 1999, TennCare started requiring all users who are new to TennCare's system to fill out standardized justification forms requesting users to justify their reasons for

access to TennCare's system. When asked why existing users were not asked to complete the forms, the security administrator responded that she had not been told to obtain these forms for existing users. In response to the prior audit finding, the TennCare security administrator obtained forms for existing users inside the TennCare bureau. However, forms had not been obtained for all existing users outside the TennCare Bureau. The security administrator stated that she was not instructed to obtain these forms for these users. Testwork revealed that 12 of 45 users outside the Bureau tested (27%) did not have "Justification for TennCare Access" forms properly filled out and completed. Not requiring existing users outside the Bureau of TennCare to sign justification 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

Management concurred with this portion of the prior audit finding and stated that system maintenance requests have been initiated to the TennCare facilities manager concerning the access issues. However, as of November 13, 2001, the problem had not been resolved. User access testwork revealed, as it did in the prior audit, 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 one screen. This could be accomplished by typing over the "function" field and replacing INQ (inquiry) with CHG (change). Then users could make changes to the screen 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 but have not made correcting this issue a priority.

Security Administration Not Centralized

Management concurred with this portion of the prior audit finding and stated, "Centralization of TCMIS under TennCare Information Systems' security administrator was implemented as of November 3, 2000." However, testwork 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 through the Department of Health's default group. The Department of Health default group has access to 87 TCMIS screens and has approximately 3,000 users. During the audit period, in an attempt to correct the problem, management removed the TCMIS transactions from the Department of Health's default group. However, the removal of the transactions interrupted the ability of users in the Department of Health to perform their TennCare responsibilities. As a result, the transaction screens were added to the default group once again. According to the security administrator, management has not made another attempt to correct the problem. Consequently, the Department of Health's security administrator still has the ability to add users to TCMIS through the Department of Health's default group.

In addition, testwork revealed that the security administrator for the Department of Human Services (DHS) has the ability to add users to TennCare user groups without notifying TennCare's security administrator. Furthermore, justification forms were not obtained by the DHS security administrator for users added to these groups. In addition, TennCare did not monitor the activities of the DHS security administrator as they relate to TennCare. When access to TCMIS is decentralized, it is more difficult to monitor and control.

Recommendation

The Director of TennCare and the TennCare security administrator 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. Using the justification forms, the Director should determine which users employed by the Department of Health in the Department of Health default group need access to TCMIS and add the identified users to a TennCare user group that has access appropriate to the needs of the user. After access has been given to the identified Department of Health users, TCMIS transactions in the Department of Health default group should be removed. In addition, the ability of the DHS security administrator to add users to TennCare user groups should be removed, or at a minimum, TennCare should insist that DHS collects justification forms for all users. If the Director of TennCare elects to continue to permit the DHS security administrator to add users to TennCare user groups, formal monitoring procedures should be implemented. These monitoring procedures should be written and all monitoring activities should be documented.

Management's Comment

We partially concur with this audit finding. TennCare Information Systems has taken action on each of the previous audit findings. We have attempted to insure that adequate security measures are in place for all access to the TCMIS. However, due to the complexity of the existing TCMIS, some of the security processes put in place prevented users needing access to the system from performing functions that were needed. We have continued to review our security procedures to ensure that adequate security measures are in place to the TCMIS as well as adequate user accessibility.

TennCare Information Systems management reviewed security forms based on a previous audit finding and modified the form to include justification. As new users were granted access to the TCMIS, the new justification form was submitted. In addition, in cases where justification forms for existing users could not be located, justification was requested from section managers and the security forms were updated. We concur that there are external agencies who have access to the TCMIS. We have aggressively attempted to obtain signed justification for users in those agencies. We have obtained justification from all users in the Department of Health (DOH) and are currently obtaining justifications from users in the Department of Human Services (DHS).

We concur that previous audit findings identified that there were users who potentially had unnecessary access to the TCMIS. It was identified that the default group for the Department of Health (DOH) granted those users access to some transactions which may not be needed. In an effort to prevent this, TennCare Information Systems removed DOH access to this group in the latter half of 2001. However, by doing this, these users were prevented from performing other job related functions. We reinstated the default group and began the process of identifying how we could accomplish adequate security access as well as adequate user access.

We have established a group, which will be used to grant external users access to only those transactions, needed to perform their job responsibilities. This group will be implemented on February 6, 2002. In addition, it has been identified that there are TCMIS transactions that allow update capability by replacing INQ with CHG. As stated in the audit finding, TennCare Information Systems sent a work request to the contractor, EDS, to correct this situation. A portion of this work request was completed in October 1999. This work request was amended with the additional transactions that were identified by the previous audit. This amendment has been addressed with the contractor as a top priority and will be discussed in weekly status meetings until completed.

TennCare Information Systems management does not concur that the systems administrator at Department of Health (DOH) has the ability to grant access to the TCMIS. All access to the TCMIS is performed by TennCare's security administrator. A request is submitted from DOH security administrator to the TennCare security administrator with justification for TCMIS access. We do concur that if a request is made from the DOH security administrator to add a user to the default group, this may allow for access to unnecessary transactions. However, the new group created for external agencies/users will be in place on Wednesday, February 6, 2002 which will correct unnecessary access to the TCMIS.

The current TCMIS has many controls and edits included which allow for extensive internal access control and audit capabilities. However, TennCare Information Systems management will concede that external access control from other state agencies such as Department of Health (DOH) and Department of Human Services (DHS) could be improved. Therefore, Information Systems is currently in negotiations with DOH and DHS to develop a no-cost inter-departmental contract that will include enhanced procedures to control access to the TCMIS. The execution of these contracts will provide administrative procedures and controls over access to the MIS as well as provide for audits by the comptroller.

Rebuttal

Although management does not concur that the Department of Health security administrator has the ability to grant access to the TCMIS they do acknowledge that "if a request is made from the DOH security administrator to add a user to the default group, this may allow for access to unnecessary transactions." Having access to transactions in the default group results in unnecessary access to TCMIS. Furthermore, if there is not necessary access being given it is unclear why management says they will create a new group on "February 6, 2002 which will correct unnecessary access to the TCMIS."

Section III – Federal Award Findings and Questioned Costs

Finding Number	01-DFA-40
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Finance and Administration
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Activities of the Office of Program Accountability Review were not performed in a timely manner

Finding

The Office of Program Accountability Review (PAR) is a part of the Division of Resource Development and Support. During the year ended June 30, 2001, PAR was responsible for monitoring subrecipients of 12 state agencies and 4 divisions of the Department of Finance and Administration. Eventually, PAR will be the centralized office responsible for the subrecipient monitoring needs of all state agencies. As part of their duties as the centralized monitoring office, they are to enter interdepartmental contracts or memoranda of understanding to outline their monitoring responsibilities and billing procedures, issue reports to the affected agencies, and report on their monitoring activities to the Commissioner of the Department of Finance and Administration and the Comptroller of the Treasury. These duties have not been performed in a timely manner.

Interdepartmental contracts and memoranda of understanding were not obtained timely

Approval signatures on the interdepartmental contracts and memoranda of understanding were dated after monitoring work had already begun. Eight contracts were determined to have become effective during the year ended June 30, 2001. For three of the contracts (38%), PAR monitors had entered the field before the contracts had been signed and approved. Contracts should be properly signed and dated by all parties before monitoring begins to ensure they are properly executed documents.

Reports were not issued in a timely manner

PAR did not issue its subrecipient monitoring reports in a timely manner. Based on discussion with PAR personnel and review of current policy, reports are to be issued within 30 days of the field exit date. Nine of 23 reports reviewed (39%) were not issued within this 30-day time period. The reports were issued from 33 to 156 days after the field exit date. Without timely issuance of reports, agencies and divisions may not know for months what kind of problems were discovered when their subrecipients were monitored. Likewise, corrective action by subrecipients is delayed. The absence of a report tracking system may have contributed to this situation.

PAR did not submit an annual report

PAR did not submit an annual report to the Comptroller of the Treasury by November 30, 2000. *The Tennessee Subrecipient Monitoring Manual*, Attachment A, part 18, states that "the Division of Resource Development and Support shall submit an annual report of monitoring activities of all subrecipients to the Commissioner of Finance and Administration and the Comptroller of the Treasury by November 30 of each year." As of October 29, 2001, the report had still not been received.

Conclusion

PAR was given the responsibility of monitoring subrecipients in order to establish a coordinated and centralized monitoring system. Fully executed contracts and annual reports are essential for the coordination and accountability of such a system. Expeditious reporting to the agencies is necessary for corrective action to occur in a timely manner.

Recommendation

The Director of PAR should ensure that contracts are initiated far enough in advance to allow all necessary parties to approve the contract before the review commences. The director should ensure the reports are issued timely. A report tracking system should be considered to help achieve this goal. In addition, the director should submit an annual report of monitoring activity to the Comptroller of the Treasury by November 30 of each year.

Management's Comment

Interdepartmental contracts and memoranda of understanding were not obtained timely

We concur. Greater care will be exercised to help ensure interdepartmental contracts and memoranda of understanding are fully executed prior to rendering services.

Reports were not issued in a timely manner

We concur in part. Approximately 80% of the nearly 1900 contracts reviewed in fiscal year 2001 had reports issued within 30 business days after the completion of fieldwork. In

addition, often times there are extenuating circumstances that create unavoidable reporting delays.

Greater care will be exercised to help ensure reports are issued timely. During fiscal year 2002, a report tracking system has been implemented to assist in this effort.

PAR did not submit an annual report

We concur. Due to staff turnover at the Division and PAR Director positions during fiscal year 2001, the annual reporting function was not performed summarizing the monitoring activities for fiscal year 2000. The annual report for fiscal year 2001 was submitted on November 30, 2001, and will be submitted annually going forward.

Finding Number	01-DFA-41
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Finance and Administration
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Internal control at the developmental centers needs improvement

Finding

A review of controls and procedures at the Greene Valley Developmental Center (GVDC) and the Clover Bottom Developmental Center (CBDC) revealed several weaknesses in internal control. At GVDC, receipting duties and procurement duties are not adequately segregated, contracts and disbursements are not properly approved, bids were not obtained when necessary, and disbursements were not coded to the appropriate object codes. At CBDC, receipting duties are not adequately segregated, invoices are not cancelled, bids were not obtained when necessary, and disbursements were not coded to the appropriate object codes.

Duties were not segregated

At GVDC, the accounting technician opens the mail and passes the cash receipts on to the account clerk to write the cash receipt and endorse the checks for deposit only. However, to maintain control over the cash, the individual opening the mail should endorse the checks for deposit only and prepare the cash receipt. In addition, the procurement officer is also the custodian over central supplies. When these duties are not segregated, it creates an environment where the procurement officer could easily purchase and obtain supplies for personal use.

At CBDC, the accountant is responsible for opening the mail and preparing the mail log, cash receipts, and deposit slips. No comparison is made between the mail log, cash receipt book, and the deposit slips by someone independent of those functions. The same accountant is also responsible for performing the bank reconciliations. As such, the accountant has access to the cash, has the ability to write receipts from which posting will occur, has control over the amount of cash deposited, and could cover up any discrepancies through the bank reconciliation. This situation is an invitation for fraud involving large sums of money that could occur and go undetected for a long period of time.

An adequate segregation of duties is a primary component of internal control. Segregation of duties is essential to fraud detection and aids in prevention of possible errors and misappropriation of funds.

Approvals were not obtained for disbursements and contracts at GVDC

According to the *Department of General Services Purchasing Procedures Manual,* Chapter 19.1-6, a voucher register must be signed by individuals authorized by the agency head. At GVDC, this includes the budget officer, the fiscal officer, and the procurement officer. For 11 of 25 disbursement vouchers examined (44%), the voucher was not signed by either the fiscal officer or the budget officer. Approvals from the budget officer and fiscal officer are required to ensure that the center's budget is not overspent and that the requested purchase is necessary for the operation of the center. Also, a contract required for two of the vouchers was not approved by the Department of Finance and Administration until November 2000, although services were rendered in July 2000. Section 12-4-109, *Tennessee Code Annotated,* requires approval of all contracts by the Department of Finance and Administration before any services are rendered. Properly approved contracts are necessary to ensure all parties are aware of the duties and responsibilities of each party and to ensure that agreements are in the best interest of the state.

Disbursements were not handled appropriately

According to the *Department of General Services Purchasing Procedures Manual,* purchases over $400 require three phone bids. At both developmental centers, we obtained lists of invoices that, based on dates and vendors, had characteristics of split invoices. A split invoice occurs when an employee avoids bid requirements on higher dollar items by splitting the invoice up into several smaller invoices. The employee is then able to make a purchase without obtaining three phone bids. Splitting invoices is a method used to circumvent controls and can lead to irresponsible spending. From the listing obtained, we examined 25 of the questionable invoices. At GVDC, 4 of the 25 questionable items (16%) appeared to be split invoices. The invoices were for the same day and the same vendor, and all involved amounts close to $400. At CBDC, 2 of the 25 questionable items (8%) appeared to be split invoices.

Also, at CBDC, invoices were not cancelled. An invoice is usually cancelled by stamping "paid" across the invoice. In a sample of 25 invoices, 7 (28%) were not cancelled. Cancellations ensure that the center does not pay for the goods more than once from the same invoice. In addition, both centers did not use appropriate object codes. At CBDC, 5 of 25 invoices tested (20%) were not coded correctly, and at GVDC, 2 of 25 invoices tested (8%) were not coded correctly. Object codes are essential for proper recording, and the use of incorrect object codes could result in erroneous financial information.

Recommendation

The Fiscal Directors of the developmental centers should improve internal control. The Fiscal Director of GVDC should ensure that cash receipts are written and checks are stamped for deposit only by the same technician who opens the mail. The Fiscal Director should also delegate a procurement officer who is not involved with central supplies. The Fiscal Director of CBDC should immediately designate an employee to perform the bank reconciliation and to compare mail logs, cash receipts, and deposits. This designee should not have receipting or depositing duties. In accordance with the center's policies, a system of control should be established at GVDC so that each required signature is included on the disbursement voucher before payment and each contract is fully approved before the effective date. The Fiscal Director

of each center should review vouchers for characteristics of split invoices and follow up on suspicious transactions. In addition, employees should be trained to assign appropriate object codes and cancel vouchers. These tasks should be occasionally monitored and, when necessary, disciplinary action should be taken.

Management's Comment

Duties were not segregated

We concur. At GVDC, the process has now been changed so that the individual who opens the mail restrictively endorses the checks and logs all cash and checks received. The log is then reconciled to the deposit each day.

At GVDC, the procurement officer is responsible for all of the duties of the procurement office. These duties are separated into distinctive functions for purchasing and receipt/warehousing. There are sufficient controls in the section to insure that two or more people would have to be involved for a shortage to occur and go unnoticed. We feel that the internal control is as economically efficient as possible with the number of personnel available to perform the duties. However, GVDC will review this process to ensure proper segregation of duties.

At CBDC, checks received in the mail will be restrictively endorsed by the Reimbursement Officer and then forwarded to Accounting for the Payroll Clerk to write the receipts and prepare the bank deposit. Someone other than the Payroll Clerk or Reimbursement Officer will take the deposit to the bank. After the deposit has been made, it will be entered into STARS by our Cost Accountant. Bank Reconciliations will be prepared by an Accountant in the Accounting Section.

Approvals were not obtained for disbursements and contracts at GVDC

We concur in part. The disbursement voucher registers were approved/signed by the Fiscal Director or his designee and the Department head or his designee prior to the vouchers being submitted for payment. The division of accounts will not process the voucher register without these signatures. The items listed are utilities, personal services contracts, and resident's allowances which do not require purchase orders to purchase the items and/or services.

While we understand the policy that purchases are not to be made until contracts are approved, in this situation the office of contract review had granted exceptions to the rules to process the contract after the beginning date of service. Had the exceptions not been granted, the contracts would not have been signed. The facility will process all future contracts before the vendor is allowed to start work on a project.

Disbursements were not handled appropriately

We concur in part. At GVDC, while one purchase has circumstances that we feel would not have been a split purchase, the purchases were not reviewed to detect split invoices. The

facility will initiate a system that will review vouchers for characteristics of split invoices and follow up on any transactions that are suspicious.

GVDC and CBDC both purchase items for persons residing at those facilities. Occasionally a purchase is made for one of the residents and later in the day a purchase is made for another resident. When the vendor bills the facility, it appears to be a split invoice but, because of timing and the different purchasers and recipients of the goods, the invoice was not intentionally split. This appears to be the case for those items identified for CBDC.

CBDC does use a paid stamp for invoices paid. This stamp is placed on the invoice when the Warrants Report shows the invoice paid. It is their practice to write the date and the Warrant number on the invoice. Due to the volume of invoices processed, a few may be missed. More care will be taken to ensure proper cancellation of paid invoices.

At GVDC and CBDC, due to the number of object codes and the number of people involved in assigning object codes, errors may occur. However, cost accountants review Accounting Reports and correct these errors. In the future when an error is corrected, the invoice or other original document will have any corrections recorded on them. In the case of the Behavioral Analyst services purchased from Team Evaluation for GVDC, though, these services are considered to be non-medical and do not meet the requirements of any specific object code under consulting services and were therefore coded 083999.

Auditor's Comment

Approvals were not obtained for disbursements and contracts at GVDC

Internal control over disbursements was discussed with fiscal staff prior to testwork. We were informed that a disbursement voucher was required for all disbursements and that the vouchers were to be signed by the fiscal officer and the budget officer. The items noted were discussed with the fiscal director in early July. Since that time, GVDC staff has not produced documentation with the fiscal director's signature, nor have they produced a policy excluding these types of transactions from their regular controls. As for contracts, obtaining an exception after work has already commenced on a contract that was not fully executed does not mitigate the finding.

Disbursements were not handled appropriately

Supporting documentation does not usually exist to indicate whether or not valid circumstances created a split invoice. However, through their comments management seems to be acknowledging that at least three of the invoices (GVDC) were indeed split. We also retained documentation that proved that at least one of the invoices was intentionally split.

Finding Number	01-TDH-02
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

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.

Finding Number	01-DHS-01
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Human Services
Grant/Contract No.	Various
Finding Type	Reportable Condition, Subrecipient Monitoring
Questioned Costs	None

The department does not have procedures in place to ensure that subrecipients file a single audit report

Finding

The Department of Human Services (DHS) has not adequately maintained a listing of subrecipients who are required to file a single audit report. Also, there are inadequate procedures in place to ensure that program directors receive these reports, review them for compliance with federal requirements, and follow up with the subrecipients to ensure that they take prompt corrective action on any findings.

Testwork on 25 organizations that received at least $300,000 in funding from DHS disclosed that 7 of 13 who qualified as subrecipients (54%) had not submitted a single audit report to the department for fiscal year 2000. Of the seven subrecipients, there were no reports on file at DHS for four; a single audit report was on file for fiscal year 1999 for two; and one had submitted a financial statement audit report, not a single audit report.

Although DHS receives notification from the Comptroller of the Treasury, Division of Municipal Audit, of any subrecipient that should have a single audit, the department is ultimately responsible for ensuring that the subrecipient receives a single audit report. The department should ensure that it receives and reviews the report to determine the subrecipient's compliance with federal requirements. If the report contains findings, the department should ensure that the subrecipient takes prompt corrective action.

OMB Circular A-133 requires the department 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 the department 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 the 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 commissioner should establish procedures which ensure that the list of subrecipients who require a single audit is maintained. These procedures should ensure that the reports are received in a timely manner, and program directors should ensure that subrecipients have taken prompt corrective action on all findings.

Management's Comment

We concur. Because of staff shortages in certain sections of fiscal services, the tracking system for subrecipient audits has not been updated on a regular basis. We have also not had the staff to ensure that audit reports are received and that findings (if any) are resolved. We are currently interviewing applicants to fill a position that would be responsible for updating and monitoring the tracking system. We plan to update the database to include all of our current subrecipients and to contact the subrecipients to have them submit audit reports to our Internal Audit Section. Internal Audit will be responsible for distributing the reports to the appropriate fiscal and program staff. The audit staff will be given access to the database to monitor the information entered into the tracking system. Fiscal and program staff will be responsible for maintaining the database, reviewing the reports to ensure compliance with federal requirements, and to follow-up on the corrective actions on any findings. The tracking system should be updated by June 30, 2002. We will also ensure that the audit report submitted by subrecipients is a single audit report.

Finding Number	01-DHS-04
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Human Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

DHS datasets not protected by RACF security software

Finding

Through a manual reconciliation of Department of Human Services (DHS) mainframe-resident datasets and established RACF security profiles, auditors discovered that 997 DHS datasets were outside RACF protection. Datasets are mainframe computer files that contain detailed information needed for various services provided by the Department. RACF is the state mainframe security software, which is used to provide an initial level of access security before the user can access department- or agency-level systems. Production environment datasets for the following agency systems were affected: Automated Client Certification and Eligibility Network of Tennessee (ACCENT), Clearinghouse, Daycare, the Automated Rehabilitation Teacher Tracking System (ARTTS), Blind Services, and DHS Data Warehouse. The datasets could contain detailed information on benefit recipients, other clients, and case histories. Additionally, a small number of the datasets contained RACF security information. These datasets could contain information on specific users' access rights to resources on the state mainframe. When the 997 datasets were either created or renamed by programming staff, they were named in such a way that they fall outside of established RACF security profiles. Security administration staff were not notified of the need for new security profiles; therefore, these datasets currently are not protected by the RACF security software and are potentially vulnerable to compromise.

During the prior-year audit, 315 datasets unprotected by RACF profiles were identified by the auditors and communicated to the DHS RACF Security Administrator. Of these 315, 43 (13.7%) are still unprotected and are included in the count above.

The state's Information Technology Policies require that

> All information Technology resources must be appropriately and adequately protected against unauthorized access, modification, destruction or disclosure.

Failure to comply with this standard could result in unintended or illegal access to department data.

Recommendation

DHS management should emphasize to its administrative and programming staff the necessity of notifying security administration personnel when datasets are created or renamed in such a way that does not adhere to existing RACF-protected naming conventions. DHS security administration should periodically perform testwork comparable to that performed by the auditors and should review agency datasets for compliance with existing RACF security profiles. Also, DHS security administration personnel should investigate the list of unprotected datasets provided to them by the Division of State Audit. Applicable datasets should either be renamed to fit the naming convention for existing RACF security profiles, or new RACF security profiles should be established to protect the datasets.

Management's Comment

We concur. As of January 1, 2002, the following have been implemented to correct access control problems, and improve safeguard measures for our production data files:

- System Analysts identified production datasets, and the Security Administrator has created profiles to control access to the datasets.
- Systems development Directors and Analysts have been given access to online reports that show the disk and tape datasets that are not RACF-protected.
- Designated systems analysts will review the report monthly, and inform the Security Administrator when production datasets that should be protected appear on the reports.
- Systems development Directors will inform the Security Administrator when new billing codes that are to be used for new production systems and applications are created. The Security Administrator will review and create dataset profiles on RACF as deemed appropriate.

Finding Number	01-DHS-05
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Human Services
Grant/Contract No.	N/A
Finding Type	Material Weakness
Questioned Costs	None

Security over computer systems needs improvement

Finding

As noted in the prior audit, the Department of Human Services (DHS) does not have adequate controls over access to the Tennessee Child Support Enforcement System (TCSES), the Automated Client Certification and Eligibility Network (ACCENT), and the Resource Access Control Facility (RACF). TCSES and ACCENT are DHS systems. RACF is the state mainframe security software, which is used to provide an initial level of access security before the user can access department- or agency-level systems. During the review for the fiscal year ended June 30, 2001, the auditors noted that terminated employees' access privileges were not revoked in a prompt manner; and security authorization forms were missing, not properly completed, or did not match the current access privileges of the users. The prior year audit report contained a finding concerning discrepancies related to security over the agency's computer systems, notably that authorization forms were discovered to be missing, incomplete, or inconsistent with the employees' actual access rights.

Management concurred with the prior audit finding and made the following statement regarding authorization forms:

> The Security Administrator has drafted a comprehensive document/form to request, authorize, and grant access to ACCENT, TCSES, and other RACF-protected systems. Currently, multiple forms are being used. The Security Administration Focus Group will review the form prior to its implementation. The new procedures will require the original form to be retained by the Resource Security Administrator and a copy to be maintained by the user's supervisor.

Review during the current year revealed that the Security Focus group had continued work to assess the security environment and to attempt to revise and update the security policies and procedures followed by DHS personnel. Additionally, the consolidated security form mentioned above was implemented. While this Security Focus group is continuing work relating to DHS security issues, additional effort is still needed.

Terminated employees' access privileges were not revoked in a prompt manner.

- Twelve users who had terminated employment possessed active RACF privileges. Five of the users also possessed active ACCENT privileges.
- One TCSES contract user who was no longer working for DHS possessed active RACF privileges and active TCSES ALL staff type, which would give unlimited access to TCSES.

Good security practices require that terminated users' system privileges within all applicable systems be promptly revoked upon their termination. The failure to revoke terminated users' system privileges increases the possibility that sensitive information could be inappropriately modified.

Authorization forms were missing, incomplete, or inconsistent with users' actual access rights.

- Department personnel were unable to locate six of 50 (12%) RACF security authorization forms selected for testwork.
- Eleven of 25 ACCENT security authorization forms selected for testwork (44%) were not properly authorized by management.
- Five of 25 ACCENT security authorization forms selected for testwork (20%) did not match the actual access levels possessed by the employees. All five users possessed greater access then originally authorized.

As noted in the prior audit, good security practices require that an access authorization form should be completed for each employee using departmental or state application systems. This authorization should be prepared by the employee's management, and should specify the employee's access level(s) and the justification for such access. If the access privileges required by an individual legitimately change, a new authorization form should be completed prior to the changing of the access rights by the security administration staff. All of the completed authorization forms should be maintained in a secure location by appropriate security administration personnel. The failure to prepare, collect, and maintain access authorization forms as suggested above increases the possibility that access to sensitive systems and information may be granted to ineligible individuals, and that authorization may be granted to employees in excess of what is warranted for their job responsibilities.

Recommendation

As noted in the prior-year audit report, DHS Management should improve security for TCSES, ACCENT, and RACF. Users should be granted the appropriate level of system access based on their job responsibilities. Security authorization forms should be completed by management and maintained. DHS Management should monitor the system security for TCSES, ACCENT, and RACF and take appropriate action if problems are noted.

Additionally, as noted in the prior year audit report, the Security Focus group should continue efforts to strengthen system security within the agency. Revised or updated policies and procedures should be communicated to agency personnel and training should be provided as needed.

Management's Comment

We concur. The Department continues to work on the detailed processes that are necessary in order to put in place the larger improvements in our security controls that are more visible in audit reviews. Security Administration Focus Group staff have continued to work toward integrating security management controls with ACCENT so that we can properly authorize and terminate user access to this system. As we move toward department-wide access control procedures, the following outlines our plan to ensure that ACCENT user tables have integrity, and to integrate effective access control procedures for these systems.

A target date of March 2002 has been set to pilot implementation of the new department-wide access control procedures for Family Assistance and Field Operations staff. We will pilot the procedures in one of our eight administrative districts. Under the new procedures:

- All user profiles will be added to RACF and ACCENT (i.e., created and/or changed) by Central Office security staff. All subsequent changes that are made by field staff require the submission of a new form that explains the permanent change in access.
- One form will be used to apply for a User ID and authorize access to ACCENT.
- The authorization form will be sent by designated management staff and approved by Central Office security administration staff based on established policies and procedures. A new authorization form must be sent for all changes, and procedures will be put in place to detect unauthorized changes. All authorization forms will be stored centrally. Upon termination of employment or a change in work groups, users will automatically be terminated on ACCENT.
- A training package is being finalized for all users: managers who are designated as being responsible for requesting access, and security staff who are responsible for granting and terminating access to ACCENT. The training packages will be completed for the pilot in March 2002.
- Plans are to expeditiously implement the new procedures in all of the other program areas after the Family Assistance and Field Operation work groups have finished their work.

Terminated employees' access privileges were not revoked in a prompt manner.
Authorization forms were missing, incomplete, or inconsistent with user's actual access rights.

In January 2002, we implemented a new screen in ACCENT to eliminate the need for Family Assistance Field and State office staffs who require multiple ID's on ACCENT to have

multiple user profiles on RACF. The SMUG screen also allows security staff to view the ID's that an individual has active in ACCENT, and inactivate them when employment is terminated or the user leaves the work group.

Also, we began generating and using reports that enable security staff to review the ACCENT user data table to review users who have multiple active ID's and detect profiles that allow specific access authorizations that are not consistent with the user's job title. In all instances, the appropriate manager is responsible for ensuring that the authorized profile is consistent with the user's job responsibilities, which may not be consistent with the user's job title. This point will be stressed in the training for designated managers.

In addition, a department-wide memorandum was issued with a checklist of things to be done when an employee leaves the department. The memo was issued so that each supervisor or manager knows all that is expected when an employee leaves the department. The termination of computer access is among these items.

Finding Number	01-LWD-01
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

The department does not maintain access code authorization forms

Finding

The department does not maintain access code authorization forms controlling access to departmental mainframe systems. Internal Audit is responsible for maintaining the access code authorization forms. User management is required by Internal Audit to request system access in writing. However, the Director of Internal Audit does not maintain access documentation beyond two years. After two years, these forms are destroyed.

Good security practices require that an access code authorization form should be completed and maintained for each employee using departmental or state application systems. If the access privileges required by an individual legitimately change, a new authorization form should be completed prior to the changing of access rights. The Director of Internal Audit should maintain all completed authorization forms in a secure location for as long as the employee has access to departmental or state application systems. The failure to maintain access code authorization forms increases the possibility that access to sensitive systems and information may be granted to ineligible individuals, and that authorization may be granted to employees in excess of what is warranted for their job responsibilities.

Recommendation

The Director of Internal Audit should maintain access code authorization forms for all employees who have access to departmental or state application systems. If an employee's access level changes, a new authorization form should be completed and maintained. These forms should be maintained for as long as the employee has system access.

Management's Comment

We do not concur. Internal Audit maintained access code authorization forms and all related paperwork for two years and the current year. Internal Audit had not previously been informed of any standard requiring it to keep the paperwork as long as an individual accesses a

system. After the field exit conference, which was held on February 14, 2002, Internal Audit was given information on RDA S836-5, which can serve as such a standard.

Internal Audit staff receives properly prepared and approved authorization forms from supervisors before employees are added to any mainframe system. All changes in system access are also authorized in writing before the change is made. The documentation is reviewed and reconciled to transaction reports from ESCOT, TRUMP, and RACF before being filed. Internal Audit will develop a system to maintain the authorization forms and related paperwork indefinitely.

Rebuttal

As stated in the finding, failure to maintain access code authorization forms increases the possibility that access to sensitive systems and information may be granted to ineligible individuals, and that authorization may be granted to employees in excess of what is warranted for their job responsibilities. Also, state and federal laws, rules, and regulations are readily available to the Director of Internal Audit via the internet.

Finding Number	01-LWD-02
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	Various
Finding Type	Reportable Condition, Equipment and Real Property Management
Questioned Costs	None

The department's annual physical inventory was not completed

Finding

The property and equipment officer of the Department of Labor and Workforce Development did not complete the annual inventory for the year ended June 30, 2001. Fifty-one percent of the department's equipment items were not physically inventoried. The department's Property Accountability Manual states, "A complete physical inventory of all property will be made and reconciled at least once a year with the POST [Property of the State of Tennessee] system." The Department of General Services' POST User Manual states, "Each state agency must take an annual physical inventory."

The department's previous property and equipment officer resigned in March 2001, and the current property and equipment officer assumed this position in April 2001. The department had not completed its inventory for the year ended June 30, 2001 as of December 4, 2001.

Although the Department of Labor and Workforce Development and the Department of General Services have policies and procedures for personnel to follow in maintaining proper control and accountability over equipment, the department has not followed these procedures. Failure to follow prescribed procedures increases the risk of items being stolen without detection. In addition, inventory valuations may not be proper because of the inaccuracies in equipment record keeping.

Recommendation

The Commissioner should ensure that the property and equipment officer follows the prescribed policies and procedures. The property and equipment officer should ensure that a complete physical inventory is performed annually.

Management's Comment

We concur in part. The department's previous property and equipment officer resigned in March 2001, and the current property and equipment officer assumed the position in April 2001. The department did not complete an inventory by June 30, 2001, however the department has

completed an inventory with some items not accounted for. Due to turnover in staff, we elected not to write off any items. Our Property Officer continues to research these items and will complete an inventory on June 30, 2002 in accordance with established policies.

Finding Number	01-DOT-03
CFDA Number	Various
Program Name	Various
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	N/A
Finding Type	Material Weakness
Questioned Costs	None

The Department of Transportation should improve controls over programmer access to DOT STARS production data sets

Finding

Resource Access Control Facility, or RACF, is the security software that protects the state's mainframe computer programs and data files from unauthorized access. The auditors found that the RACF user group AGRM041, which contained Office for Information Resources' (OIR) Systems Development Support (SDS) programmers as members, had ALTER access to DOTSTARS data sets for extended periods of time. ALTER access grants users the ability to directly change or delete the contents of application data sets. The anomalies during processing sometimes cause data elements or control tables to become corrupted and, because of their technical expertise, OIR's SDS programmers may be asked to make corrective changes to the affected databases. However, making such changes is not a normal application programmer duty and must be controlled. The preferred procedure is for the agency's security administrator to set access privileges for the programmers' user group to ALTER only long enough for the corrections to be made and then to promptly reset them back to NONE or READ. Under no circumstances should the programmers' user group access be continuously set to ALTER. Failure to follow this procedure could result in illegal or inappropriate changes to or destruction of state data.

Recommendation

The department should change the access privileges for RACF user group AGRM041 to READ or NONE. In addition, the department should provide ALTER access to SDS programmers on an as-needed basis and promptly remove ALTER access after the necessary modifications have been completed. Furthermore, after the modifications have been completed, the department should review the changes made to verify that the only changes made were the requested modifications.

Management's Comment

We concur and will establish closer controls and give programmers access only as needed. It should be noted, after modifications have been completed, there is currently in place a thorough review by Finance and Information Technology staff to ensure that the changes made were only those requested modifications.

Finding Number	01-DOT-04
CFDA Number	Various
Program Name	Various
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The DOT STARS disaster recovery plan is insufficient

Finding

As noted in the prior two audit reports, the disaster recovery plan dated August 17, 1993, for the Department of Transportation (DOT) State Transportation Accounting and Reporting System (STARS) is insufficient. DOT STARS is a mission-critical system that processes virtually all of the department's accounting data. The DOT STARS disaster recovery plan lacks the specific instructions necessary to restore the system in an emergency. Much of the plan is simply a set of generic guidelines. For example, the plan states, "If there are different requirements for recovery depending on time of month or year, these should be documented." The plan also states, "Agencies should plan for the retention of production job output, as needs dictate." However, there is no documentation indicating that these issues have been considered. Specific instructions—such as an alternate office site and a plan to recover data entered since the most recent system backup—are vital to the execution of a sufficient plan.

In the two prior audit reports, management concurred and stated that the department's Information Technology Division (IT) was completing revisions. The reports also stated that management planned to follow up to ensure completion of the plan. However, the detailed plan revisions have never been completed or incorporated into the plan, and management has not followed up with the department's IT division.

Recommendation

The department should thoroughly document specific disaster recovery procedures and specific actions to be taken from the declaration of a disaster until the time that normal business operations are resumed to help ensure that business and accounting functions are quickly restored.

The guidelines presented in the current plan for considering specific issues should be addressed and incorporated into the comprehensive plan. The comprehensive plan should be reviewed, updated, and reapproved periodically. The procedures should be prioritized and should list the specific actions to be taken from the declaration of a disaster until the time that normal business operations are resumed.

Management's Comment

We concur. TDOT Information Technology staff and TDOT Finance staff have met to address the specific concerns provided in meetings during the audit. The current Disaster Recovery Plan has been annotated with each specific concern and the proposed response to address the concern. These will be incorporated into the final plan and stored with other IT procedures for the Department. This annotated copy is available for review upon request until the plan is finalized.

Finding Number	01-DHS-02
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 Benefits Transfer Service Auditor Reports not obtained

Finding

As noted in the prior audit, the Department of Human Services (DHS) failed to ensure that required copies of Service Auditor Reports for one of the department's outside providers of Electronic Benefit Transfer (EBT) services were 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 the Division of 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.

Management concurred with the prior-year audit finding and made the following statement regarding the lack of the Service Auditor Reports:

> The department will ensure that the Service 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.

The DHS Director of EBT was initially contacted in July 2001, at which time the audit team requested copies of the fiscal year 2001 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 in late September 2001. SAS 70 reports for eFunds were not received.

Because management has not obtained a SAS 70 Service Auditor report for the current audit period, 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 has been working with Citibank to resolve this issue. A contract amendment has been drafted, which incorporates the SAS 70 requirement found in the Code of Federal Regulations, Title 7, Section 274.12(j)(5). Our current contract language incorporated the SAS 70 requirements contained in the Contractor's obligations described in the document entitled Invitation for Expression of Interest to Acquire EBT Services for the Southern Alliance of States issued by the U.S. Treasury and dated March 9, 1995. As this language does not conform to the requirements found in the Code of Federal Regulations, Title 7, Section 274.12(j)(5), the amendment has been developed to resolve this discrepancy. We had originally anticipated that the contract amendment would be in place before the publication of the audit findings. However, negotiations with Citibank concerning the contract language for other

services covered in the amendment have delayed the process. The final contract amendment is currently under review by F&A contract staff. We are anticipating the changes will be approved and forwarded to the contractor (Citibank) by April 1, 2002.

Finding Number	01-DHS-09
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	Material Weakness
Questioned Costs	None

The Department of Human Services did not maintain adequate documentation of the information needed to determine eligibility for Temporary Assistance for Needy Families and Food Stamps

Finding

The Department of Human Services (DHS) does not maintain adequate documentation of the enrollee's information used to determine eligibility for Temporary Assistance for Needy Families (TANF) and Food Stamps.

DHS uses the Automated Client Certification and Eligibility Network (ACCENT) system to determine eligibility for TANF and Food Stamps. During the enrollment process, county DHS eligibility counselors meet with the potential enrollees in face-to-face interviews. Each applicant is required to provide hard-copy documentation to support various eligibility criteria. This information includes income, resources, medical expenses, family information, social security numbers, date of birth, etc. During the enrollment process, eligibility counselors examine documentation supporting the information that is entered into ACCENT. For example, before entering income into the system, an eligibility counselor would examine such documentation as employment pay stubs or federal tax returns. At the end of the enrollment process, the documentation supporting the information entered into the system is then returned to the applicant/enrollee. ACCENT makes the eligibility determination based upon the information entered into the system by the eligibility counselor.

Testwork revealed that the enrollee's application is the only paper documentation consistently kept by DHS. Although ACCENT maintains electronic case notes, there is no documentation kept to support the eligibility information entered into ACCENT. Without adequate documentation of the information entered into ACCENT, the risk is increased that ineligible enrollees may be enrolled in the TANF and Food Stamps programs.

Discussions with management at DHS revealed that the department relies heavily upon information from the Tennessee Department of Labor and Workforce Development, the Social Security Administration (SSA), the Tennessee Department of Health, and the Internal Revenue Service (IRS) for verification of eligibility information. From the Department of Labor and Workforce Development, DHS receives monthly data on Unemployment Insurance Benefits that can be used to verify unemployment income.

DHS also receives monthly beneficiary and earnings data, daily social security number verification, and daily information on Supplemental Security Income (SSI) recipients from SSA. The data from SSA provide DHS a method of verifying an individual's social security payments, social security number, Medicare eligibility status, and SSI eligibility status. Through the Office of Vital Records within the Department of Health, DHS has daily access to birth records. This information can be used to verify ages and relationships needed when making an eligibility determination. DHS also receives wage data from the Department of Labor and Workforce Development. However, not all employers are required to report employee wages to the state. Employers that are not required to report include churches, regardless of the size of payroll or number of employees, and non-government organizations with a small payroll and/or few employees. Furthermore, this information is sometimes several months old and is reported on a quarterly basis. Eligibility is determined based upon current monthly income. In addition, the income data DHS receives from the IRS that is reported on an individual's IRS 1099 form is delayed several months and is reported on a yearly basis.

Although DHS receives information from outside sources, not all eligibility requirements can be verified through this information. These outside information sources do not provide a systematic way to verify all types of income an enrollee might have. In addition, none of the updates received from other departments include documentation of other resources for non-SSI recipients or medical expenses that could affect an eligibility decision.

The department relies on quality control sampling to monitor the accuracy of information in ACCENT and to monitor the eligibility determination made. Quality control personnel select samples monthly of persons eligible for Food Stamp benefits. This unit verifies the accuracy of information in ACCENT with outside sources. They also select a sample of denied cases to ensure that the person was appropriately denied. Sample sizes are approved by the federal government; and the samples are selected randomly. However, certain types of cases are not tested. These consist mainly of non-cooperation cases where the enrollee either fails or refuses to cooperate or the department is unable to locate the individual. If one of these cases is selected for inclusion in the sample, it is replaced by another case. The case is investigated, but it is not considered in the calculation of the error rate of the sample. Excluding those cases from the error rate of the review could affect the results of the reviews. For example, the error rate of the sample could be higher or lower based upon the results of the non-cooperation cases.

The department contracts with the University of Tennessee to review active TANF cases on a continuing basis. On a monthly basis, DHS Information Systems personnel randomly select cases for review by the University of Tennessee. This testwork consists only of determining if the caseworkers properly determined eligibility and benefit amounts based on the information in ACCENT. There is no attempt made to determine the accuracy of the information in ACCENT.

Maintaining documentation provided by the applicant during enrollment would allow the department to test all cases selected. The department should no longer have the problem of being unable to locate the enrollee or obtain cooperation of the enrollee.

Without maintaining the documentation, the department cannot ensure that the information entered into ACCENT is accurate and that enrollees are eligible. Not maintaining

this documentation also reduces accountability for information entered and makes researching cases more difficult.

Recommendation

The Commissioner should ensure the department keeps documentation of the information entered into ACCENT that is used to determine eligibility for TANF and Food Stamps. While it might be possible to reduce the amount of documentation needed with an effective quality control process, documentation should still be maintained for areas of higher risk of ineligibility as determined by the quality control efforts. At best a quality control system is an after the fact determination of eligibility. It is important that the department be able to support eligibility determinations at the time benefits are awarded.

If management wishes to reduce the level of documentation maintained by reliance on a quality control process, that process should adequately cover the entire Food Stamp and TANF eligible population and it should consider any unsupported eligibility determinations to be errors and appropriately project such results to the population.

Management's Comment

We do not concur.

TEN YEARS IN OPERATION

The ACCENT system has been operational since 1992. For ten years two departments of the federal government (the Department of Health and Human Services and the Department of Agriculture) have provided significant federal funds to support Tennessee's eligibility determination process for three programs: Food Stamps, Families First (formerly Aid to Families with Dependent Children or AFDC) and Medicaid. The affected federal agencies are also concerned about the integrity of their programs. By approving the ACCENT system, these agencies recognized that ACCENT's method of eligibility documentation employed met their high standards. They have never expressed any concern regarding a lack of adequate documentation to verify the accuracy of information entered in ACCENT following the certification of the system.

The Department of Human Services is the single state agency for both Food Stamps and Families First. The Bureau of TennCare (Department of Finance and Administration) serves as the single state agency for the Medicaid program. Both federal agencies (Dept. of Health and Human Services and Dept. of Agriculture) concurred in the design and development of the ACCENT system. Without federal approval there would have been no federal funding of either ACCENT's development or program service funding since 1992.

Federal funding for ACCENT has been consistent for both system development and ongoing eligibility processing. The "closeout" letter from the Department of Health and Human Services dated February 9, 1995 is evidence of the approval of both AFDC and Medicaid

program participation. This letter represents the final approval and certification of the ACCENT system. USDA was well aware of the "paperless" aspects of the system.

ATTORNEY GENERAL'S OPINION

A memorandum dated December 8, 1992 was received from Tennessee's Office of the Attorney General providing an informal legal opinion regarding the legal sufficiency of maintaining a one-page paper application and an electronic case file. The opinion was that "the application form and the electronic file satisfies the legal requirements for determining eligibility and would be admissible evidence in legal proceedings regarding such eligibility." The opinion further states that "[t]here are no federal requirements specifying that the Department of Human Services maintain written documentation other than the signed application form."

QUALITY CONTROL SYSTEM

Traditionally, as part of the funding agreement and program oversight, the federal agencies require a Quality Control system to review a sample of case actions. Currently only the Food Stamp program requires that a complete Quality Control review be conducted as part of the federal/state funding agreement. For the Medicaid program, the state and the federal agency mutually target a portion of the Medicaid population for a Quality Control review with a corrective action plan as the goal for improving case quality. For both the Food Stamp and Medicaid programs, there is a random case selection sample each month. This sample is made from the list of all Food Stamps households or all Medicaid cases with children (current Medicaid QC plan) as applicable. Please note that with the Food Stamp program there is a federal re-review using a sub-sample of the state QC review cases. The Food Stamp federal review is conducted electronically by reading the ACCENT record and the QC review packet.

Based on a sample of Food Stamp cases, the Quality Control system ensures that the electronic file includes the required information for eligibility determinations and verifies the accuracy of that information. Further, the Quality Control system serves as a deterrent to creating fraudulent cases/documentation. Contrary to what is stated in the finding, the Quality Control reviewer must independently verify all points of eligibility. The Quality Control process ensures that the verification sources (primary, secondary, or others) used by the eligibility counselor are appropriate. The eligibility counselor must rely on a variety of sources to correctly determine eligibility. Depending on the source (bank statement, pay stub, birth certificate, self-declaration), the eligibility counselor must obtain further verification. While it is true that there are numerous online matches with a variety of agencies (Social Security and Department of Labor), these sources only serve as indicators and additional verifications must be pursued. Quality Control oversight provides on-going assessment of worker skill and knowledge in establishing financial eligibility and verifies that the information entered into ACCENT is accurate.

The department conducts the QC review of a random sample of Food Stamp cases in accordance with federal guidelines contained in 7 CFR 275. Any deviations from the federal guidelines may cause financial sanctions to the department. The federal policy regarding the disposition of cases dropped from the QC sample applies to states with paper files, as well as to states without paper files. Every state, regardless of its system of eligibility determination, drops cases from the sample for the same reasons Tennessee drops cases. None of the dropped cases

are used to calculate an error rate. If the QC reviewer is unable to complete the review for any number of valid reasons, it is inappropriate to show the case as being in error or as being correct.

The QC reviewer examines eligibility in a particular month, not necessarily in the month of application. Therefore, no matter what documentation is or is not on file, all points of eligibility must be re-verified by the QC reviewer independent of the initial determination. We do not rely, nor have we ever relied, on the documentation of the county office provided at the time of the eligibility interview, whether it is paper or electronic.

The audit recommendation states that the QC process should include TANF. Due to the integrated nature of the ACCENT system (overlapping of program eligibility), both the Food Stamp and Medicaid QC processes include the TANF program. The Medicaid QC covers all assistance groups with children except those that are Families First related and 80% of the Families First cases are subject to the Food Stamp QC sample. The common eligibility requirements for all 3 programs are subject to review in the QC process. Therefore, the QC review of Food Stamps and Medicaid cover the Families First program as well.

The department has also elected to adopt our own quality assurance program called, "Active Case Review" (ACR) for Families First. The ACR appropriately reflects the programmatic goals of not only process (i.e. eligibility determination), but also outcomes (i.e. case management), as outcomes are the primary focus of the program. While the ACR does not contact the client to re-verify the information on ACCENT, all of the data matches (with the exception of the IRS match due to confidentiality issue) are reviewed and any discrepancies noted are resolved. Data matches are considered independent verification and are used to confirm the accuracy of the information in ACCENT.

ADMINISTRATIVE REVIEW PROCESS

Another federal/state requirement is the right of all program applicants/recipients to due process through a fair hearing. Fair hearings are held to review challenged case actions. Since the implementation of ACCENT, there has been no challenge of the use of an electronic file in eligibility determinations. Please refer to Tennessee Court Rules Annotated, Rules of Evidence, Article VIII, Rule 803 (6) and (8).

Rebuttal

Based on discussions with the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services have indicated that office believes documentation is necessary and required by Office of Management and Budget, Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

Finding Number	01-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
Questioned Costs	None

The department does not have adequate controls 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 shows 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 of 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 there are approximately 12,044 participants of MAP-South and Shelby County, which consists of women, infants, children, and the elderly, the automated process is more efficient. 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.

Finding Number	01-LWD-03
CFDA Number	17.255
Program Name	Workforce Investment Act
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	A-7390-9-00-87-50; A-6727-8-00-87-50; AA-10293-00-50
Finding Type	Reportable Condition
Questioned Costs	None

The Department of Labor and Workforce Development did not comply with the Department of Finance and Administration's Policy 22, Subrecipient Monitoring

Finding

The department did not identify and report its subrecipients under the Workforce Investment Act program to the Department of Finance and Administration (F&A) in the form of an annual monitoring plan as required by Policy 22. Policy 22 establishes guidelines for uniform monitoring of subrecipients that receive state and/or federal funds from state departments, agencies, and commissions. The policy requires the Department of Labor and Workforce Development to submit an annual monitoring plan to the Division of Resource Development and Support (RDS) in the Department of Finance and Administration for review, comment, and approval by September 30 of each year. This plan should identify all subrecipients to be monitored, describe the risk criteria utilized to select subrecipients for monitoring purposes, identify full-time equivalents dedicated to monitoring activities, and include a sample monitoring guide. The department has not prepared and submitted the required plan to identify its subrecipients and document other plan requirements for the audit period.

In addition, the Department of Labor and Workforce Development is required to submit an annual report summarizing its monitoring activities to the RDS by October 31 of each year. This report was not submitted.

Not submitting the required monitoring plan and annual report could result in inadequate monitoring of subrecipients.

Recommendation

The Commissioner should ensure that the required annual monitoring plan is submitted by September 30 of each year and that the plan includes all the required information. Also, the Commissioner should ensure that the annual report summarizing the department's monitoring activities is submitted by October 31 of each year.

Management's Comment

We do not concur. The Department of Labor and Workforce Development (TDL&WD) did not complete a written Monitoring Plan for the period of July 1, 2000 through June 30, 2001. The Department submitted all necessary information that is contained in the plan through other means.

This was the transition year from the Job Training Partnership Act (JTPA) and the Workforce Investment Act (WIA), resulting in both the close out of JTPA programs and the initial implementation of the WIA programs. The Department of Finance and Administration, Program Accountability Review (PAR) section, agreed that they would obtain the needed information through meetings between the Fiscal Director from TDL&WD and the PAR Manager. It was agreed that no written Monitoring Plan would be necessary, if the necessary information could be obtained through a series of meetings.

As a result of the meetings, all subrecipient reviews that were prescribed in "Attachment A" of the contract between TDL&WFD and F&A were conducted. The Department takes the position that, although the development of a written monitoring plan is preferable, the cooperative approach used by the two agencies did result in adequate monitoring of subrecipients.

Rebuttal

As stated in the finding and confirmed in management’s comment, the Department of Labor and Workforce Development did not submit its annual monitoring plan or annual report in the form prescribed by Policy 22. This information should not be conveyed solely through meetings with the Department of Finance and Administration, Program Accountability Review (PAR) section, but documented by submission of a written monitoring plan or annual report.

Finding Number	01-LWD-04
CFDA Number	17.255
Program Name	Workforce Investment Act
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	A-7390-9-00-87-50; A-6727-8-00-87-50; AA-10293-00-50
Finding Type	Reportable Condition, Subrecipient Monitoring
Questioned Costs	None

The department did not always obtain and review single audit reports of its subrecipients

Finding

The Department of Labor and Workforce Development did not obtain and review the single audit reports for nine of eleven subrecipients tested (82%) as required by Office of Management and Budget (OMB) Circular A-133. Single audit reports for the department's subrecipients who receive at least $300,000 in funding were due March 31, 2001, nine months after the end of the fiscal year. Adequate procedures do not appear to be in place to ensure that these reports are received, reviewed for compliance with federal requirements, and follow up with the subrecipients is performed to ensure that they take prompt corrective action on any findings.

OMB Circular A-133 requires the Department of Labor and Workforce Development 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 the department 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 commissioner should ensure that procedures are in place to ensure all required subrecipient single audit reports are received in a timely manner, reviewed for compliance with federal requirements, and follow up is performed to ensure that subrecipients have taken prompt corrective action on all findings.

Management's Comment

We concur in part. The department received audit reports from seven of its subrecipients although one report was significantly late. The department did not have a formal process in place to assure that all subrecipients properly submitted their single audit reports to the department. The department has now developed a procedure to require subrecipients to send their single audit reports to the department's Internal Audit Section. Internal Audit will verify that all single audit reports are received and review the reports, highlighting any concerns it has about any of the subrecipients. The reports and Internal Audit's review will be given to the Fiscal Section for additional review and follow-up with the subrecipients.

Finding Number	01-TSAC-01
CFDA Number	84.032
Program Name	Federal Family Education Loan Program (FFEL) – Guaranty Agencies
Federal Agency	Department of Education
State Agency	Tennessee Student Assistance Corporation
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The student loan information reflected in the corporation's system was not always correct

Finding

A random sample of student loans with a status of "in-school" or "repayment" was selected from the Tennessee Student Assistance Corporation's (TSAC's) listing of outstanding loans. For each sample loan, the school or lender (current holder of the loan) was contacted to confirm the authenticity and status of the loan. Based on the test work performed, for 8 of 55 loans (14.5%), the student status shown in the corporation's system did not agree with the status reported by the lender.

The amount of loans in repayment status is used in the calculation for determining the reinsurance rate that the U.S. Department of Education (ED) pays to the corporation. The information on the National Student Loan Data System (NSLDS) is used by ED to calculate the amount of loans in repayment. If loans are incorrectly shown in a repayment status in the corporation's system, then the amount reflected on NSLDS may be in error.

TSAC's procedures for ensuring the correct status include periodic counseling sessions with lenders to discuss the various loan program requirements, including the reporting of changes in student status. TSAC also provides a Loan Status Update Form, and lenders can submit status change data via hardcopy, tape, e*CLIPS (the loan servicer's Internet application and transaction processing tool), and Common Line 4 format via FTP server. When a lender submits status change information, the loan servicer's system first determines that the loan is in a status compatible with the change before the change will be accepted. For example, if a loan is currently in an in-school status, a new status of deferment would not be accepted. If the change is rejected, the lender is informed as to the reason and asked for additional information to resolve the rejection.

TSAC did have a system in place to encourage and provide for the reporting of changes in loan status by the lenders and procedures to properly record loans paid in full when the lenders report them. However, as noted above, the test work indicated that there were problems with lenders reporting status changes. The fact that the lenders are not formally accountable for reporting "paid-in-full" status to TSAC limits the effectiveness of TSAC's procedures. However, for lenders that are in substantial noncompliance with requirements for student status

reporting, TSAC could refuse to guarantee loans, per its enforcement authority under 34 CFR 682.410. Exercised appropriately, this authority could effectively prompt lenders to comply.

Recommendation

The director and program administrator should consult the U.S. Department of Education and the corporation's loan servicer to determine what further procedures can be established to ensure that updated student loan information is maintained in the corporation's system. TSAC should analyze its loan portfolio by lender to identify lenders with material error rates. Appropriate actions should be initiated with respect to those lenders, up to and including refusal to guarantee loans until lenders properly report student information.

Management's Comment

We concur with the finding that the status of some loans was not always correct on the student loan information database. We also concur that the reason the information was not correct was the failure of three lenders or servicers to always provide an update for every loan status change on their system. The finding was based on eight loans of six borrowers whose status had changed and was not correctly forwarded to TSAC for updating the system. Six of the eight loans were with one servicer.

The eight loan status corrections were made to the TSAC loan system database and are correctly reported to the National Student Loan Data System. TSAC has reviewed the comments of the finding and concurs that TSAC has a multi-faceted system in place to receive loan status updates from lenders and servicers.

TSAC will implement an expanded sample of loan status confirmations with the servicer having six of the eight incorrect status updates through the program review process conducted by the TSAC compliance staff. TSAC initiated a joint program review plan with the United States Department of Education during the summer of 2001.

TSAC will continue to work with its loan servicer to identify lender portfolios that have substantial numbers of unreported loan statuses and will continue to send update reports and track their responses.

Finding Number	01-DOE-01
CFDA Number	84.048
Program Name	Vocational Education—Basic Grants to States
Federal Agency	Department of Education
State Agency	Department of Education
Grant/Contract No.	Vo48A70042, Vo48A80042, Vo48A90042
Finding Type	Reportable Condition
Questioned Cost	None

Vocational Education reporting procedures are inadequate

Finding

Internal controls over the reporting of state expenditures by Local Education Agencies (LEAs) for the Vocational Education-Basic Grants to States program are inadequate. The department has no written procedures and has not performed the necessary oversight to ensure that the LEAs report accurate expenditure amounts. As a result, state expenditures reported to the Vocational Education division by the LEAs were not always accurate. A sample of 25 LEAs selected for maintenance of effort testwork revealed that two LEAs understated state expenditures and one LEA overstated state expenditures for fiscal year 2000, and three LEAs understated state expenditures and one overstated state expenditures for fiscal year 1999. The LEAs submitted revised expenditure reports in response to questions asked by the auditors. When an effective internal control system is not implemented, management's objectives are less likely to be realized.

Recommendation

The Vocational Education division should develop policies and procedures to ensure accurate reporting of expenditures by the Local Education Agencies. The policies and procedures should be communicated to the LEAs. In addition, Vocational Education personnel should analyze the reported expenditure amounts for reasonableness.

Management's Comment

We concur. The Division of Vocational-Technical Education will develop more specific guidelines for the local education agencies to use in reporting.

Finding Number	01-DHS-03
CFDA Number	84.126
Program Name	Rehabilitation Services-Vocational Rehabilitation Grants to States
Federal Agency	Department of Education
State Agency	Department of Human Services
Grant/Contract No.	H126A000063; H126A010063
Finding Type	Reportable Condition, Equipment and Real Property Management
Questioned Costs	None

Adequate records are not kept on Vocational Rehabilitation equipment

Finding

The Department of Human Services (DHS) does not maintain proper accountability over Vocational Rehabilitation equipment. Testwork performed on a sample of 23 pieces of equipment assigned to the Vocational Rehabilitation Services program, shown on the Property of the State of Tennessee (POST) system, revealed the following weaknesses:

a. Two of 23 equipment items tested (9%) could not be located: a mower costing $7,249 and a refrigerator costing $5,446. Management stated that the mower had been surplused; but this piece of equipment was still listed as active in POST.

b. Three of 21 equipment items tested (14%) were not at the location shown in POST. One item, a vending machine costing $5,012, was shown as being in McMinnville but was actually in Chattanooga. Another vending machine costing $9,132 was shown in POST as being at the DHS office in Johnson City; however, it was located at the post office in Johnson City. An additional vending machine costing $5,778 was shown in POST as being in Henning but was actually located in Ripley.

c. Three of 21 equipment items tested (14%) did not have a State of Tennessee property tag attached. One was a counter cabinet stand costing $14,864; one was a commercial range costing $24,367; and one was a steam kettle cooker costing $13,024.

In addition, the property officer had only completed 88% of the department's year-end physical inventory of equipment as of August 27, 2001. Management stated it did not complete the inventory because the department has a large amount of equipment and does not have sufficient staff to complete the inventory by the due date.

The Department of General Services' state property officer sent a memo to DHS's property officer which outlined the department's responsibilities concerning equipment. The memo includes the following statement:

The annual count of fixed assets and sensitive equipment owned by your department begins March 1, 2001 and is to be completed by June 1, 2001.

Failure to properly record equipment weakens accountability for equipment and may result in the loss of equipment.

Recommendation

The Commissioner should establish procedures to ensure that equipment records are promptly updated when equipment is moved and that all appropriate items have a state tag attached. The property officer should review the POST listing periodically to ensure that equipment which should have been surplused has been removed from the POST listing. A complete physical inventory should also be performed at least annually and by the required deadline.

Management's Comment

We concur.

a. The mower referred to in the finding was transferred to the Department of General Services (DGS) and became part of the Equipment Revolving Fund (ERF). During 1993-1994, the ERF program became responsible for and took ownership of all motorized equipment costing $1,000 or more. Pursuant to this change, the Department of General Services, Motor Vehicle Management, was given ownership of this mower and it was sold in 1996. However, the mower was not removed from the DHS inventory list. On February 5, 2002, the DHS Property Officer requested DGS to remove the mower from the DHS inventory list.

   Another piece of equipment referred to in the finding is a refrigerator. This equipment is a cold food vending machine, not refrigerator. The paperwork shows that it was removed from the vending facility and replaced with a new one. The person who moved the old machine indicates that the old machine was delivered to TBE's warehouse in Chattanooga. However, the machine can not be located.

b. The Tennessee Business Enterprise (TBE) was able to locate the three vending machines in a location different from what is shown on POST. The TBE program has procedures in place to properly account for equipment. However, TBE frequently moves equipment from one vending facility to another depending upon the needs. Every attempt is made to record the transfer of equipment, but occasionally the transfers are not entered into POST. We conduct an annual equipment inventory in accordance with DGS procedures, and any discrepancies are reconciled.

c. Originally, state tags were affixed to the equipment. Due to heat and heavy traffic in these facilities, tags sometime fall off. We will continue to ensure that state tags are attached to all appropriate items.

We will ensure that an annual equipment inventory is completed in a timely manner and any movement of equipment including surplus is properly recorded in POST.

Finding Number	01-DHS-06
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G9901TNTANF;G0001TNTANF;G0101TNTANF; G9801TNTANF; G0002TNTANF
Finding Type	Material Weakness, Special Tests and Provisions
Questioned Costs	$18,491.40

The department did not always properly administer the Temporary Assistance for Needy Families program

Finding

Temporary Assistance for Needy Families (TANF) is a federal program established for the purpose of providing time-limited assistance to needy families with children. One of the most important facets of this program is to encourage the head of the household to engage in work for pay so that dependence on government benefits can eventually be eliminated. The Department of Human Services (DHS) administers the TANF program in Tennessee under the name Families First. As a result of testwork performed, the following weaknesses were noted:

a. The Department of Human Services as administrator of the Families First program is required to conduct proper monitoring to ensure compliance with federal program requirements. In order to perform this function, the department contracts with the University of Tennessee to review active Families First cases on a continuing basis to verify that caseworkers are acting in accordance with federal requirements. On a monthly basis, DHS Information Systems personnel randomly select cases for review by the University of Tennessee. From this random selection, university personnel monitor the performance of caseworkers. Based on testwork performed, 9 of 40 active TANF cases tested (23%) that should have been reviewed by the University of Tennessee had not been reviewed. The reason given by DHS management was that the review program had not been established in District 8 (Shelby County) until July 2001.

b. Testwork on 40 applicable sample cases revealed that there was no reduction of benefits on any cases in which child support "non-cooperation" letters were issued. *Code of Federal Regulations*, Title 45, Section 264.30(c)(1), requires that recipients of TANF benefits who do not cooperate with child support authorities shall be sanctioned by "deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance. . . ." As a result, total questioned cost was determined to be $18,491.40. *Code of Federal Regulations*, Title 45, Section 264.31(a)(3), further states that the state may be penalized up to 5% of the State

Family Assistance Grant for such failure to substantially comply with this child support related requirement.

Another example of DHS's failure to reduce benefits for non-compliance with program requirements is shown in the department's failure to reduce benefits in a case in which the recipient did not comply with work requirements. *Code of Federal Regulations*, Title 45, Section 261.14 (b)(1), requires that if an individual refuses to engage in required work, "The State must, at a minimum, reduce the amount of assistance otherwise payable to the family pro rata with respect to any period during the month in which the individual refuses to work." *Code of Federal Regulations*, Title 45, Section 261.14(b)(2), also states, "The State may impose a greater reduction, including terminating assistance." In one of 40 cases tested (2.5%), a recipient was issued monthly Families First benefits of $226 for five months without participating in the required work component of the personal responsibility plan.

Failure to follow proper quality control procedures and applicable federal regulations could result in undetected federal noncompliance as was shown in the cases described above.

Recommendation

The Commissioner should ensure that active case monitoring reviews are actually performed on all cases selected for review. Also, the Commissioner should ensure that Families First benefits are promptly reduced when required, especially in cases of child support noncooperation and cases of failure to comply with the work requirements.

Management's Comments

a. We do not concur.

At the time the sample was selected (June 2001) Active Case Review (ACR) had not been fully implemented statewide. The finding states that 9 of the 40 sample cases selected by the department for ACR were not reviewed. The 9 cases were all from Shelby County and ACR has not been implemented in Shelby County at that time.

Families First is Tennessee's Temporary Assistance for Needy Families (TANF) program. Based on the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) and the associated regulations issued in April 1999, states are no longer federally mandated to have a quality control program for Title IV-A. This is a change from the Aid to Families with Dependent Children, TANF's predecessor.

However, because of our own need to ensure that case actions are being executed properly and to help prevent fraud in the program, the Department decided to voluntarily implement a quality assurance program to ensure proper use of taxpayer dollars. This process is

known as Active Case Review (ACR), and was initiated in early 2000 with a phased in implementation schedule across the state. Effective July 2001, we implemented the quality assurance initiative statewide, including Shelby County, thereby ensuring all sample cases selected are reviewed.

b. We concur.

We agree that improvements can be made to ensure complete compliance with child support non-cooperation.

Tennessee's federal TANF waiver, state law, regulations and policy require that a family be terminated from the program for child support non-cooperation, if good cause does not exist. In Federal FY2001, ninety-one families were denied or sanctioned off from the program due to non-cooperation with child support requirements, without good cause.

Cooperation with child support requirements is fundamental to the Families First Program. Caseworkers work the alerts or respond to phone calls from the child support office if a client is non-cooperative with child support. The child support office is responsible for alerting Family First to the non-cooperation. The Family First caseworker is responsible for determining whether the client had good cause for the non-cooperation. If good cause exists, the non-cooperation alerts may not result in a sanction. However, there are two areas significant in assessing Tennessee's complete compliance with this provision of state and federal law where we will take steps to improve.

First, TCSES, the child support system, has not always issued alerts to the caseworker when a non-cooperation code has been entered. Therefore, there are some alerts that did not reach the Families First caseworker, so no action was taken. This has been identified as a problem within the system, and we will start working to resolve it.

The second issue is a failure of the caseworker to take action when they do receive an alert of non-cooperation from child support. We plan to address this deficiency in two ways. First, a formal memorandum will be issued to the field as a reminder of the importance of child support cooperation and that sanctions for non-cooperation are imposed in the Families First Program. This memorandum will be accompanied by a mandate to field management staff to ensure that each staff understands the child support requirements. Second, effective February 1, 2002 the Active Case Review includes a mandatory question regarding participants failure to cooperate with child support requirement. While the staff who review cases do not have access to the alerts that may be generated related to non-cooperation, they do have access to TCSES, and are researching all cases reviewed in that system to determine compliance with IV-D requirements. The Active Case Review process incorporates the following questions:

C5. Has participant failed to cooperate with child support requirements?

___ Y ____ N ____ N/A

Comments/Other_____

If Yes, then:

1. - retained child support (no good cause exists)
2. - AP not named and no documentation to support
3. - failed to show for appointments or court dates
99 - other (comments required)

C6. Was good cause claimed? ____ Y ____ N ____ N/A

C7. Has good cause been granted correctly? ____ Y ____ N ____ N/A

If NO, then:

1 - good cause not verified
2 - no good cause exists for non-cooperation
3 - not a good cause reason

This finding also found one case out of the 40 reviewed where a client continued to receive benefits without being required to participate in a work activity. This case had a participant who was required to work, though the caseworker, when notified of their non-compliance did not take timely action to start conciliation and the customer service review process and ultimately, a sanction. While this caseworker failed to take proper action, our Active Case Review statistics indicate that, for the last three months of statistics available, it only occurred in 0.7% of all cases reviewed.

An important function of the ACR process is to review active Families First cases to ensure that caseworkers are correctly and timely referring participants to required work activities in accordance with policy. The latest statistics from ACR indicate that only 1.7% of the cases reviewed had customers who were not in compliance with their Personal Responsibility Plan and needed worker action to be taken.

We have numerous reports from Infopac and data matches to ensure that those participants required to work are in activities and participating for the required amount of hours. These reports are reviewed and monitored by each county office to ensure that no one is staying on the program without complying with the work requirements.

Rebuttal

While it is acknowledged that the department included District 8 (Shelby County) in its Active Case Review in July 2001, cases were selected for review from Shelby County during FY2001 and were reviewed.

Finding Number	01-DHS-09
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G9901TNTANF;G0001TNTANF;G0101TNTANF; G9801TNTANF; G0002TNTANF
Finding Type	Material Weakness
Questioned Costs	None

The Department of Human Services did not maintain adequate documentation of the information needed to determine eligibility for Temporary Assistance for Needy Families and Food Stamps

Finding

The Department of Human Services (DHS) does not maintain adequate documentation of the enrollee's information used to determine eligibility for Temporary Assistance for Needy Families (TANF) and Food Stamps.

DHS uses the Automated Client Certification and Eligibility Network (ACCENT) system to determine eligibility for TANF and Food Stamps. During the enrollment process, county DHS eligibility counselors meet with the potential enrollees in face-to-face interviews. Each applicant is required to provide hard-copy documentation to support various eligibility criteria. This information includes income, resources, medical expenses, family information, social security numbers, date of birth, etc. During the enrollment process, eligibility counselors examine documentation supporting the information that is entered into ACCENT. For example, before entering income into the system, an eligibility counselor would examine such documentation as employment pay stubs or federal tax returns. At the end of the enrollment process, the documentation supporting the information entered into the system is then returned to the applicant/enrollee. ACCENT makes the eligibility determination based upon the information entered into the system by the eligibility counselor.

Testwork revealed that the enrollee's application is the only paper documentation consistently kept by DHS. Although ACCENT maintains electronic case notes, there is no documentation kept to support the eligibility information entered into ACCENT. Without adequate documentation of the information entered into ACCENT, the risk is increased that ineligible enrollees may be enrolled in the TANF and Food Stamps programs.

Discussions with management at DHS revealed that the department relies heavily upon information from the Tennessee Department of Labor and Workforce Development, the Social Security Administration (SSA), the Tennessee Department of Health, and the Internal Revenue Service (IRS) for verification of eligibility information. From the Department of Labor and

Workforce Development, DHS receives monthly data on Unemployment Insurance Benefits that can be used to verify unemployment income.

DHS also receives monthly beneficiary and earnings data, daily social security number verification, and daily information on Supplemental Security Income (SSI) recipients from SSA. The data from SSA provide DHS a method of verifying an individual's social security payments, social security number, Medicare eligibility status, and SSI eligibility status. Through the Office of Vital Records within the Department of Health, DHS has daily access to birth records. This information can be used to verify ages and relationships needed when making an eligibility determination. DHS also receives wage data from the Department of Labor and Workforce Development. However, not all employers are required to report employee wages to the state. Employers that are not required to report include churches, regardless of the size of payroll or number of employees, and non-government organizations with a small payroll and/or few employees. Furthermore, this information is sometimes several months old and is reported on a quarterly basis. Eligibility is determined based upon current monthly income. In addition, the income data DHS receives from the IRS that is reported on an individual's IRS 1099 form is delayed several months and is reported on a yearly basis.

Although DHS receives information from outside sources, not all eligibility requirements can be verified through this information. These outside information sources do not provide a systematic way to verify all types of income an enrollee might have. In addition, none of the updates received from other departments include documentation of other resources for non-SSI recipients or medical expenses that could affect an eligibility decision.

The department relies on quality control sampling to monitor the accuracy of information in ACCENT and to monitor the eligibility determination made. Quality control personnel select samples monthly of persons eligible for Food Stamp benefits. This unit verifies the accuracy of information in ACCENT with outside sources. They also select a sample of denied cases to ensure that the person was appropriately denied. Sample sizes are approved by the federal government; and the samples are selected randomly. However, certain types of cases are not tested. These consist mainly of non-cooperation cases where the enrollee either fails or refuses to cooperate or the department is unable to locate the individual. If one of these cases is selected for inclusion in the sample, it is replaced by another case. The case is investigated, but it is not considered in the calculation of the error rate of the sample. Excluding those cases from the error rate of the review could affect the results of the reviews. For example, the error rate of the sample could be higher or lower based upon the results of the non-cooperation cases.

The department contracts with the University of Tennessee to review active TANF cases on a continuing basis. On a monthly basis, DHS Information Systems personnel randomly select cases for review by the University of Tennessee. This testwork consists only of determining if the caseworkers properly determined eligibility and benefit amounts based on the information in ACCENT. There is no attempt made to determine the accuracy of the information in ACCENT.

Maintaining documentation provided by the applicant during enrollment would allow the department to test all cases selected. The department should no longer have the problem of being unable to locate the enrollee or obtain cooperation of the enrollee.

Without maintaining the documentation, the department cannot ensure that the information entered into ACCENT is accurate and that enrollees are eligible. Not maintaining this documentation also reduces accountability for information entered and makes researching cases more difficult.

Recommendation

The Commissioner should ensure the department keeps documentation of the information entered into ACCENT that is used to determine eligibility for TANF and Food Stamps. While it might be possible to reduce the amount of documentation needed with an effective quality control process, documentation should still be maintained for areas of higher risk of ineligibility as determined by the quality control efforts. At best a quality control system is an after the fact determination of eligibility. It is important that the department be able to support eligibility determinations at the time benefits are awarded.

If management wishes to reduce the level of documentation maintained by reliance on a quality control process, that process should adequately cover the entire Food Stamp and TANF eligible population and it should consider any unsupported eligibility determinations to be errors and appropriately project such results to the population.

Management's Comment

We do not concur.

TEN YEARS IN OPERATION

The ACCENT system has been operational since 1992. For ten years two departments of the federal government (the Department of Health and Human Services and the Department of Agriculture) have provided significant federal funds to support Tennessee's eligibility determination process for three programs: Food Stamps, Families First (formerly Aid to Families with Dependent Children or AFDC) and Medicaid. The affected federal agencies are also concerned about the integrity of their programs. By approving the ACCENT system, these agencies recognized that ACCENT's method of eligibility documentation employed met their high standards. They have never expressed any concern regarding a lack of adequate documentation to verify the accuracy of information entered in ACCENT following the certification of the system.

The Department of Human Services is the single state agency for both Food Stamps and Families First. The Bureau of TennCare (Department of Finance and Administration) serves as the single state agency for the Medicaid program. Both federal agencies (Dept. of Health and Human Services and Dept. of Agriculture) concurred in the design and development of the ACCENT system. Without federal approval there would have been no federal funding of either ACCENT's development or program service funding since 1992.

Federal funding for ACCENT has been consistent for both system development and ongoing eligibility processing. The "closeout" letter from the Department of Health and Human Services dated February 9, 1995 is evidence of the approval of both AFDC and Medicaid program participation. This letter represents the final approval and certification of the ACCENT system. USDA was well aware of the "paperless" aspects of the system.

ATTORNEY GENERAL'S OPINION

A memorandum dated December 8, 1992 was received from Tennessee's Office of the Attorney General providing an informal legal opinion regarding the legal sufficiency of maintaining a one-page paper application and an electronic case file. The opinion was that "the application form and the electronic file satisfies the legal requirements for determining eligibility and would be admissible evidence in legal proceedings regarding such eligibility." The opinion further states that "[t]here are no federal requirements specifying that the Department of Human Services maintain written documentation other than the signed application form."

QUALITY CONTROL SYSTEM

Traditionally, as part of the funding agreement and program oversight, the federal agencies require a Quality Control system to review a sample of case actions. Currently only the Food Stamp program requires that a complete Quality Control review be conducted as part of the federal/state funding agreement. For the Medicaid program, the state and the federal agency mutually target a portion of the Medicaid population for a Quality Control review with a corrective action plan as the goal for improving case quality. For both the Food Stamp and Medicaid programs, there is a random case selection sample each month. This sample is made from the list of all Food Stamps households or all Medicaid cases with children (current Medicaid QC plan) as applicable. Please note that with the Food Stamp program there is a federal re-review using a sub-sample of the state QC review cases. The Food Stamp federal review is conducted electronically by reading the ACCENT record and the QC review packet.

Based on a sample of Food Stamp cases, the Quality Control system ensures that the electronic file includes the required information for eligibility determinations and verifies the accuracy of that information. Further, the Quality Control system serves as a deterrent to creating fraudulent cases/documentation. Contrary to what is stated in the finding, the Quality Control reviewer must independently verify all points of eligibility. The Quality Control process ensures that the verification sources (primary, secondary, or others) used by the eligibility counselor are appropriate. The eligibility counselor must rely on a variety of sources to correctly determine eligibility. Depending on the source (bank statement, pay stub, birth certificate, self-declaration), the eligibility counselor must obtain further verification. While it is true that there are numerous online matches with a variety of agencies (Social Security and Department of Labor), these sources only serve as indicators and additional verifications must be pursued. Quality Control oversight provides on-going assessment of worker skill and knowledge in establishing financial eligibility and verifies that the information entered into ACCENT is accurate.

The department conducts the QC review of a random sample of Food Stamp cases in accordance with federal guidelines contained in 7 CFR 275. Any deviations from the federal guidelines may cause financial sanctions to the department. The federal policy regarding the

disposition of cases dropped from the QC sample applies to states with paper files, as well as to states without paper files. Every state, regardless of its system of eligibility determination, drops cases from the sample for the same reasons Tennessee drops cases. None of the dropped cases are used to calculate an error rate. If the QC reviewer is unable to complete the review for any number of valid reasons, it is inappropriate to show the case as being in error or as being correct.

The QC reviewer examines eligibility in a particular month, not necessarily in the month of application. Therefore, no matter what documentation is or is not on file, all points of eligibility must be re-verified by the QC reviewer independent of the initial determination. We do not rely, nor have we ever relied, on the documentation of the county office provided at the time of the eligibility interview, whether it is paper or electronic.

The audit recommendation states that the QC process should include TANF. Due to the integrated nature of the ACCENT system (overlapping of program eligibility), both the Food Stamp and Medicaid QC processes include the TANF program. The Medicaid QC covers all assistance groups with children except those that are Families First related and 80% of the Families First cases are subject to the Food Stamp QC sample. The common eligibility requirements for all 3 programs are subject to review in the QC process. Therefore, the QC review of Food Stamps and Medicaid cover the Families First program as well.

The department has also elected to adopt our own quality assurance program called, "Active Case Review" (ACR) for Families First. The ACR appropriately reflects the programmatic goals of not only process (i.e. eligibility determination), but also outcomes (i.e. case management), as outcomes are the primary focus of the program. While the ACR does not contact the client to re-verify the information on ACCENT, all of the data matches (with the exception of the IRS match due to confidentiality issue) are reviewed and any discrepancies noted are resolved. Data matches are considered independent verification and are used to confirm the accuracy of the information in ACCENT.

ADMINISTRATIVE REVIEW PROCESS

Another federal/state requirement is the right of all program applicants/recipients to due process through a fair hearing. Fair hearings are held to review challenged case actions. Since the implementation of ACCENT, there has been no challenge of the use of an electronic file in eligibility determinations. Please refer to Tennessee Court Rules Annotated, Rules of Evidence, Article VIII, Rule 803 (6) and (8).

Rebuttal

Based on discussions with the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services have indicated that office believes documentation is necessary and required by Office of Management and Budget, Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

Finding Number	01-DHS-07
CFDA Number	93.563
Program Name	Child Support Enforcement
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0004TN4004; G0104TN4004
Finding Type	Reportable Condition
Questioned Costs	None

The agency needs to improve its monitoring of Child Support Collections programmers' conflict of interest

Finding

Contract employees involved in Child Support Collections programming were discovered to have interests prohibited by the contract between the Department of Human Services and Accenture, the contract firm engaged by the Department of Human Services (DHS) to provide programming maintenance for the Tennessee Child Support Enforcement System (TCSES). Two Accenture employees were discovered to be noncustodial parents currently paying child support. One Accenture employee was discovered to be a custodial parent currently receiving child support payments. A fourth Accenture employee was in the process of petitioning the court to establish paternity.

The one Accenture employee discovered to be a custodial parent currently receiving child support possessed full update (ALL staff type) access rights to TCSES. With such rights, this Accenture employee has the ability to make unauthorized changes to her own open case. The other three Accenture employees have access to TCSES computer programs. With such access, these Accenture employees have the ability to make unauthorized changes for their benefit.

The contract between the Department of Human Services and Accenture requires the following:

> The Contractor covenants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of its services hereunder. The Contractor further covenants that in the performance of the Contract no person having any such known interests shall be employed.

Furthermore, the contract grants the following ability to the Department of Human Services:

> The State reserves the right to evaluate all personnel proposed to perform services under this Contract. The Contractor shall provide, at the State's request and in a timely manner, resumes, contact references, and/or any other supporting

documentation necessary to allow the State to evaluate the individuals' qualifications.

While the primary responsibility for ensuring that contract employees are free from conflicts of interest lies with Accenture, the Department of Human Services did have the ability to do its own monitoring. However, the department does not have policies or a monitoring program in place to do so.

Recommendation

The Department of Human Services should ensure that Accenture complies with the contract terms relating to conflicts of interest by resolving all instances of conflicts identified during this audit.

The Department of Human Services should also consider developing policies and a monitoring program to ensure that contract employees are free from conflicts of interest.

Management's Comment

We concur. We will request Internal Audit's assistance in developing a conflict of interest policy and monitoring plan and implementing the monitoring plan for TCSES programmers.

Finding Number	01-DHS-08
CFDA Number	93.563
Program Name	Child Support Enforcement
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0004TN4004; G0104TN4004
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 seven 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. Management concurred with the prior audit finding and addressed specific ways in which it was going to resolve the prior audit finding. Some of the weaknesses have been resolved; however, the following weaknesses still exist.

In a review of active child support cases using TCSES (Tennessee Child Support Enforcement System), the following weaknesses were noted:

a. Four of the 25 cases tested (16%) did not comply with the establishment of paternity and support obligation procedures. Two of the cases tested (8%) contained case diary entries that indicated that the custodial parent was not cooperating with the department. There was no documentation that the caseworkers attempted to resolve these matters. Code of Federal Regulations, Title 45, Section 303.3(b), states, "For all cases referred to the IV-D agency or applying for services . . . , the IV-D agency must attempt to locate all non-custodial parents." If the custodial parent does not provide information concerning a noncustodial parent, this could hinder location efforts by the department. The other two cases (8%) did not have documentation of efforts to serve the noncustodial parent with an order to appear in court for the purpose of establishing paternity. Code of Federal Regulations, Title 45, Section 303.3(c), states, "The State must establish guidelines defining diligent efforts to serve process. These guidelines must include periodically repeating service of process attempts in cases in which previous attempts to serve process have failed, but adequate identifying and other information exists to attempt service of process."

b. Five of the 25 cases tested (20%) did not comply with medical support procedures regulations. Three cases had medical insurance information in the case file that was

not documented in TCSES. The Code of Federal Regulations, Title 45, Section 307.10(b)(14)(ii), states that the state's computerized support enforcement system must "use automated processes to assist the State in providing automated maintenance of case records for purposes of the management and tracking requirements." Also, in one case, the court order did not address medical support. In the second case, although the initial order addressed medical support, the subsequent order was not updated with medical support information. 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." In its response to the prior audit finding, management stated that it would continue to address the importance of enforcing medical support through quarterly training sessions, memorandums, etc.

c. In 2 of the 25 interstate cases tested (8%), the department did not comply with federally prescribed time frames for sending additional data. TCSES generates a mail message for caseworkers when another state requests information on a noncustodial parent. The caseworker has 30 days to respond to or to send any additional information to the requesting state. Code of Federal Regulations, Title 45, part 303.7(b)(4), states, "[the state must] Provide the IV-D agency or central registry in the responding State with any requested additional information or notify the responding State when the information will be provided within 30 days of receipt of the request for information." The caseworkers did not respond to the messages until September 28, 2001, although the due dates were August 21, 2000, and August 22, 2000, respectively.

Failure to enforce child support and medical support orders, to properly enter all information in TCSES, and to provide necessary information to responding states within federally prescribed time frames may deprive caretakers and dependent children of needed financial support and may result in the state's Child Support Enforcement Program not being reimbursed for program expenditures.

Also, as noted in the prior audit report, the amount of undistributed child support collections reported in TCSES does not reconcile to the State of Tennessee Accounting and Reporting System (STARS). The Office of Inspector General cited this in its report entitled Review of Selected Aspects of the Tennessee Child Support Disbursement Unit, in July 2000. TCSES is maintained by the maintenance contractor, Accenture, formerly Andersen Consulting. However, due to problems with TCSES and Accenture personnel, data obtained from TCSES have been found to be inaccurate. In the prior audit report, management stated that the reconciliation is in progress with the assistance of a task force and a staff member.

Recommendation

The Director of Child Support should ensure that attempts are made to enforce the necessary support obligations. Further, the Director should ensure that support orders are

reviewed, that information is entered in TCSES in a timely manner, and that information is provided to responding states within federal time frames. 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 Commissioner should ensure that the amount of undistributed child support collections reported in TCSES is reconciled to STARS by the projected deadline.

Management's Comments

We concur. This finding notes that the department did not comply with child support enforcement procedures in the prior 7 audit reports. The department strives for 100% compliance in all program activities, not just child support enforcement. The likelihood exists that the goal of 100% compliance in all child support enforcement activities will not be consistently met. However, the department achieved an 80% or higher compliance rate regarding enforcement activity mentioned in the finding. While leaving room for improvement, this is a significant accomplishment.

a. The department will emphasize the child support policy pertaining to non-cooperation of the custodial parent and policy regarding service of process at quarterly Administrator meetings. Technical Assistance Reviews conducted by State staff of local enforcement activities will review these areas for compliance and require appropriate corrective action. Training material currently being developed and tentatively scheduled for completion in March 2002, will address policy pertaining to these topics.

b. The department recently emphasized the importance of medical support enforcement at the Administrator's meeting on November 27, 2001. Medical enforcement activities will continue to be emphasized at Administrator's meetings. Technical Assistance Reviews by State staff review local enforcement office operations, which includes medical enforcement. Corrective action plans are required as needed and a follow up review is performed. Training material currently being developed and tentatively scheduled for completion in March 2002, will address policy pertinent to medical support enforcement activities.

c. The department will emphasize the child support policy pertaining to interstate cases, in general and time frames specifically, during Administrator meetings and future training sessions. Training material currently being developed and tentatively scheduled for completion in March 2002, will address policy pertinent to interstate activities.

The audit recommends that "The Commissioner should ensure that the amount of undistributed child support collections reported in TCSES is reconciled to STARS by the projected deadline."

As stated in a prior audit response, there is a system's task designated to this project. This task was scheduled to be completed in early 2002, but was delayed due to other system projects being assigned higher priorities. The task on undistributed collections reconciliation is scheduled to start up again in April 2002, and be completed in September 2002. In addition to this task, a unit continues work in the area of undistributed collections and on the reconciliation process.

Finding Number	01-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.	9801TN1401 through 0101TN1401
Finding Type	Reportable Condition
Questioned Costs	None

Case files do not contain adequate documentation of case manager contact with the child, family, or other individuals

Finding

As noted in the prior two audits covering the period July 1, 1998, to June 30, 2000, the Department of Children's Services (DCS) did not have adequate documentation in children's case files showing case manager contact with the child, family, or other individuals. 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. 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 it would ". . . 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."

However, problems were again noted involving time lapses between documented case manager contact with the child, family, or other individuals as evidenced by case note recordings. Thirty-two of 116 case files tested (28%) did not contain adequate documentation of case manager contact in accordance with DCS policy at the time the file was reviewed. In all 32 instances, there were substantial gaps in dates between case manager contacts as documented in the case recordings. Time lapses between documented contacts ranged from 35 to 560 days (averaging 127 days) in the files tested. Management subsequently located notes and other evidence of case manager contact, which was not in the case files or recorded in TNKIDS. This documentation reduced the number of problem files to 26 of 116 (22%), with gaps still ranging from 35 to 560 days (averaging 117 days). The subsequent evidence provided to the auditors

should have been included in the case files during their initial review and its omission from the files is not in compliance with DCS policy.

In addition, management stated that in December of 2000, the final region transitioning to TNKIDS completed training and that, in the future, all case recordings will be contained in a single electronic file for each child. The TNKIDS system electronically records the date of each entry to the file. Testwork comparing the date of entry with the date of activity disclosed several instances of untimely entries. Thirty-one of 116 case files tested (27%) contained instances of case notes being recorded in TNKIDS more than 30 days after case activity, contrary to DCS Policy 9.1.

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. Proper documentation, as described in DCS policies, should be prepared within a reasonable time after the visit and entered into TNKIDS within 30 days of the visit. All services provided to a child should be documented in the child's case file. In addition, quarterly monitoring of case files by field supervisors and case file reviews by central office staff from the Division of Program Operations should specifically address compliance with DCS Policy 9.1.

Management's Comment

We concur in part. Case file reviews conducted by central office staff from the Division of Program Operations documented situations where case recordings were absent for periods of time and late (after 30 days) entry of case recordings. However the absence of case recordings is not an indication that documentation of services provided, progress, and movement of the child are not included in the child's case file or TNKIDS. Many hard copy items, in addition to case recordings, serve to document services provided, progress, and movement of a child. A child's case receives periodic review by foster care review boards and the juvenile court. To facilitate those reviews, the case managers provide either written or verbal progress reports to the review board and juvenile court. The written progress reports contained in the case file provide documentation of services, progress and movement of the child. Court orders and reports completed by the foster care review board also serve to document case activity. The reports prepared by case managers for the reviews, court orders, and foster care review board reports may not be referenced in case recordings as the case file contains a hard copy of the report.

Each child in DCS custody is also required to have a permanency plan. The permanency plan references the issues that brought a child into custody and activities that must be completed in order to assist that child to return home, if appropriate, or have permanency in some other manner. Permanency plans are periodically updated and the original, as well as, revised permanency plans are contained in hard copy form in a child's file. Also, in TNKIDS, there is a Permanency Plan screen that indicates the review type, staffing date, goal type, target date, whether or not the court has ratified the permanency goal, and whether or not the parent/guardian

has approved the permanency goal. The permanency plan is the primary document by which a case manager identifies the services that need to be provided for a child and the timeframe within which the services are to be provided.

In addition, correspondence produced by a case manager or received by a case manager is included in hard copy form in a child's case file. Correspondence may include progress reports from service providers or residential treatment facilities. Correspondence may also document placement of a child in a new treatment program or foster home. Correspondence can provide documentation of services, progress and movement of the child.

Each child's case file contains a section devoted to medical information. A report from a physician regarding an EPSDT screening, immunization records from a public health clinic, documentation of a visit to the dentist, etc. may be contained in this section of the file. Also, in TNKIDS, there is a Medical screen that indicates the evaluation type and date of each doctor's visit a child has while in custody. Each health evaluation represents an action taken by the case manager that stands alone to document casework activity on behalf of the child.

As for a child's movement within the system, TNKIDS contains a separate section, called the Placement screen, regarding a child's placements. The information in TNKIDS provides a history of the child's placements as well as the child's current placement. No additional documentation of a child's placement or movement within the system is necessary.

The Department 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 a review of case recordings, we will continue to monitor other items contained within the hard copy case file that are a clear documentation of casework activity, progress of the child, services provided, and movement of the child within the system.

Auditor's Comment

Management's response partially concurs with the finding and mentions several of the other sections within its case files and the documents maintained therein. However, as it relates to the documentation of case manager contact and compliance with its policy regarding case recordings, it acknowledges that its own case file reviews documented the condition noted in the finding. The quarterly monitoring of case files by field supervisors and the central office reviews conducted during the audit period may have disclosed the failure to comply with the department's case recording policy. However, these actions did not correct the condition noted in the finding. The results of this year's testwork indicate no improvement in the number of problem files or the gaps in the case recordings over last year. Management's comments to this year's audit finding offer the same corrective action as it did last year. It is unclear how management expects its continuation of actions that did not result in correction of the problem during 2001 will correct the problem in 2002.

Finding Number	01-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.	0001TN1407 through 0101TN1407
Finding Type	Reportable Condition
Questioned Costs	None

Case files do not contain adequate documentation of case manager contact with the child, family, or other individuals

Finding

As noted in the prior two audits covering the period July 1, 1998, to June 30, 2000, the Department of Children's Services (DCS) did not have adequate documentation in children's case files showing case manager contact with the child, family, or other individuals. 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. 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 it would ". . . 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."

However, problems were again noted involving time lapses between documented case manager contact with the child, family, or other individuals as evidenced by case note recordings. Thirty-two of 116 case files tested (28%) did not contain adequate documentation of case manager contact in accordance with DCS policy at the time the file was reviewed. In all 32 instances, there were substantial gaps in dates between case manager contacts as documented in the case recordings. Time lapses between documented contacts ranged from 35 to 560 days (averaging 127 days) in the files tested. Management subsequently located notes and other evidence of case manager contact, which was not in the case files or recorded in TNKIDS. This documentation reduced the number of problem files to 26 of 116 (22%), with gaps still ranging from 35 to 560 days (averaging 117 days). The subsequent evidence provided to the auditors

should have been included in the case files during their initial review and its omission from the files is not in compliance with DCS policy.

In addition, management stated that in December of 2000, the final region transitioning to TNKIDS completed training and that, in the future, all case recordings will be contained in a single electronic file for each child. The TNKIDS system electronically records the date of each entry to the file. Testwork comparing the date of entry with the date of activity disclosed several instances of untimely entries. Thirty-one of 116 case files tested (27%) contained instances of case notes being recorded in TNKIDS more than 30 days after case activity, contrary to DCS Policy 9.1.

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. Proper documentation, as described in DCS policies, should be prepared within a reasonable time after the visit and entered into TNKIDS within 30 days of the visit. All services provided to a child should be documented in the child's case file. In addition, quarterly monitoring of case files by field supervisors and case file reviews by central office staff from the Division of Program Operations should specifically address compliance with DCS Policy 9.1.

Management's Comment

We concur in part. Case file reviews conducted by central office staff from the Division of Program Operations documented situations where case recordings were absent for periods of time and late (after 30 days) entry of case recordings. However the absence of case recordings is not an indication that documentation of services provided, progress, and movement of the child are not included in the child's case file or TNKIDS. Many hard copy items, in addition to case recordings, serve to document services provided, progress, and movement of a child. A child's case receives periodic review by foster care review boards and the juvenile court. To facilitate those reviews, the case managers provide either written or verbal progress reports to the review board and juvenile court. The written progress reports contained in the case file provide documentation of services, progress and movement of the child. Court orders and reports completed by the foster care review board also serve to document case activity. The reports prepared by case managers for the reviews, court orders, and foster care review board reports may not be referenced in case recordings as the case file contains a hard copy of the report.

Each child in DCS custody is also required to have a permanency plan. The permanency plan references the issues that brought a child into custody and activities that must be completed in order to assist that child to return home, if appropriate, or have permanency in some other manner. Permanency plans are periodically updated and the original, as well as, revised permanency plans are contained in hard copy form in a child's file. Also, in TNKIDS, there is a Permanency Plan screen that indicates the review type, staffing date, goal type, target date, whether or not the court has ratified the permanency goal, and whether or not the parent/guardian

has approved the permanency goal. The permanency plan is the primary document by which a case manager identifies the services that need to be provided for a child and the timeframe within which the services are to be provided.

In addition, correspondence produced by a case manager or received by a case manager is included in hard copy form in a child's case file. Correspondence may include progress reports from service providers or residential treatment facilities. Correspondence may also document placement of a child in a new treatment program or foster home. Correspondence can provide documentation of services, progress and movement of the child.

Each child's case file contains a section devoted to medical information. A report from a physician regarding an EPSDT screening, immunization records from a public health clinic, documentation of a visit to the dentist, etc. may be contained in this section of the file. Also, in TNKIDS, there is a Medical screen that indicates the evaluation type and date of each doctor's visit a child has while in custody. Each health evaluation represents an action taken by the case manager that stands alone to document casework activity on behalf of the child.

As for a child's movement within the system, TNKIDS contains a separate section, called the Placement screen, regarding a child's placements. The information in TNKIDS provides a history of the child's placements as well as the child's current placement. No additional documentation of a child's placement or movement within the system is necessary.

The Department 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 a review of case recordings, we will continue to monitor other items contained within the hard copy case file that are a clear documentation of casework activity, progress of the child, services provided, and movement of the child within the system.

Auditor's Comment

Management's response partially concurs with the finding and mentions several of the other sections within its case files and the documents maintained therein. However, as it relates to the documentation of case manager contact and compliance with its policy regarding case recordings, it acknowledges that its own case file reviews documented the condition noted in the finding. The quarterly monitoring of case files by field supervisors and the central office reviews conducted during the audit period may have disclosed the failure to comply with the department's case recording policy. However, these actions did not correct the condition noted in the finding. The results of this year's testwork indicate no improvement in the number of problem files or the gaps in the case recordings over last year. Management's comments to this year's audit finding offer the same corrective action as it did last year. It is unclear how management expects its continuation of actions that did not result in correction of the problem during 2001 will correct the problem in 2002.

Finding Number	01-DCS-01
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
Pass Through Agency	Bureau of TennCare
State Agency	Department of Children's Services
Grant/Contract No.	Various
Finding Type	Reportable Condition, Activities Allowed or Unallowed
Questioned Costs	$168.00

Children's Services inappropriately requested and received reimbursement of $1,757,565 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, 2001.

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, . . . 2) behavioral health services for children under the age of three, . . .

Although the department has made substantial progress in reducing reimbursements for services provided outside the scope of its agreement with TennCare, there were still the following areas where inappropriate reimbursements occurred.

Payments for Incarcerated Youth

As noted in the prior four 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, "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." However, using computer-assisted audit techniques, our search of TennCare's paid claims records revealed that TennCare was inappropriately billed for and made payments totaling at least $254,880 from July 1, 2000, through June 30, 2001, for juveniles in youth development centers and detention centers. The prior audit finding disclosed inappropriate billings of $813,270 from July 1, 1999, through June 30, 2000.

Children Not in State Custody

As noted in the prior two audits, Children's Services inappropriately billed and received payment from TennCare for children not in state custody. Management partially concurred with this portion of the prior finding and attributed the problem to a misunderstanding regarding TennCare coverage related to a pilot program and noted that corrective actions had been taken. Management felt that the majority of the other children were in fact in custody. Management pointed to delays in court proceedings when children in "physical custody" are removed from a home by Child Protective Services, thereby delaying a court order declaring a child in "legal custody" of the department. Management stated that several days might pass before the department receives a written court order. In addition, management described how the TNKIDS system is able to record a "physical custody" date whereas the previous database used could only document the "legal custody" date for a child. In our rebuttal, we stated that it was possible 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.

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, we 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 $363,800 from July 1, 2000, through June 30, 2001, for services to children who were not in the state's custody. The prior audit finding disclosed inappropriate billings of $3,512,975 from July 1, 1999, through June 30, 2000.

In addition, the data match performed above resulted in a listing totaling $4,590,432 in billings where the names, dates of birth, and/or social security numbers did not match with TNKIDS. A sample of 60 children from this listing representing $453,194 of the above total was selected for further analysis. Further review of these names revealed that all 60 children had a record in TNKIDS. The results of the testwork performed on the sample disclosed that $47,821 was paid for dates of services during which time these children were not in custody according to the related records in TNKIDS.

Children on Runaway Status

As noted in the prior two audits, 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, "The department put controls in place to eliminate billing TennCare for children on runaway status on April 28, 2000." Management further stated that it "will continue to evaluate whether the controls in place will remedy the situation or whether additional controls are needed." 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 $266,670 from July 1, 2000, through June 30, 2001, for services to children on runaway status. The prior audit finding disclosed inappropriate billings of $827,010 from July 1, 1999, through June 30, 2000.

Payments for Services Provided to Children Under Three Years

As noted in the prior two audits, 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 and stated,

> DCS will examine the process available to appeal this finding with [Health Care Financing Administration] 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.

In our rebuttal, we noted that 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.

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 billed TennCare $1,142,312 from July 1, 2000, through June 30, 2001, for behavioral services for children under the age of three. The department attempted corrective action by reimbursement and voiding transactions. An analysis of 292 claims totaling $170,739 revealed that 232 were properly voided and reimbursed. However, the remaining 60 claims (21%) totaling $13,020 had not been properly voided or reimbursed.

Hospitalized Children

As noted in the prior audit, 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 Managed Care Organizations (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.

In response to the prior audit finding, management stated, "The department will discontinue billing TennCare for hospitalized children until further investigation into the matter can be performed." However, 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 $42,151 from July 1, 2000, through June 30, 2001, for children while they were in hospitals. The prior audit finding disclosed inappropriate billings of $1,999,313 from July 1, 1999, through June 30, 2000.

Alcohol and Drug Treatment

As noted in the prior audit, 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. In response to the prior audit finding, management stated,

> 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 impatient services. DCS provides all residential treatment services.

Children's Services billed TennCare $769,055 from July 1, 2000, through June 30, 2001, for these services. The prior audit finding disclosed billings of $3,722,966 from July 1, 1999, through June 30, 2000. Contract changes beginning July 1, 2001, state that TennCare eligible children in custody will receive medically necessary behavioral health services from the assigned BHO, with the exception of residential services (including continuum services) which are provided by DCS.

Targeted Case Management

The Department of Children's Services bills and receives reimbursement from TennCare for targeted case management, which reimburses DCS for TennCare's share of costs associated with providing case management services for children in the state's custody. Targeted case management includes, but is not limited to, case manager visits with children, developing permanency plans, maintaining case files, and arranging TennCare related services such as health screenings and behavioral health services. DCS bills TennCare a daily rate for each child in its custody that has been assigned a case manager. Targeted case management billings to TennCare were over $50 million for the fiscal year. We selected a sample of 30 children that were billed to TennCare for targeted case management. Based on the testwork performed, there was no

evidence that case management was provided to one of 30 children tested (3.3%) during the dates of service specified on the billing. Questioned costs total $168. We believe likely federal questioned cost exceed $10,000 for this condition.

Questioned costs associated with the instances of noncompliance reported in this finding, except those associated with targeted case management, 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, 2001.

Recommendation

The Commissioner should continue to develop and implement 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, on runaway status, placed in hospitals, under the age of three, or for children that have not received $30,000 of drug and alcohol services provided by the BHOs. In addition, targeted case management rates and billings should be based on children receiving targeted case management services. 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 monitor the implementation of corrective measures and evaluate their effectiveness. 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

The department is pleased that the questioned costs for this category have been reduced from $813,270 in fiscal year 2000 to $254,880 in fiscal year 2001. This represents a reduction of 68%. The department has not had adequate time to analyze all transactions provided by the auditors for payments for incarcerated youth. A couple of the possible causes could be that detention center contracts are being billed to TennCare or the placement history in TNKIDS is inaccurate. The department will have to determine what the underlying causes are before corrective action for this category can be taken. Once the department determines what the underlying causes are, management will make adjustments to the department's control structure.

Children Not in State Custody

As to the auditor's listing of other children who they believe were not in custody, the department submits that some 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).

Children on Runaway Status

The department is pleased that the questioned costs for this category have been reduced from $827,010 in fiscal year 2000 to $266,670 in fiscal year 2001. This represents a reduction in questioned cost of 67%. The department has not had adequate time to analyze every transaction on the data match provided by State Audit. However, in our initial analysis, there appears to be two main causes for the children to appear on the data match. It appears that the runaway placement was not always entered correctly in TNKIDS. Therefore, a child could appear on runaway status when, in fact, they are not on runaway status. There also appears to be an issue with the invoice approval process. It appears that the approvers may not always catch coding errors on the invoices submitted by the vendors. Management will continue to analyze the data match and evaluate what additional controls are needed.

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 continue to pursue an appeal of this finding with HCFA through TennCare. Until a ruling can be determined by that process, the department has already made modifications to the accounting system to disallow billing children under three to TennCare. This population will be served by using state funding until an approval from HCFA is received. In determining whether a child is less than three years of age, the department uses the date of birth from the invoice submitted by the vendor and approved by field staff. Part of the approval process is to determine whether the date of birth is correct on the invoice. It appears that for the children in question date of birth on the invoice does not agree to the date of birth showing in TNKIDS. The TNKIDS date of birth is indicating they are under three years of age at the date of service, while the date of birth on the invoices are indicating they are over three years of age at the date of service. The department will investigate to determine which date of birth is accurate and will make any necessary refunds to TennCare.

Hospitalized Children

The department is pleased that the questioned costs for this category have been reduced from $1,999,313 in fiscal year 2000 to $42,151 in fiscal year 2001. This represents a reduction in questioned cost of 97%. The department has not had adequate time to analyze all transactions of the data match of hospitalized children. However, we believe that the $42,151 is attributable to transactions that were processed before our control was put into place. The department will continue to monitor hospitalized children to ensure that our current control structure is sufficient.

Alcohol and Drug Treatment

TennCare does not have a mechanism to monitor and provide notification to DCS the dollar amount of alcohol and drug treatment. As stated in the finding, the fiscal year 2002 contract contains language that clarifies that the BHO provides all acute inpatient services, and DCS provides all residential treatment services.

Targeted Case Management

Management believes that the vast majority of the children in its custody receive services that fall under the definition of targeted case management. However, it does appear for this one child that the services provided do not fall under the definition of targeted case management. Management does believe that this was an isolated incident and is not a systematic problem.

Rebuttal

Children Not in State Custody

Although it is possible that some of the costs questioned included payments for children removed from homes in emergency situations 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.

Payments for Services Provided to Children Under Three Years

As previously stated, the U.S. Department of Health and Human Services' response to the 1999 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	01-DCS-02
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
Pass Through Agency	Bureau of TennCare
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 did not have a reasonable system to determine medical treatment costs associated with providing services to children in the state's care

Finding

As noted in the prior three audits covering the period July 1, 1997, through June 30, 2000, the Department of Children's Services (DCS) did not have a reasonable system to determine medical treatment costs associated with providing services to children in the state's care. DCS completed a new time and cost study in January of 2000, which is to serve as the methodology for determining actual costs associated with the treatment of children in its custody. On November 5, 2001, the federal Department of Health and Human Services' Division of Cost Allocation approved Amendment 00-1 to the department's cost allocation plan, effective July 1, 2000. This amendment, which establishes standard rates based on levels of service to be billed to TennCare and documents the methodology for determining those rates, is awaiting implementation and retroactive application.

During the audit period, the department's basis for billing TennCare was a 1991-92 cost analysis study of all the treatment facilities providing services to DCS, which was performed by an independent contractor. If a treatment facility was not included in the 1991-92 cost study, the department arbitrarily set rates of approximately 45% to 50% of the facility's charge for the treatment portion of service. According to Medicaid/TennCare regulations, TennCare reimbursements must be based on actual costs.

Testwork performed on the billing procedures revealed that in 23 of the 30 billings tested (77%), the amount billed to TennCare for treatment costs did not comply with the billing percentages described above. 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.

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 during the audit period.

Recommendation

The department should promptly implement the approved cost allocation plan. Furthermore, the department should develop a strategy to retroactively apply the cost allocation plan, effective July 1, 2000. This strategy must consider the effects of application on the revenues and expenditures of both federal and state programs and ensure that all adjustments pertaining to the retroactive application are adequately documented.

Management's Comment

We concur. As stated in the finding, the department received approval from the federal government in November 2001 to apply the methodology it developed. The required adjustments to implement these new rates retroactively to July 2000 will be complicated and time consuming. The method used to make the required adjustments will require a thorough analysis prior to implementation in order to minimize the probability of errors. These expenditures were funded from several funding sources, which means all the various funding sources will need adjustments. In addition, contracts which were in place during the development of the methodology have changed in structure requiring an analysis of how each has changed and what effect that change will have on the required adjustments. The department is dedicated to making the required retroactive adjustments as timely as possible; however, accuracy of the adjustments is just as imperative as the timeliness issue.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

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

Finding

As noted in the previous audit, 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 audit finding, as discussed throughout this finding. However, problems still exist.

As discussed in the "Objectives, Methodologies, and Conclusions" section of this report, 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 organizational 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.

Inadequate System and Staff Resources

Management concurred with the prior audit finding and stated, "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." However, as discussed further in finding 01-DFA-37, 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.

Management also stated in response to the prior audit finding:

> Our new Deputy Director. . . 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. . . . We have a new TennCare Partners Program Operations Director, who has been on the job since August 2000. . . . We now have a Manager of Personnel. . . . A new Director of the Solutions Unit has recently been hired. . . . 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. . . . 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.

However, according to management, the TennCare program is still understaffed. During fieldwork, we did note attempts by management to hire additional staff.

Inadequate Written Operating Policies and Procedures

Management stated in response to the prior audit finding that "written policies and procedures have been developed for the following units: Administrative Appeals, TennCare Information Line, Provider Services, Legislative Response." However, 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. For example:

- A TennCare eligibility policy and procedures manual has not been approved for the County Health Offices (CHOs). See finding 01-DFA-12 for further details.
- TennCare's policies and procedures manual for pricing cross-over claims is not adequate. See finding 01-DFA-28 for further details regarding this matter.
- TennCare has no written, comprehensive operating policies and procedures pertaining to utilization control and suspected fraud (finding 01-DFA-36).
- There were no written procedures during the audit period for Financial Change Requests as discussed in finding 01-DFA-06.
- TennCare's fiscal agent, EDS (Electronic Data Systems), is responsible for entering adjustments in the TennCare Management Information System (TCMIS) for fee-for-service claims. The adjustments are entered using Adjustment/Void Request forms. EDS staff including the supervisor key in adjustments based upon the forms. The supervisor then randomly reviews these adjustments keyed by others. However, testwork revealed that there was no review of the changes that were keyed into TCMIS by the supervisor.

Inadequate Due Process Procedures for Enrollees

TennCare did not have adequate due process procedures in place for enrollees. Please see 01-DFA-08 for further details regarding this matter.

Inadequate Monitoring

TennCare's monitoring effort needs improvement see findings 01-DFA-04, 01-DFA-17, 01-DFA-18, 01-DFA-32, and 01-DFA-33 for further details.

In addition, as noted in the prior two audits, in its August 9-12, 1999, site visit report, the Centers for Medicare and Medicaid Services (CMS), formerly known as the 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.

Concerning the TennCare Monitoring Plan, management stated in response to the prior audit finding, "We are reviewing this plan and taking steps to determine whether there should be changes before we implement." However, TennCare still does not have a monitoring plan in place.

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 administrative structure of the program.

The Director should also develop a plan to address the personnel requirements of the program. 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 adequate written and comprehensive operating policies and procedures are developed for all areas of the TennCare program. The Director should ensure adequate review of all adjustments that are made to fee-for-service claims in TCMIS. 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 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

TennCare concurs with the overall finding. Significant energy has been invested in addressing these issues, but many of these issues require substantial planning and development. The results of these efforts are obvious in a number of areas, but still need development in others. Overall internal controls are being upgraded.

TennCare concurs that it still does not have an adequate information system to meet the business demands it faces. Significant progress has, however, been made on changing this. The Bureau has invested a year in developing a procurement for a replacement TCMIS. This development process included many users and constituents, including other state agencies and affected outside parties. The procurement is expected to be public before the end of March 2002. The new system is to be implemented by October 1, 2003. This procurement has substantial new requirements for administrative and programmatic monitoring of the system processes. The contractor will develop new operations and procedures manuals. All documentation, as well as policies and procedures, will be accessible by approved users electronically. The system will have a flexible table-driven design to quickly respond to new policy and regulatory changes. The system will facilitate compliance with all federal and state laws and regulations. Audit trails will be provided throughout the system to identify and track all transactions (e.g., eligibility changes, claims adjustments). The system will retain the fields changed, reason, source, date, time, and previous transaction information.

A second procurement for a decision support system (DSS) will follow in a couple of months. This system will permit greater flexibility and access to TennCare data. It will permit business users to analyze data that affects their units without requiring ad hoc reports from the operating system.

In the mean time, the Bureau has added a new appeals tracking system with substantial data analysis capabilities. This new system now permits detailed tracking of appeals activity and detailed analysis of appeal issues. The system was fully implemented for medical appeals November 1, 2001 and should be fully implemented in administrative appeals by June, 2002.

Significant changes have also been made in staffing. A number of new positions have been hired into the Bureau. Staffing shortages still occur when appeals volumes peak, but overall staffing is substantially improved. The organization has also been restructured to include a stronger senior management structure. A new assistant commissioner for member services has been established to coordinate all activities directed at members, including eligibility policy, the member hotline, administrative appeals, and medical appeals. A new assistant commissioner for delivery systems has been hired to coordinate all of the ways in which TennCare delivers services, including the MCO program, behavioral health, pharmacy, dental, and long term care. In addition, a separate MCO program director has been created to coordinate all interaction with MCOs.

The Bureau has made substantial progress on developing operating policies and procedures. All of TennCare's eligibility and reverification procedures have been rewritten. A detailed manual has been created for the Department of Health staff. A comprehensive waiver operating protocol has also been created to coincide with the implementation of the new waiver. We have documented MCO and BHO contract and oversight responsibilities and linked these responsibilities to the contracts paragraph by paragraph. Procedures for MCO/BHO financial and claims reviews have been established jointly by the Bureau and Tennessee Department of Commerce and Insurance (TDCI). Monthly MCO/BHO performance reviews have been established to review all available performance data.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare should ensure adequate contracts and effective monitoring of contracts

Finding

As noted in the two previous audits, the Bureau of TennCare needs to ensure adequate contracts and effective monitoring of contracts. As reported since 1999, the Bureau of TennCare has not had an interdepartmental agreement with the Department of Commerce and Insurance (Commerce and Insurance) and has an out-of-date cooperative agreement with the Department of Human Services (DHS). Furthermore, the Bureau has not effectively monitored its contracts.

Management concurred with the prior audit finding and stated that they would assign a specific individual to each contract and that monitoring would be a priority. Management did assign specific staff members responsibility for monitoring all Bureau contracts. Management also stated that they would assign a staff member to work with TennCare staff, the Department of Children's Services (DCS), and monitors in the Department of Finance and Administration to improve the monitoring effort for DCS. However, testwork revealed that the monitoring effort needs improvement. See finding 01-DFA-17 for further details on this matter. Management also stated that they would review the agreement with DHS and initiate an agreement with Commerce and Insurance, but that the agreements would not be completed before the end of the fiscal year ending June 30, 2001. The Bureau did develop an interdepartmental contract with Commerce and Insurance by July 2001. 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 Bureau of TennCare's cooperative agreement with DHS is for the determination of Medicaid eligibility. The 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 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 addition, testwork revealed that the contract between TennCare and the DCS does not specify which policies, standards, or methods DCS should use to make eligibility determinations for the Title XIX program. Not including this information in the contracts increases the risk that DCS is not using the correct eligibility criteria in making its eligibility determinations.

Also, discussions with the Chief Financial Officer revealed that TennCare did not conduct fiscal audits of the external quality review organization (EQRO) contractor as required by the contract with the EQRO contractor.

Furthermore, TennCare has not developed monitoring procedures. Although TennCare has assigned responsibility for each contract, testwork revealed that sufficient monitoring procedures for each contract were not performed. Examples of these contracts and agreements include

- an interdepartmental contract 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 Department of Human Services to provide Medicaid eligibility determinations;
- a contract with the Department of Children's Services to provide non-medical treatment and case management services (see finding 01-DFA-17);
- 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 (see finding 01-DFA-33).

Without effective monitoring procedures in place, the Bureau cannot ensure compliance requirements of each contract are being met.

Recommendation

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. This

agreement should be revised to reflect the TennCare program and the rules that govern the program. The Director should revise the contract with DCS to specify which policies, standards, or methods DCS should use to make eligibility determinations. The Director should ensure that TennCare conducts fiscal audits of the EQRO contractor as required. In addition, the Director of TennCare should ensure that adequate contract monitoring is performed and that written policies and procedures are developed and implemented as necessary to ensure effective contract monitoring is performed.

Management's Comment

We concur in part. A new agreement with the Department of Human Services is now in place. With respect to eligibility determinations, the agreement with the Department of Children's Services (DCS) states that DCS agrees to "perform TennCare eligibility determinations in accordance with Medicaid eligibility criteria…" In another section of the contract, applicable laws, rules and policies are cited.

We concur that the contract with the external quality review organization states that TennCare's responsibilities include a fiscal audit of the contractor and that this review was not performed. The contract was entered into through the State's bid process and the contractor is paid on a unit rate/milestone methodology as opposed to a reimbursement methodology. While TennCare may audit this contractor, because of the nature of the payment methodology, a fiscal audit of this type contract would not normally be performed. A determination will be made as to whether a fiscal audit is warranted.

TennCare will continue to work with the Department of Finance and Administration, Program Accountability Review section to refer appropriate contracts for monitoring. A process to identify contracts that should be monitored has been developed; this process is performed at the time the contract is executed. After additional evaluation, other procedures considered necessary will be implemented within the Bureau to ensure appropriate monitoring is performed.

Rebuttal

With respect to DCS eligibility determinations, management's quote from the contract relates to the new DCS contract for "the period commencing on July 1, 2001, and ending on June 30, 2003." The contract that was in effect during the audit period contained no such statement. The new DCS contract also has a section titled "Applicable Laws, Rules, and Policies." However, the contract in effect during the audit period does not have a section that lists applicable laws, rules, and policies.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

The Department of Finance and Administration did not exercise its responsibility to ensure that the Department of Human Services maintained adequate system security over the ACCENT system

Finding

The Department of Finance and Administration did not ensure that the Department of Human Services (DHS) maintained adequate system security over the Automated Client Certification and Eligibility Network (ACCENT). While the Department of Finance and Administration (F&A) does not have the day-to-day responsibility for the ACCENT system, the accuracy and integrity of the data in the TennCare Management Information System (TCMIS) is ultimately dependent upon system controls present in both the TCMIS and the ACCENT system. Under a cooperative agreement with the Bureau of TennCare, DHS is responsible for determining Medicaid eligibility for the state. DHS uses the ACCENT system to determine eligibility for Medicaid-eligible recipients and sends ACCENT records to the Bureau of TennCare in the Department of Finance and Administration daily to update eligibility information in TCMIS. Since TennCare relies upon DHS to make eligibility determinations for Medicaid, it is critical that F&A ensures adequate system controls exist for the ACCENT system.

During the audit for the fiscal year ended June 30, 2001, we noted terminated employees' access privileges were not revoked in a prompt manner; and security authorization forms were missing, were not properly completed, or did not match the current access privileges of the users.

Terminated employees' access privileges were not revoked in a prompt manner

Testwork noted 5 of a sample of 38 Resource Access Control Facility (RACF) users, who possessed active ACCENT privileges, (13%) were terminated users. RACF is the state mainframe security software, which is used to provide an initial level of access security before the user can access department- or agency-level systems. Good security practices require that terminated users' system privileges within all applicable systems are promptly revoked upon their termination. The failure to revoke terminated users' system privileges increases the possibility that sensitive information could be inappropriately modified.

Authorization forms were missing, incomplete, or inconsistent with users' actual access rights

Testwork noted the following issues:

- Department personnel were unable to locate RACF security forms for 3 of 38 users (8%) who had active access rights to the ACCENT system.
- Eleven of 25 ACCENT security authorization forms selected for testwork (44%) were not properly authorized by management.
- Five of 25 ACCENT security authorization forms selected for testwork (20%) did not match the actual access levels possessed by the employees. All five users possessed greater access than originally authorized.

Good security practices require that an access authorization form should be completed for each employee using departmental or state application systems. This authorization should be prepared by the employee's management, and should specify the employee's access level(s) and the justification for such access. If the access privileges required by an individual legitimately change, a new authorization form should be completed prior to the changing of the access rights by the security administration staff. All of the completed authorization forms should be maintained in a secure location by appropriate security administration personnel. The failure to prepare, collect, and maintain access authorization forms as suggested above increases the possibility that access to sensitive systems and information may be granted to ineligible individuals, and that authorization may be granted to employees in excess of what is warranted for their job responsibilities.

Recommendation

The Commissioner of Finance and Administration should ensure that DHS Management improves security for ACCENT. The Commissioner of Finance and Administration should ensure users are granted the appropriate level of system access based on their job responsibilities. Security authorization forms should be completed by management and maintained. The Commissioner of Finance and Administration should monitor the system security for ACCENT and take appropriate action if problems are noted.

Management's Comment

Department of Finance and Administration

We concur in part. However, to maintain data integrity, the TennCare TCMIS regularly receives and validates data from the DHS ACCENT system. This validation includes format and limitations review. TennCare staff inspects a portion of the data from ACCENT within 24 hours of receipt of the data to verify the accuracy of that data and reports back to DHS when the information is not acceptable.

We concur that there are external agencies who have access to the TCMIS. We have aggressively attempted to obtain signed justification for users in those agencies. TennCare Information Systems management has reviewed security forms based on previous audit findings and modified the forms to include justification. As new users were granted access to the TCMIS, the new justification form was submitted. In addition, in cases where justification forms for

existing users could not be located, justification was requested from section managers and the security forms were updated. We are currently in the process of obtaining justifications from users in the Department of Human Services (DHS).

The current TCMIS has many controls and edits included which allow for extensive internal access control and audit capabilities. However, TennCare Information Systems management will concede that external access control from other state agencies such as Department of Health (DOH) and Department of Human Services (DHS) could be improved. Therefore, Information Systems is currently in negotiations with DOH and DHS to develop a no-cost inter-departmental contract that will include enhanced procedures to control access to the TCMIS. The execution of these contracts will provide administrative procedures and controls over access to the MIS as well as provide for audits by the comptroller.

Department of Human Services

We concur.

The Department continues to work on the detailed processes that are necessary in order to put in place the larger improvements in our security controls that are more visible in audit reviews. Security Administration Focus Group staff have continued to work toward integrating security management controls with ACCENT so that we can properly authorize and terminate user access to this system. As we move toward department-wide access control procedures, the following outlines our plan to ensure that ACCENT user tables have integrity, and to integrate effective access control procedures for these systems.

A target date of March 2002 has been set to pilot implementation of the new department-wide access control procedures for Family Assistance and Field Operations staff. We will pilot the procedures in one of our eight administrative districts. Under the new procedures:

- All user profiles will be added to RACF and ACCENT (i.e., created and/or changed) by Central Office security staff. All subsequent changes that are made by field staff require the submission of a new form that explains the permanent change in access.
- One form will be used to apply for a User ID and authorize access to ACCENT.
- The authorization form will be sent by designated management staff and approved by Central Office security administration staff based on established policies and procedures. A new authorization form must be sent for all changes, and procedures will be put in place to detect unauthorized changes. All authorization forms will be stored centrally. Upon termination of employment or a change in work groups, users will automatically be terminated on ACCENT.
- A training package is being finalized for all users; managers who are designated as being responsible for requesting access; and security staff who are responsible for granting and terminating access to ACCENT. The training packages will be completed for the pilot in March 2002.

- Plans are to expeditiously implement the new procedures in all of the other program areas after the Family Assistance and Field Operation work groups.

Terminated employees' access privileges were not revoked in a prompt manner.
Authorization forms were missing, incomplete, or inconsistent with user's actual access rights.

In January 2002, we implemented a new screen in ACCENT to eliminate the need for Family Assistance Field and State office staffs who require multiple ID's on ACCENT to have multiple user profiles on RACF. The SMUG screen also allows security staff to view the ID's that an individual has active in ACCENT, and inactivate them when employment is terminated or the user leaves the work group.

Also, we began generating and using reports that enable security staff to review the ACCENT user data table to review users who have multiple active ID's and detect profiles that allow specific access authorizations that are not consistent with the user's job title. In all instances, the appropriate manager is responsible for ensuring that the authorized profile is consistent with the user's job responsibilities, which may not be consistent with the user's job title. This point will be stressed in the training for designated managers.

In addition, a department-wide memorandum was issued with a checklist of things to be done when an employee leaves the department. The memo was issued so that each supervisor or manager knows all that is expected of them after an employee leaves the department. The termination of computer access is among these items.

Rebuttal

While the procedures described by management could provide for the validity of data, it is still imperative that management improve system security by granting appropriate access based on job responsibilities.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

Controls over financial change requests should be strengthened

Finding

As noted in the prior audit, the TennCare Bureau needs to improve controls and policies over financial change requests (FCRs). Management concurred with the prior audit finding and stated that TennCare "will review controls and procedures over FCRs and implement changes as needed." However, testwork revealed that the controls and procedures were still inadequate. Although TennCare implemented some controls over FCRs on April 1, 2001, in response to the prior audit finding, testwork revealed that the controls implemented were not adequate.

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). The following deficiencies were noted during the audit:

- There were no written procedures for the FCR review process implemented on April 1, 2001.
- TennCare does not examine system reports for adjustments that are not supported by FCRs. Without this examination, there is a possibility that adjustments could be entered into the system without authorization.
- One of 60 FCRs sampled had not been signed by all the required individuals and had not been correctly entered into TCMIS. The FCR requested a recovery from a provider of $25,340; however, only $25,240 was recovered. Discussions with management revealed that this under recovery was made because of an oversight.

These weaknesses in internal controls over FCRs could permit unauthorized payments to be made and not be detected in the normal course of business.

Recommendation

The Director of TennCare should ensure written procedures are developed and followed for the FCR review process. These procedures should include requirements to examine system reports for unsupported adjustments and should require all examinations to be documented.

Management's Comment

We concur. The Bureau developed a procedure that went into effect on April 2001 related to financial change requests and will ensure that it addresses these issues. This procedure instructs the fiscal staff involved in initiating an FCR to sign off at the bottom of the FCR as final approval of completion. The sign off completes the FCR process by verifying what was requested was done accordingly and correctly. An addition to the procedure was written and implemented in October 2001, which created another internal control for verifying each FCR has been completed and that no financial transactions occurred that were not requested in an FCR document. The fiscal staff member responsible will tick mark each line 13 and line 16 transaction shown on the report. These lines indicate the financial transaction was initiated by an FCR. These written procedures were put in place to strengthen controls over the FCR process.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare did not follow its own rules that were in effect during the audit period

Finding

As noted in the prior five 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 has revised its rules. However, they were not effective for the audit period.

Testwork revealed the following recurring 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. Audit testwork revealed payments that exceeded the limits. (See finding 01-DFA-28 for more details.) In the prior audit finding, management stated these rules had been revised. Although the rules have been revised, the rules were not effective until November 4, 2001.
- The Bureau has drafted rules to include changes in the method it uses to determine payments to the state's medical schools for graduate medical education. Management stated in the prior finding that the rules would be drafted when the waiver is extended. While management did draft rules, these rules were not effective during the audit period.
- The revised rules pertaining to the Home and Community Based Services waiver program were not effective during the audit period to reflect the changes in the program. For example, TennCare no longer pays provider claims based on a per diem rate. In the prior audit finding, management stated that rules were being amended to include language to comply with the Grier Consent Decree Order. The rules were effective September 19, 2001.

Recommendation

The Director of TennCare should ensure that the modified rules pertaining to payments for enrollees who are both TennCare and Medicare recipients as well as the Home and Community Based Services waiver program are followed. In addition, the Director should ensure the draft rules pertaining to graduate medical education are made effective.

Management's Comment

We concur. New rules have been implemented since the end of the audit period for Medicare/TennCare cross-over claims and the HCBS waiver program. New rules for the GME program are under review and will be put in place as soon as possible.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

TennCare did not have adequate due process procedures in place for enrollees, and as a result, the United States District Court issued a Temporary Restraining Order

Finding

Although TennCare has been in operation since January 1, 1994, TennCare did not have adequate due process procedures in place for enrollees to protect their rights when denied services or terminated from the program. As a result, on May 5, 2000, the United States district court issued a Temporary Restraining Order (TRO). In reaction to the TRO, TennCare did not terminate any uninsured or uninsurable member for any reason other than a voluntary termination per the member's request or by death. In addition, TennCare stopped mailing out reverification notices in November 2000, which ceased the face-to-face reverification process. However, having adequate due process procedures in place for enrollees could have prevented the TRO and would have allowed TennCare to continue the reverification process. During the fiscal year ended June 30, 2001, TennCare did terminate enrollees who requested in writing to be disenrolled and enrollees that died. On February 9, 2001, the court lifted a portion of the TRO when court-approved policies and procedures are followed for terminating incarcerated persons, enrollees with access to insurance coverage from other sources, and individuals who are no longer residents of Tennessee. Procedures were placed in operation during the year ending June 30, 2001, to identify and terminate incarcerated persons. In addition, procedures were placed in operation during the year ending June 30, 2001, to identify enrollees who have access to insurance coverage from other sources, and procedures were placed in operation to terminate these enrollees after the audit period. Procedures to identify or terminate individuals who are no longer residents of Tennessee were not placed in operation until after the end of the audit period.

On March 12, 2001, an Agreed Order and a Settlement Agreement were entered into. According to management, when all the requirements in the Agreed Order and Settlement Agreement are met, TennCare will start reverifying uninsured and uninsurable recipients. Per discussion with management, as of November 14, 2001, the requirements in the Agreed Order and Settlement Agreement have been met, and the Court has approved TennCare's process for reverification.

Recommendation

The Director of TennCare should ensure that adequate due process procedures for enrollees continue to be in place. Now that a court approved plan is in place the Director of TennCare should ensure that enrollees are reverified annually. Enrollees who are found to be ineligible through the reverification process should be removed from TennCare's roles. The Director should ensure that the process approved by the court for due process and terminations is followed.

Management's Comment

We do not completely concur with the finding but recognize the importance of ensuring due process for our enrollees. Decisions that were made regarding compliance procedures that we have implemented in light of the *Rosen* Order were effectuated upon advice from the Office of the Attorney General. TennCare has worked diligently to revise policies and procedures to comply with the federal and state regulations. We have worked with plaintiffs counsel to attempt to ensure that the revised policies and procedures met with the approval of the court. We continue to meet with the Attorney General's office and plaintiffs counsel weekly to improve our system and address any issues that are identified. We believe that we have in place monitoring mechanisms that will alert us immediately as to any new issues that may arise and the ability to address them forthwith.

With agreement of the Court and Plaintiffs' counsel, the first 10,000 reverification notices were mailed by year-end 2001. Of the initial 500 enrollees who have kept their appointments and been reverified, only 12 have been determined to be ineligible. These enrollees will be notified and advised of due process appeal rights in accordance with federal rule (42 C.F.R. §431 Subpart E). The second mailing of reverification notices has recently been mailed to an additional 25,000 enrollees. These and all others, where adverse decisions may result, will be afforded all due process safeguards. The Bureau will monitor this process and bring the level of reverification notices to 40,000 per month.

The local Departments of Health are being provided detailed Desk References to assist in processing reverifications. The process will be monitored to assure quality compliance. Effective September 19, 2001 additional rules concerning this process have been promulgated.

Auditor's Comment

It is not clear from management's comment with which part(s) of the finding management does not concur. As indicated in the finding, a U.S. district court determined that TennCare did not have adequate due process procedures. Management appears to agree with the part of the recommendation concerning reverification and termination as evidenced by corrective actions for reverification and termination stated in management's comments.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

TennCare did not require the Department of Human Services to maintain adequate documentation of the information used to determine Medicaid eligibility

Finding

The Bureau of TennCare did not require the Department of Human Services (DHS) to maintain adequate documentation of the enrollee's information used to determine Medicaid eligibility. The Department of Human Services performs Medicaid eligibility determinations under the cooperative agreement with the Bureau of TennCare. Testwork has revealed that this agreement is not adequate. See finding 01-DFA-04 for further details on this matter.

DHS uses the Automated Client Certification and Eligibility Network (ACCENT) system to determine eligibility for Medicaid. During the enrollment process, county DHS eligibility counselors meet with the potential enrollees in face-to-face interviews. Each applicant is required to provide hard copy documentation to support various eligibility criteria. This information includes income, resources, medical expenses, family information, social security numbers, date of birth, etc. During the enrollment process eligibility counselors examine documentation supporting the information that is entered into ACCENT. For example, before entering income into the system, an eligibility counselor would examine such documentation as employment pay stubs or federal tax returns. At the end of the enrollment process, the documentation supporting the information entered into the system is then returned to the applicant/enrollee. ACCENT makes the eligibility determination based upon the information entered into the system by the eligibility counselor.

DHS transmits eligibility updates from ACCENT daily to the Bureau of TennCare to update TennCare eligibility information in the TennCare Management Information System (TCMIS).

Testwork revealed that the enrollee's application is the only paper documentation consistently kept by DHS. Although ACCENT maintains electronic case notes, there is no documentation kept to support the eligibility information entered into ACCENT. Without adequate documentation of the information entered into ACCENT, the risk is increased that ineligible enrollees may be enrolled on Medicaid.

Discussions with management at DHS revealed that the department relies heavily upon information from the Tennessee Department of Labor and Workforce Development, the Social Security Administration (SSA), the Tennessee Department of Health, and the Internal Revenue Service (IRS) for verification of eligibility information. From the Department of Labor and Workforce Development, DHS receives monthly data on Unemployment Insurance Benefits that can be used to verify unemployment income.

DHS also receives monthly beneficiary and earnings data, daily social security number verification, and daily information on Supplemental Security Income (SSI) recipients from SSA. The data from SSA provide DHS a method of verifying an individual's Social Security payments, social security number, Medicare eligibility status, and SSI eligibility status. Through the Office of Vital Records within the Department of Health, DHS has daily access to birth records. This information can be used to verify ages and relationships needed when making an eligibility determination. DHS also receives wage data from the Department of Labor and Workforce Development. However, not all employers are required to report employee wages to the state. Employers that are not required to report include churches regardless of the size of payroll or number of employees and non-government organizations with a small payroll and/or few employees. Furthermore, this information is sometimes several months old and is reported on a quarterly basis. Medicaid eligibility is determined based upon current monthly income. In addition, the income data DHS receives from the IRS that is reported on an individual's IRS 1099 form is delayed several months and is reported on a yearly basis.

Although DHS receives information from outside sources, not all eligibility requirements can be verified through this information. These outside information sources do not provide a systematic way to verify all types of income an enrollee might have. In addition, none of the updates received from other departments include documentation of other resources for non-SSI recipients or medical expenses that could affect an eligibility decision.

Without maintaining the documentation, the Bureau of TennCare cannot ensure that the information entered into ACCENT is accurate and Medicaid enrollees are eligible. Not maintaining this documentation also reduces accountability for information entered and makes researching cases more difficult.

Discussions with management at the DHS also revealed that the department relies heavily on quality control processes used to monitor the accuracy of information in ACCENT and the eligibility determinations made. Quality control personnel select samples monthly of Medicaid and Food Stamp eligible individuals. The unit verifies the information entered in ACCENT with outside sources. They also select a sample of denied cases to ensure that the person was appropriately denied. Although these quality control processes could provide some assurance that the information in ACCENT is accurate, testwork on the quality control procedures revealed the following weaknesses:

- For Medicaid eligible enrollees the department does not include all Medicaid eligible enrollees in the population sampled.
- The treatment of dropped cases needs improvement. Dropped cases include mainly cases that are not pursued by the department because the enrollee either fails or

refuses to cooperate or the department is unable to locate the individual. While the department does replace dropped cases with additional cases, it does not count them as errors. Excluding those cases from the error rate of the review could affect the results of the reviews. For example, the error rate of the sample could be higher or lower based upon the results of the dropped cases. Maintaining documentation provided by the applicant during enrollment would allow the department to test all cases selected. The department should no longer have the problem of being unable to locate the enrollee or obtain cooperation of the enrollee.

Not having adequate quality control procedures and using these control procedures as a substitute for keeping the documentation increases the risk that inaccurate information is used in making eligibility determinations and increases the risk that incorrect eligibility determinations are made.

Recommendation

The Director of TennCare should ensure that DHS keeps documentation of the information entered into ACCENT that is used to determine Medicaid eligibility. TennCare's contract with DHS that is currently being developed should include requirements for DHS to keep the needed documentation. While it might be possible to reduce the amount of documentation needed with an effective quality control process, documentation should still be maintained for areas of higher risk of ineligibility as determined by the quality control efforts. At best a quality control system is an after the fact determination of eligibility. It is important that the department be able to support eligibility determinations at the time benefits are awarded.

If management wishes to reduce the level of documentation maintained by reliance on a quality control process, that process should adequately cover the entire Medicaid eligible population and it should consider any unsupported eligibility determinations to be errors and appropriately project such results to the population.

Management's Comment

Bureau of TennCare

We do not concur. Approval of the ACCENT system design, which includes the electronic recording of eligibility data, was obtained from the U.S. Department of Health and Human Services before implementation of the system in 1992. There has never been any indication from the Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration, that the process in place was not adequate to meet federal requirements. In addition, the State Attorney General also issued an opinion in 1992 that the use of an electronic eligibility file and the application form satisfied legal requirements for determining eligibility.

As required by federal law and to ensure program integrity, the Department of Human Services (DHS) has had a quality control system in place since implementation of TennCare (and

previously under the Tennessee Medicaid program). In this quality control system, called Medicaid Eligibility Quality Control (MEQC), each month DHS uses a random sampling of Medicaid cases to validate eligibility determinations, whether active (eligible) or negative (denied). The MEQC system is designed to reduce erroneous expenditures by monitoring eligibility determinations, third party liability activities, and claims processing (State Medicaid Manual, Part 7, Quality Control). MEQC programs approved in Section 1115 waiver states are relieved of any liability for disallowances for Medicaid eligible enrollees and for individuals added under the waiver resulting from errors that exceed the 3 percent tolerance level established by federal regulations.

TennCare believes that the eligibility procedures, including the level of documentation, and the MEQC reviews and follow-up activities provide adequate internal controls over the eligibility process and meet federal requirements. However, consideration will be given as to whether any additional monitoring of the process in place at DHS should be performed.

Department of Human Services

We do not concur.

The ACCENT system has been operational since 1992. For ten years, two departments of the federal government (the Department of Health and Human Services and the Department of Agriculture) have provided significant federal funds to support Tennessee's eligibility determination process for three programs: Food Stamps, Families First (formerly Aid to Families with Dependent Children or AFDC) and Medicaid. The affected federal agencies are also concerned about the integrity of their programs. By approving the ACCENT system, these agencies recognized that the method of eligibility documentation employed by ACCENT met their high standards. They have never expressed any concern regarding a lack of adequate documentation to verify the accuracy of information entered in ACCENT following the certification of the system.

The Department of Human Services is the single state agency for both Food Stamps and Families First. The Bureau of TennCare (Department of Finance and Administration) serves as the single state agency for the Medicaid program. Both federal agencies concurred in the design and development of the ACCENT system. Without federal approval there would have been no federal funding of either the ACCENT's development or program service funding since 1992.

Federal funding for ACCENT has been consistent for both system development and ongoing eligibility processing. The "closeout" letter from the Department of Health and Human Services dated February 9, 1995 is evidence of the approval of both AFDC and Medicaid program participation. This letter represents the final approval and certification of the ACCENT system. There are also letters from USDA approving ACCENT functionality. USDA was well aware of the "paperless" aspects of the system.

A memorandum dated December 8, 1992 was received from Tennessee's Office of the Attorney General providing an informal legal opinion regarding the legal sufficiency of maintaining a one-page paper application and an electronic case file. The opinion was that "the application form and the electronic file satisfies the legal requirements for determining eligibility

and would be admissible evidence in legal proceedings regarding such eligibility." The opinion further states that "[t]here are no federal requirements specifying that the Department of Human Services maintain written documentation other than the signed application form".

Traditionally, as part of the funding agreement and program oversight, the federal agencies require a Quality Control system to review a sample of case actions. Currently only the Food Stamp program requires that a complete Quality Control review be conducted as part of the federal/state funding agreement. For the Medicaid program, the state and the federal agency mutually target a portion of the Medicaid population for a Quality Control review with a corrective action plan as the goal for improving case quality. For both the Food Stamp and Medicaid programs, there is a random case selection sample each month. This sample is made from the list of all Food Stamps households or all Medicaid cases with children (current Medicaid QC plans) as applicable. The Medicaid QC covers all assistance groups with children except those that are Families First related and 80% of the Families First cases are subject to the Food Stamp QC sample. Please note that with the Food Stamp program there is a federal re-review using a sub-sample of the state QC review cases. The Food Stamp federal review is conducted electronically by reading the ACCENT record and the QC review packet.

Based on a sample of Medicaid cases (an average of 35 cases per month), the Quality Control system ensures that the electronic file includes the required information for eligibility determinations and verifies the accuracy of that information. Further, the Quality Control system serves as a deterrent to creating fraudulent cases/documentation. Contrary to what is stated in the finding, the Quality Control reviewer must independently verify all points of eligibility. The Quality Control process ensures that the verification sources (primary, secondary, or others) used by the eligibility counselor are appropriate. The eligibility counselor must rely on a variety of sources to correctly determine eligibility. Depending on the source (bank statement, pay stub, birth certificate, self-declaration), the eligibility counselor must obtain further verification. While it is true that there are numerous online matches with a variety of agencies (Social Security and Department of Labor), these sources only serve as indicators and additional verifications must be pursued. Quality Control oversight provides on-going assessment of worker skill and knowledge in establishing financial eligibility and verifies that the information entered into ACCENT is accurate.

The plan for selecting certain categories of Medicaid for review is determined between state TENNCARE program staff and the U.S. Department of Health and Human Services Center for Medicaid Services. In the absence of specific federal guidelines for Quality Control on Medicaid cases, we follow the Quality Control guidelines for the U.S. Department of Agriculture Food Stamp program.

There appears to be concern about the Medicaid Quality Control process based on the statement in the audit finding that "The treatment of dropped cases needs improvement". This concern is specifically regarding "Cases Not Subject to Review", "Refusal to Cooperate" and "Failure to Cooperate", commonly referred to as "dropped cases".

The federal policy regarding the disposition of cases dropped from the QC sample applies to states with paper files, as well as to states without paper files. Every state, regardless of its

system of eligibility determination, drops cases from the sample for the same reasons Tennessee drops cases. None of the dropped cases are used to calculate an error rate. If the QC reviewer is unable to complete the review for any number of valid reasons, it is inappropriate to show the case as being in error or as being correct.

The Quality Control reviewer examines eligibility in a particular month, not necessarily in the month of application. Therefore, no matter what documentation is or is not on file, all points of eligibility must be re-verified by the QC reviewer independent of the initial determination. We do not rely, nor have we ever relied, on the documentation of the county office provided at the time of the eligibility interview, whether it is paper or electronic.

Another federal/state requirement is the right of all program applicants/recipients to due process through a fair hearing. Fair hearings are held to review challenged case actions. Since the implementation of ACCENT, there has been no challenge of the use of an electronic file in eligibility determinations.

Rebuttal

While keeping copies of various documents to support eligibility determinations is not a guarantee that individuals are indeed eligible, it is a piece of evidence that provides some additional assurance that the correct determination was made. If that documentation is maintained, it would seem less likely that eligibility workers might enter unsupported information into the system. It would also allow those who might have cause to review eligibility determinations, such as supervisors, internal auditors, and external auditors, to have some additional assurance that the correct determination was made.

Not maintaining adequate documentation could make criminal prosecution of enrollees more difficult. For example, if an enrollee is believed to have fraudulently submitted information during the enrollment process, TennCare could provide evidence of critical documentation such as pay stubs or statements of medical expenses to assist in proving that the applicant intentionally misrepresented eligibility information.

Finally, our discussions with the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services have indicated that office believes documentation is necessary and required by Office of Management and Budget, Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare does not have a court-approved plan to redetermine or terminate the TennCare eligibility of SSI enrollees that become ineligible for SSI

Finding

As noted in a prior audit finding, TennCare does not redetermine or terminate the TennCare eligibility of Supplemental Security Income (SSI) enrollees that become ineligible for SSI. This is because TennCare does not have a court-approved plan which allows TennCare to make a new determination of the eligibility of these enrollees. According to 1200-13-12-.02(1)(c) of the *Rules of the Tennessee Department of Finance and Administration, Bureau of TennCare*, "The Social Security Administration determines eligibility for the Supplemental Security Income (SSI) program. In Tennessee, SSI recipients are automatically eligible for Medicaid. All SSI recipients are therefore TennCare eligibles." However, when an individual enrolled in TennCare as an SSI enrollee is terminated from SSI, TennCare does not redetermine or terminate the enrollee's eligibility. Management concurred in part with the prior audit finding and stated,

> 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.

During the current audit TennCare management indicated that to comply with the *Cluster Daniels, et. al. vs. the Tennessee Department of Health and Environment, et. al.* court order, TennCare does not terminate SSI recipients unless the recipient dies, moves out of state and is receiving Medicaid in another state, or requests in writing to be disenrolled. However, the court order states,

> . . . defendants are hereby ENJOINED from terminating Medicaid benefits without making a de novo [a new] determination of Medicaid eligibility independent of a determination of SSI eligibility by the Social Security

> Administration. The Court further ENJOINS defendants to submit to the Court and to plaintiffs, within thirty (30) days of entry of this Order, the plan by which defendants have implemented de novo determination of Medicaid eligibility. . . .

Furthermore, the court has required that the Medicaid program must make a determination whether or not the recipient's termination from SSI was made in error.

Management stated that TennCare follows the direction of the Attorney General's office on how to comply with the court order. We requested information from the Attorney General's office on this matter and received a response dated October 17, 2001, which stated,

> There is no reason that the affected state agencies (Bureau of Medicaid/TennCare, Department of Human Services) cannot or should not proceed to attempt to comply with the district court's orders and injunction by devising a plan which would satisfy the requirements of those orders. (Under the terms of the Court's orders, <u>the Court will have to approve</u> any State plan to make de novo determinations of Medicaid eligibility independent of determinations of SSI eligibility by the Social Security Administration.) Furthermore, we understand that a number of efforts have been made over the years following entry of those orders to devise a plan which would satisfy the orders' requirements. The efforts have included extensive negotiations between counsel for plaintiffs, counsel for the federal defendants, the Attorney General's office and the Tennessee Department of Human Services (which makes, under law, the Medicaid eligibility determinations). Unfortunately, these efforts have been unsuccessful to date.

By not developing and implementing a court-approved plan that would allow TennCare to determine if terminated SSI recipients are still eligible for TennCare and to terminate ineligible enrollees, TennCare is allowing potentially ineligible enrollees to remain on TennCare until they die, move out of state and receive Medicaid in another state, or request in writing to be disenrolled.

Recommendation

The Director of TennCare should ensure that TennCare complies with all court orders and injunctions that relate to the eligibility of SSI enrollees. TennCare should develop and implement a court-approved plan that would allow TennCare to determine if terminated SSI recipients are still eligible for TennCare and terminate ineligible enrollees.

Management's Comment

We concur. The Director of TennCare should ensure that TennCare complies with all court orders and injunctions that relate to the eligibility of SSI enrollees.

The Director will ask the Attorney General to take action to bring this issue back before the court for final disposition. This request will be based, at least in part, upon the decision in Cureton v. Rudolph, in which the United States District Court for the Middle District of Tennessee, Nashville Division, held that the State is bound by disability decisions made by the Social Security Administration. Therefore, an enrollee is not entitled to a State hearing on an allegation of disability which has been declined or revoked by the SSA.

The AG will be asked to present this decision, coupled with assurances that eligibility review will be performed by the Department of Human Services to determine whether the individual qualifies for any other category of TennCare benefits (including the right to appeal if DHS determines that the individual is no longer eligible for any category of benefits) to the Court with a request to set aside or modify its November 13, 1987, Order. A positive finding by the Court could lift the injunction and permit the disenrollment, if appropriate, of those individuals who have been provided continuous Medicaid and TennCare benefits following termination of SSI.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

TennCare should seek revisions to the TennCare waiver which would require specific medical conditions for eligibility

Finding

The Office of Health Services Audit, Investigations, and Program Integrity unit in the Department of Finance and Administration is charged with the internal audit function for the Bureau of TennCare. The office performed an audit of the TennCare Uninsurable Program within the Department of Finance and Administration, Bureau of TennCare, for the period January 1, 2000, through October 23, 2000. The issues noted in this finding were originally noted in the office's TennCare Uninsurable Program internal audit report dated May 24, 2001.

The current TennCare waiver population includes those determined to be uninsurable. To be eligible for TennCare as an uninsurable enrollee, TennCare, as specified by the TennCare waiver, requires only a letter of denial from the insurance agent. TennCare does not require medical verification to determine the uninsurable condition.

As a result of the design of the program, the program currently does not have medical criteria to indicate what conditions are considered uninsurable. Furthermore, this decision is made by the insurance companies and not by TennCare staff. Without establishing medical criteria to define what conditions qualify as uninsurable, TennCare is giving the insurance agent the authority to make this decision.

The audit completed by the Office of Health Services Audit, Investigations, and Program Integrity noted that "67 percent of the insurance agents surveyed issued a letter of denial based on sole representation of the applicant. No medical documentation was submitted to the agent to support the statement. Of the insurance agents surveyed, 87 percent of the applicants who received a denial letter from the insurance agent did not submit an application for medical/hospital insurance to the insurance company."

Also, according to the report, "There is a lack of verification of the information contained in the letter of denial from the insurance company or agent. We examined 176 uninsurable applications from all the areas that processed uninsurable applications. We noted two applications with the letter of denial that did not state medical reasons as the reason for denial of insurance. In addition, we noted two applications not dated by the applicant, and three

applications not signed by the spouse. . . . Two applications had a letter of denial that was not dated. Three applications had letters of denial with computer generated signatures from the insurance agents."

The Bureau of TennCare's procedures for processing uninsurable applications state that the, "Current date on the denial letter cannot be over one (1) year old and the letter must be dated. The letter must be on insurance company letterhead stationery. If not on letterhead stationery, call insurance company and verify. . . . Denial must be for health or medical reasons only." According to TennCare personnel, the denial letter must be signed by the insurance agent, and computer-generated signatures are not accepted. In addition, the TennCare application requires the signature and date of the applicant's spouse if the applicant is married.

Recommendation

The Director should seek revisions to the TennCare waiver that would require better proof of uninsurability and, thereby, reduce the likelihood of individuals improperly obtaining TennCare coverage. The waiver could specify what medical conditions are considered uninsurable and could require evidence of that condition be obtained from a medical professional. The Director should ensure that all applications are dated and signed by the spouse and that denial letters that are signed by the insurance company electronically are not accepted.

Management's Comment

We do not concur. The finding addresses policy issues that are outside the scope of the current design of the TennCare Program. The TennCare waiver, which was approved by the federal government in 1993, establishes requirements for uninsurable applicants. Applicants demonstrate they are uninsurable by providing a letter from a health insurance company denying coverage for insurance because of a health reason. There have never been requirements that applicants submit medical documentation or that TennCare establish medical criteria for conditions that would be considered uninsurable. It seems inappropriate, therefore, to take a finding in an area where TennCare is acting in accordance with its approved waiver.

TennCare, in addition to accepting uninsurable letters in accordance with the rules, now accepts medical documentation from health care providers in order to prove uninsurability. This change of policy results from the federal suit Hamby, et al. v. Menke, et al. U.S. Dist.Ct. No. 3:98-1023 (M.D. Tenn), April 13, 2001. The Bureau is not budgeted for health insurance underwriters, but in compliance with due process safeguards, such proof is admitted before administrative judges and hearing officers in fair hearings, to enable the presiding officer to weigh the proof as to uninsurability.

Modifications to the TennCare waiver were submitted to the U. S. Department of Health and Human Services on February 12, 2002. The proposed modifications would change the current process for uninsurable applicants. Rather than having an uninsurable category, a category of eligibility referred to as "medically eligible" would be established. Eligibility for

these applicants would be based on a single underwriting standard. If approved, this change will be effected in the rules, and the rule of the uninsurable letter from an insurance company will be obsolete.

Meanwhile the Bureau, under guidance of in-house counsel, is examining the insurance denial letter process and the policies related to it. The Office of General Counsel Resolution Unit contacts agents, agencies and insurers, where appropriate, to document underwriting practices, verify information and review the denial letter process in those cases for fair hearing, where the denial letter has been deemed inadequate proof of uninsurability by the Bureau. This check adds a layer of scrutiny to discover uninsurability which meets the rule in otherwise questionable cases.

We disagree with comments in the internal audit report regarding insurance industry practice in the verification of applications. It is common practice among large insurers to take "pre-applications," by asking simple health questions. That 'asking' may be over the phone, in writing, or over the Internet. These agents are 'field underwriters.' That is they are trained and authorized to review applications as well as pre-app information and review it against basic underwriting guidelines. Questionable areas and more complex decisions are handled by home office underwriters. The determinations as to insurability are properly overseen by home office underwriters, and the determinations by the field are no less binding and valid than if rendered by the senior home office underwriter.

Further the General Assembly has sought to curb practices of insurance underwriting where field agents might wish to select against TennCare by culling out more at-risk individuals in insurance programs, and to declare them uninsurable so as to render them eligible for TennCare. See, e.g. Tenn. Code Ann. §56-6-163. PIU is investigating agents and agencies who may be violating the above statute as well as committing fraud against TennCare. Under the Agreed Order PIU has been and continues to investigate those with access to insurance. Those identified are terminated and provided due process.

Rebuttal

This finding was not to show TennCare's failure to comply with current rules or regulations, except in the cases noted. We are required by OMB Circular A-133 section 510(a)(1) to report deficiencies in internal control over major federal programs. It was our intent with this finding to show that design of the current waiver is not based upon specific medical criteria. As stated in the finding, in the survey conducted, 67 percent of the insurance agents surveyed issued a letter of denial based on sole representation of the applicant. Since a majority of insurance agents issue denial letters based upon the representation of the applicant and TennCare does not have specific medical eligibility requirements, the risk is increased that those enrolled in the program are not truly uninsurable.

Although management does not concur with the finding they indicate that a modification to the waiver was submitted on February 12, 2002, which will change the waiver to include those that are "medically eligibile."

Management did not address the part of the recommendation concerning applications not being signed and dated and denial letters that are electronically signed.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness, Eligibility
Questioned Costs	$30,982,562

Internal control over TennCare eligibility is not adequate

Finding

As noted in the six prior audits of the Bureau of TennCare, internal control over TennCare eligibility is not adequate. Management concurred in part with the prior audit finding, as discussed throughout this finding. However, problems still exist.

For the uninsured and uninsurable population, which makes up approximately 43% of all TennCare enrollees, responsibility for initial eligibility determination is divided between the county health offices in the Department of Health and the Member Services 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's Services is responsible for eligibility determinations of children in state custody.

Inadequate Policies and Procedures

As noted in the prior two audits, TennCare has not provided the county health offices with a uniform, written policies and procedures manual. Management concurred in part with the prior audit finding and stated that "a companion document [policies and procedures manual] is being developed for health departments." According to the Director of Member Services, as of September 5, 2001, the manual was still in the draft stage. Since the county health offices are involved in the eligibility process for the uninsured and uninsurable population, without a uniform written policies and procedures manual for the county health offices, TennCare cannot ensure that TennCare recipients are appropriately and consistently determined to be eligible for TennCare.

Inadequate Staff to Verify Information on Applications

Management stated in response to the prior audit finding that "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." Although a new Member Services Unit has been organized, the unit within Member Services that reviews the uninsurable, uninsurable with limited benefits, and uninsured with COBRA termination applications is still understaffed. The unit receives approximately 1,000 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 the applications (e.g., income, access to insurance, and citizenship status) is verified for accuracy. Not verifying information on these applications increases the risk that ineligible recipients are enrolled.

Recipients Found on TennCare Twice

Using computer-assisted audit techniques to search the TennCare recipient eligibility history file located on the TennCare Management Information System (TCMIS), a listing of 1,018 recipient records with duplicate social security numbers was compiled. A sample of 60 sets of recipient records with duplicate social security numbers representing 120 of the 1,018 recipient records was tested to determine if overlapping capitation or fee-for-service payments were made during the fiscal year ended June 30, 2001. Testwork revealed that for 9 of 60 sets of recipient records with duplicate social security numbers tested (15%), overlapping capitation payments were made. Follow-up with management regarding these nine pairs of recipient records revealed that these nine individuals were on TennCare twice for all or part of the dates of services that were paid for during the audit period.

TennCare's capitation payment amounts for recipients are based upon the recipients' managed care organization (MCO), age, eligibility classification, and the region of the state. In some cases, when overlapping payments were found, different capitation rates were paid for each recipient in a set. It could not be determined which recipient record contained the appropriate payment and which recipient record contained the inappropriate payment. As a result, we had two different amounts in each set of recipient records that could be unallowable.

In recipient records with the higher amount of overlapping capitation payments, the errors totaled $6,752. The federal questioned costs for these recipient records totaled $4,295, and the remaining $2,457 is state matching funds. In recipient records with the lower amount of overlapping capitation payments, the errors totaled $4,031. The federal questioned costs for these recipient records totaled $2,565, and the remaining $1,466 is state matching funds. We believe likely questioned costs exceed $10,000.

Because adequate controls are not in place to ensure that enrollees with the same social security number are only enrolled in TennCare one time, TennCare cannot ensure that it is not making duplicate capitation or fee-for-service payments for the same person.

No Verification of Applications

Management stated in response to the prior audit finding, "We believe that the accuracy of eligibility determinations will be improved with our new Member Services Unit and proposed rules and policies." However, the Bureau still does not verify information contained on applications for individuals losing Medicaid eligibility. According to 1200-13-12-.02(5)(a) of the *Rules of the Tennessee Department of Finance and Administration, Bureau of TennCare*,

> Persons losing Medicaid eligibility for TennCare who have no access to insurance may remain in TennCare if they are determined to meet the non-Medicaid TennCare eligibility criteria.

These applications are entered on TCMIS and processed without verification of information contained on the application. Without verifying the information on the applications, the Bureau of TennCare cannot ensure that the applicant meets non-Medicaid TennCare eligibility criteria. In addition, not verifying the information on the applications can result in inaccurate premium amounts based upon the unverified and possibly inaccurate income amounts reported by the recipient.

Enrollees With Out-of-State and Post Office Box Addresses Discovered

As noted in the prior audit, TennCare made payments on behalf of out-of-state residents. Management concurred in part and stated that the "definition of Tennessee residency is a part of the on-going lawsuit negotiation. Once resolved, the definition will be used by the Bureau." According to management at TennCare, for more than half of fiscal year ended June 30, 2001, enrollees who had moved out of state could not be disenrolled because of the Temporary Restraining Order. (See finding 01-DFA-08 for more information regarding the restraining order.) In February 2001, the federal court approved policies and procedures for disenrollment of enrollees who have moved out of state. These procedures were not placed in operation during our audit period; however, they were implemented in July 2001.

Using computer-assisted audit techniques to search the TennCare recipient file located on TCMIS, we found 19,959 enrollees who have a non-Tennessee address. Some of the enrollees have addresses in other countries. The total amount paid on behalf of these enrollees was $48,620,701. One of the requirements of TennCare eligibility listed in the *Rules of the Tennessee Department of Finance and Administration*, 1200-13-12-.02(3)(b)(2), states that the non-Medicaid eligible applicant "must be a Tennessee resident." In addition, the *Rules of the Tennessee Department of Human Services*, 1240-3-3-.02(6), states that to be 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."

TennCare has established a policy for terminating enrollees with an out-of-state address that defines residency. The *TennCare Eligibility Policies and Procedures Manual*, Policy #AA-015, states, "State of residence is defined as the state where the individual has established a residence with the intention to remain there permanently or for an indefinite period of time." However, TennCare did not perform procedures during the audit period to determine which out-of-state addresses are appropriate. Some portion of the 19,959 enrollees may be appropriately considered residents of Tennessee. However, because TennCare has not determined which out-of-state addresses are appropriate, TennCare cannot provide any assurance that these individuals are eligible. Therefore, of the $48,620,701 paid, $30,931,274 is considered federal questioned costs. The remaining $17,689,427 is state matching funds.

In addition, using computer-assisted auditing techniques, we found 130,767 enrollees who have P.O. boxes listed as their address. 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. The TennCare application requires enrollees to include their legal address (home address). The application states, "Do NOT list a P.O. box as your home address." The application also includes a line for the enrollee's mailing address, which could be a P.O. box. However, management stated that in certain cases, TennCare believed that only P.O. box

addresses were necessary. Some of these cases include, for example, homeless individuals, individuals who reside in an area of Tennessee where the post office will not deliver to the street address (i.e., in a rural area), individuals who require their address to remain a secret in order to protect themselves from physical harm, and enrollees in state custody or in a mental institution. Testwork revealed that TennCare has not established a written policy that describes the instances where the use of only P.O. boxes would be allowable. Furthermore, TennCare has not developed a way of identifying the individuals who would be in these categories. The amount paid on behalf of these individuals was over $465 million.

Pseudo Social Security Numbers Again Discovered

As noted in the four previous audits, when computer-assisted audit techniques were used to search TCMIS, testwork revealed that 86 TennCare participants had "pseudo social security numbers" that began with "888" or have 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 76 of 86 individuals (88%) found with "pseudo" social security numbers had not had a correct social security number entered on TCMIS, although they were enrolled more than one year. The Bureau does not have a time limit for the use of pseudo social security numbers. Some of these TennCare participants had been enrolled in the Medicaid program as early as 1986. 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 $72,711. Federal questioned costs totaled $46,257. The remaining $26,454 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 same section states that "the agency must verify each SSN [social security number] of each applicant and recipient with SSA [Social Security Administration], as prescribed by the Commissioner, to ensure that each SSN furnished was issued to that individual, and to determine whether any others were issued."

Ineligible Enrollees Discovered

A sample of the Medicaid population, excluding Supplemental Security Income (SSI) enrollees, was tested to determine if the enrollees were eligible for Medicaid on the date of service, based solely upon the information in the Automated Client Certification and Eligibility Network (ACCENT). Testwork revealed that TennCare did not ensure that the Department of Human Services maintained adequate documentation of the information entered into ACCENT. See finding 01-DFA-09 for further details on this matter. Medicaid enrollees are enrolled through the Department of Human Services using ACCENT. TennCare receives daily eligibility data files from ACCENT, which update information in TCMIS. The Bureau of TennCare pays the MCOs and behavioral health organizations (BHOs) a monthly capitation payment to provide services to these enrollees. For the fiscal year ended June 30, 2001, the Bureau paid capitation payments totaling over $2.5 billion to MCOs and over $381 million to BHOs for TennCare

enrollees. Of the 61 capitation payments for Medicaid enrollees tested, testwork revealed 13 enrollees (21%) were not eligible for Medicaid on the date of service, based solely upon the information in ACCENT. Of the 13 ineligible enrollees, 11 enrollees were no longer eligible for Medicaid according to ACCENT, one enrollee's medical expense was not supported in ACCENT, and one enrollee did not have a valid social security number.

For 8 of the 11 enrollees, Medicaid ended per ACCENT between March of 1994 and February of 2000. However, TennCare did not close their Medicaid eligibility on TCMIS, which allowed them to continue receiving Medicaid services. According to TennCare personnel, individuals losing Medicaid eligibility are mailed an application to complete and return to apply for TennCare as an uninsured or uninsurable enrollee. If the application is returned with incomplete information, it is placed on hold. TennCare has allowed enrollees with applications on hold to remain on Medicaid instead of following up on these applications. For 2 of the 11 enrollees, Medicaid eligibility ended on ACCENT after 18 months of "Transitional Medicaid." In Tennessee, Families First eligibility automatically qualifies an individual for Medicaid. According to the Families First Policy and Procedure Manual, "Transitional Medicaid" is Medicaid eligibility that is extended for 18 months after an individual loses Families First eligibility. However, TennCare did not close their Medicaid eligibility on TCMIS until 24 months after the end of Families First eligibility. Per discussion with TennCare personnel, TennCare gives eligibility for these individuals in segments of 12 months only. Management stated there was a section in the TennCare waiver that allows the granting of multiple 12-month segments for these enrollees. It appears that the TennCare waiver grants eligibility for only one year for "medically needy" enrollees if they are eligible for any month of a calendar year. The enrollees in question were classified as "categorically needy," not as "medically needy".

Additionally, one of the 11 enrollees' Medicaid eligibility ended on ACCENT in November of 2000 because the enrollee moved out of state. However, TennCare did not close this person's Medicaid eligibility on TCMIS until August 2001, at the end of a 12-month segment. This enrollee is also classified as "categorically needy."

The Medicaid population, excluding SSI enrollees, makes up approximately 53% of the TennCare population. The total amount of capitation improperly paid for all the errors noted above was $1,271, out of a total of $6,320 tested. The total amount of errors not already questioned in other sections of this finding is $1,157. Federal questioned costs totaled $736. The remaining $421 was state matching funds. We believe likely questioned costs exceed $10,000.

Because TennCare has not ensured that only Medicaid-eligible individuals are enrolled in TennCare as a Medicaid enrollee, ineligible enrollees could be inappropriately enrolled in other programs. For example, according to the *Code of Federal Regulations*, Title 7, Part 246, Section 7 (d)(2)(vi)(A), Medicaid enrollees are automatically income-eligible for the Department of Health's special supplemental nutrition program for women, infants, and children (WIC).

Recommendation

The Director of TennCare should promptly develop and implement an adequate, uniform, written policy and procedures manual for the county health offices to ensure that the eligibility status of TennCare recipients is determined properly, consistently, and timely. The Director should ensure that adequate staff is assigned to verify information on uninsurable, uninsurable with limited benefits, and uninsured with COBRA termination applications. The Director should ensure that enrollees are not enrolled on TennCare more than once. In addition, the Director should ensure that the information contained on applications for individuals losing Medicaid eligibility is verified.

The Director of TennCare should also ensure that the court-approved policies and procedures for disenrollment of enrollees who have moved out of state are implemented. The Director should ensure that the Bureau develops a written policy that describes the situations where use of a P.O. box would be allowable. In addition, the Director should ensure that valid social security numbers are obtained for all individuals in a timely manner. All applications that are currently on hold should be followed up on and resolved. The Director should ensure that only eligible Medicaid enrollees are receiving TennCare. Ineligible Medicaid enrollees should be removed from the program.

Management's Comment

Inadequate Policies and Procedures

We concur. However, we are pleased to report that a desk reference, which includes guidance and uniform policies and procedures for workers in the 95 county health department offices, will be distributed by the end of February 2002. TennCare's Division of Member Services worked with the Department of Health in the development of the *Health Department Desk Reference* and an accompanying training guide. In addition, two training sessions were held in October and December 2001 with Department of Health, Health Services Administration Help Desk staff in order that they could begin the process of training their staff.

Inadequate Staff to Verify Information on Applications

We concur. Members Services reorganized resources to assure that all services related to members were under one TennCare Division. However, staffing of the uninsurable unit has not increased. The unit is still not staffed to verify all information on all TennCare applications. Under the modifications to the TennCare waiver, submitted to U. S. Department of Health and Human Services in February 2002, the Department of Human Services would be the single point of entry for all TennCare applications. This process will include a face-to-face interview with verification of critical eligibility components. If approved, the modified waiver would become effective January 1, 2003 with eligibility determinations to begin July 1, 2002, at the county Department of Human Services offices.

Recipients Found on TennCare Twice

We do not concur. TennCare has a process in place to ensure that duplicate records do not occur for the same individual in the TCMIS. TennCare executes a weekly process which identifies potential records that need to be merged together as a single record. Records that meet these criteria must match on specific data elements. The monthly capitation payment cycle will recover any duplicate capitation payments for up to twelve months of reconciliation. Suspect records from the weekly process are reviewed manually and corrected if needed. Information Systems has documented procedures for this process. TennCare Information Systems management will review the auditor's samples as a follow-up to this finding.

No Verification of Applications

We concur. As stated previously in the response to Inadequate Staff to Verify Information on Applications, the Division of Member Services currently does not have the staffing capability to verify all the information on every application that it is received. It should also be pointed out that in the original TennCare waiver, the application process for the demonstration eligible enrollees was designed to be as simple as possible. We did not have staff devoted to verification of information submitted, although we did put in place various data matches to identify persons who might have access to insurance. The new waiver design, which upon approval is intended to go into effect in July, requires that persons applying for the demonstration population, including those who are exiting the Medicaid program, go into Department of Human Services offices to have all information checked in a face-to-face interview process. This process will be more rigorous than the process that is currently in place and will resolve this finding, we believe.

Enrollees with Out-of-State and Post Office box Addresses Discovered

We concur. Termination of out-of-state enrollees was held up because of the Temporary Restraining Order. Since that time, the Bureau has worked to identify and disenroll out-of-state enrollees when possible. In accordance with the Settlement Agreement to the Agreed Order, the enrollees with out-of-State addresses have been identified and contacted by the Program Integrity Unit (PIU) of the Office of Health Services. The PIU has opened over 6,000 cases of enrollees with out-of-state addresses. Approximately one-third of these cases has been closed, resulting in 1,737 recommended terminations. As of February 2002, 748 enrollees elected voluntary termination. Notices are currently being sent to enrollees with verified out-of-state addresses, who did not elect to voluntarily terminate. These enrollees will be afforded all due process appeal rights. In some cases, enrollees have disputed living out-of-state. The PIU will examine the proof presented by these enrollees and determine whether to recommend termination. Where adverse decisions result, enrollees will be given proper notice of termination and due process appeal rights. Cases will be closed where the affected individuals establish proof of their Tennessee residence. Addresses for some enrollees cannot be confirmed. The out-of-state address of record has been cross-checked with the MCOs, but no confirmation has been received in the Bureau's attempt to contact these individuals. TennCare is reviewing with counsel how to proceed so as to (1) terminate individuals who are not eligible; and (2) afford them their due process rights. In addition, printing and distribution of the desk reference to all local Department of Health offices will be completed in February 2002.

Pseudo Social Security Numbers Again Discovered

We concur. There are pseudo social security numbers in the TCMIS and the Bureau is working on a means of validating and correcting them through the Social Security Administration (SSA). The TCMIS assignment of pseudo social security numbers occurs for newborns to the system through the uninsured/uninsurable process. Currently, any adds to the TCMIS will also assign pseudo social security numbers for any record added to the system received from eligibility determination by external entities such as the Department of Human Services (DHS) and the Social Security Administration (SSA).

Ineligible Enrollees Discovered

We do not concur that individuals eligible under Medicaid categories in the TCMIS and not eligible in ACCENT represent ineligible TennCare enrollees. As stated in the audit finding, existing business rules allow certain categories of eligibles to be extended for up to 12 months of eligibility within the TCMIS. We concur that Medicaid enrollees could remain eligible beyond the twelve month extended end date as a result of pended/incomplete applications. TennCare generates notices to all Medicaid enrollees 30 days in advance of reaching their TCMIS end date. If an application is entered into ACCENT or the TCMIS within the window allowed, the end date is opened until the application is completed. TennCare Information Systems has worked closely with the Department of Human Services to ensure these pended applications are reported accurately to TennCare, and TennCare reviews any incomplete/pended uninsured/uninsurable applications.

Beginning in November 2001 TennCare is identifying the population who have been extended for greater than 12 months of eligibility with aged/pended or incomplete applications, loading end dates to those records and re-sending the 30 day advanced termination notice.

Rebuttal

Recipients Found on TennCare Twice

As stated in the audit finding, we found duplicate payments for individuals that were enrolled on TennCare twice. Because our audit work found these duplicate payments, it is clear that the procedures described by management were not effective and need improvement.

Ineligible Enrollees Discovered

As noted in the finding, we found 13 enrollees who were not eligible for Medicaid on the dates of service. Although management does not concur, it has not provided any documentation to support the eligibility of those enrollees in question.

Furthermore, there is no provision in the rules or written polices that allows individuals who submit incomplete applications to remain eligible for program services indefinitely. As stated in the audit finding, one enrollee's application has been on "hold" since March of 1994.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition, Eligibility
Questioned Costs	$476,506

TennCare made payments on behalf of full-time state employees, resulting in federal questioned costs of $476,506 and an additional cost to the state of $272,511

Finding

As noted in the prior audit, TennCare paid capitation payments on behalf of full-time state employees who are classified as uninsured or uninsurable in the TennCare Management Information System (TCMIS). Management concurred with the prior audit finding and stated that "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." (See finding 01-DFA-08 for more information regarding the restraining order.) However, in February 2001, the court approved policies and procedures for disenrollment of enrollees who have confirmed access to other insurance. Although no disenrollment of state employees occurred during the year ending June 30, 2001, procedures were placed in operation to identify these enrollees. According to the Department of Finance and Administration, Division of Insurance and Administration personnel, all full-time state employees have access to health insurance at the time of hire or when the employee reaches full-time status.

According to *Rules of the Tennessee Department of Finance and Administration*, 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 and must not have been eligible for such coverage as of March 1, 1993 (effective October 1, 1994 as of July 1, 1994). . . ." 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." State employees were not disenrolled during the year ending June 30, 2001; therefore, TennCare was not in compliance with these rules.

Using computer-assisted audit techniques to search TennCare's paid claim records, testwork revealed that 542 uninsured and uninsurable TennCare participants were also full-time employees who were eligible for insurance through their employment with the State of Tennessee. Of the 542 enrollees, 454 recipients have had a deduction for state insurance through state payroll at least once in the past two years, and 88 recipients have not. All these employees

have access to health insurance and are not eligible for the TennCare program according to rules for eligibility.

The total amount of capitation payments paid for the errors noted above was $749,017. Federal questioned costs totaled $476,506. The remaining $272,511 was state matching funds.

Recommendation

The Director of TennCare should continue to ensure that any court-approved procedures are followed. Bureau management should ensure that full-time employees of the State of Tennessee are removed from the TennCare rolls.

Management's Comment

We concur. A process was put in place in May 2001 to ensure that full-time employees of the State of Tennessee are removed from the TennCare rolls. The Department of Finance and Administration, Division of Insurance, sends a database from the Tennessee Insurance System to TennCare once a quarter of all new state employees. That database is then forwarded to TennCare Information Systems to complete an electronic match against the TennCare rolls. TCMIS sends Program Integrity a list of perfect and imperfect matches.

For perfect matches, an employer verification letter is sent to the Department of Finance and Administration, Division of Insurance to complete. Once this verification letter is returned to Program Integrity, the TennCare eligibility screens are reviewed to determine the state employee's (and family members, when applicable) TennCare enrollment type (Waiver, DHS, SSI) & the income level when there are children on the TennCare case. Referrals are made to Administrative Appeals for termination and to TCMIS to add TPL, if this is not already reported. However no referral is made to Administrative Appeals recommending termination for Medicaid enrollees or for children who are below poverty guidelines, with access to insurance only; this group of enrollees can't not be terminated under current rules and regulations.

TCMIS is in the development stage to automate this comparison of data systems, and thereby expedite the identification of all state employees with insurance and access to insurance. Once TIS verifies data, the Program Integrity Unit will then recommend appropriate action, such as referring to Appeals for termination, referring to TCMIS to add Third Party Liability insurance or access, or to add and/or update income.

When an imperfect match is received from TennCare IS, Program Integrity investigates to determine if there is an unreported marriage or divorce, or if the Social Security number on one of the databases is incorrect. If the investigation does not validate this information, the case is closed and no referral is made to Administrative Appeals for termination. When an investigation validates that the identity of the TennCare enrollee is the same as the state employee, the case is worked the same as the perfect matches. Program Integrity recommended termination of 672 state employees, and forwarded documentation to add health insurance

coverage for 633 cases during the months of May and June 2001. However, due process prevented these state employees from being terminated until fiscal year 2001-2002.

However, we do not concur with the questioned costs. We terminated these enrollees when permitted by the court and other procedures were followed ensuring these enrollees were not eligible and received due process.

Rebuttal

OMB Circular A-133 defines a questioned cost as a cost which "resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds." TennCare should not pass on costs to the federal government when it has failed to establish adequate due process procedures resulting in a court order. If TennCare had adequate due process procedures in place, the court would not have issued the court order. See finding 01-DFA-08 for further details regarding this matter.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition, Activities Allowed or Unallowed
Questioned Costs	$803,576

TennCare incorrectly reimbursed the Department of Children's Services for services that were unallowable or not performed, resulting in federal questioned costs of $803,576

Finding

As noted in the prior two audits, TennCare has paid the Department of Children's Services (Children's Services) for services that were unallowable 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 th
are also under contract with TennCare. During the year ended June 30, 2001, TennCare paid approximately $122 million in fee-for-service reimbursement claims to Children's Services.

The previous audit finding addressed three specific types of unallowable payments made by TennCare to the Department of Children's Services that have not been corrected in the current year:

- payments for incarcerated youth,
- payments for children on leave status, and
- payments for services provided to children under three years.

Overall, testwork revealed that TennCare still did not have critical edits in place to detect and prevent DCS from billing for unallowable services. TennCare still made payments to DCS for services for incarcerated youth, children on leave status, and children under three years.

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, . . . (2) behavioral health services for children under the age of three . . .

Testwork revealed the following deficiencies:

Payments for Incarcerated Youth

Since 1997 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. Management concurred in part with the prior audit finding and stated, "We will request that [the Department of Finance and Administration] F&A Office of Program Accountability Review (PAR) strengthen its efforts to better identify these payments." Although PAR did strengthen its efforts to identify instances of incarcerated youth, payments were still made on behalf of children who were incarcerated.

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), our search of TennCare's paid claims records revealed that TennCare made payments totaling $941,295 for the year ended June 30, 2001, for juveniles in the youth development centers and detention centers. Of this amount, $686,415 was paid to MCOs; and $254,880, to Children's Services. Federal questioned costs totaled $598,829. The remaining $342,466 was state matching funds.

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. As a result, TennCare is making payments on behalf of these individuals to the MCOs who incur no costs for providing services.

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. Management also concurred with the portion of the prior audit finding related to payments for children on leave status and stated that

> 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.

Testwork revealed that TennCare did develop DCS policies and procedures; however, these were not placed in operation during the audit period. In addition, TennCare did make efforts to ensure F&A PAR strengthened its efforts to detect these types of payments. However, the problems with this area continue. 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. Auditor inquiry revealed that Children's Services does not notify TennCare when children are on runaway status or are placed in a medical hospital. TennCare relies upon Children's Services not to bill TennCare when it is determined the child has run away or been 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. In spite of repeat audit findings the Bureau still has no routine procedures, such as data matching, to check for such an eventuality. Therefore, 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 findings, TennCare was 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 for the year ended June 30, 2001, TennCare had improperly paid $266,670 to Children's Services for children on runaway status. Federal questioned costs totaled $169,649. The remaining $97,021 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 for the year ended June 30, 2001, TennCare had improperly paid $42,151 to Children's Services for children while they were in hospitals. Federal questioned costs totaled $26,815. The remaining $15,336 was state matching funds.

Payments for Services Provided to Children Under Three Years

Despite HHS' recommendation discussed above, and audit findings repeated for the last two years, TennCare failed to take corrective action and again paid Children's Services for behavioral health services provided to children under the age of three. As in previous years, using CAATs, a search of TennCare's paid claims records revealed that for the year ended June 30, 2001, TennCare improperly paid 1,946 claims totaling $1,142,312 for children under the age

of three. An analysis of 292 claims totaling $170,739 revealed that 232 were properly voided and reimbursed. The remaining 60 (21%) totaling $13,020 had not been properly voided or reimbursed. Federal questioned costs totaled $8,283. The remaining $4,737 was state matching funds. We believe likely federal questioned costs exceed $10,000 for this condition.

In total, $576,721 was improperly paid to Children's Services; and $686,415, to the MCOs. A total of $803,576 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $459,560 was state matching funds.

A review of our CAATs associated with custody (see finding 01-DFA-15), runaways, incarcerated youth, children under the age of three, children who were placed in medical hospitals, and children who received alcohol and drug treatment (see finding 01-DFA-15), revealed that our results sometimes included duplicate questioned costs. For example, costs for an incarcerated youth that was also receiving alcohol and drug treatment would be questioned twice, once in the test of incarcerated youth and once in the test of youth receiving alcohol and drug treatment. We estimate the amount of duplicate questioned costs which are included in the costs mentioned in the previous paragraph to be approximately $310,500. The estimated federal amount of the duplicate questioned costs is approximately $197,532. The state matching funds are estimated to be approximately $112,968.

Recommendation

In light of the multiple repeat findings over the years, the Director of TennCare must realize 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, 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. In addition, the Director of TennCare should immediately follow up with the Centers for Medicare and Medicaid Services, formerly the Health Care Financing Administration, to comply with HHS's recommendation.

Management's Comment

We concur in part. We concur that TennCare should not be paying the Department of Children's Services (DCS) for services to incarcerated youth or for services for children on leave status. The new eligibility file update system implemented July 1, 2001, when DCS children were moved to TennCare Select should be helpful in making sure that TennCare's eligibility information is current since eligibility information is systematically updated daily. We will continue to work with DCS to request their cooperation in billing only for services for which we have contracted. In fact, DCS currently performs a review of their billings during the year to determine whether inappropriate billings were made to TennCare for services to incarcerated individuals or those on leave status. When identified, these billings are adjusted to reflect only appropriate billings. We will implement procedures to improve our monitoring of DCS's billing

activity to be sure that inappropriate payments requested are either denied or recouped, if payment has already occurred.

We do not concur with the finding that TennCare should not be paying DCS for behavioral health services provided to children under the age of 3. Our position on this matter has been stated in previous management responses. The implicit assumption that children under the age of 3 cannot benefit from or should not receive behavioral health services is clearly flawed. Children at these young ages who are already in custody are likely to already have or to develop serious emotional problems. Federal EPSDT law requires that children receive screening, vision, dental, and hearing services and "such other necessary health care, diagnostic services, treatment, and other measures described in section 1905(a) to correct or ameliorate defects and physical and mental illnesses and conditions discovered by the screening services, whether or not such services are covered under the State plan." There is nothing in the law which provides relief from this responsibility for children under 3.

Rebuttal

As stated in the audit finding, it appears that payments for children under the age of three, may not be appropriate based on HHS' recommendation. The Department of Children's Services has properly voided and reimbursed most of the claims sampled and are awaiting further clarification from HHS.

Management did not address the part of the recommendation concerning their following up with HHS for clarification. We strongly recommend (and recommended in the previous audit) that since the bureau disagrees, the bureau follow up with HHS concerning this issue. In addition, the Director should determine why this action has not been taken.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition, Activities Allowed or Unallowed
Questioned Costs	$751,117

TennCare incorrectly reimbursed the Department of Children's Services over $1.1 million for services that are covered by and should be provided by the behavioral health organizations

Finding

As noted in the prior two audits, TennCare has continued to incorrectly reimburse 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 in part with the prior audit finding and stated, "We continue to work with DCS and the BHOs to clarify coverage of benefit issues between the two." Management indicated that it had specifically identified to DCS and the BHOs which costs are allowable and which are not. Management also stated that TennCare would "continue to review the monitoring and claims processing procedures to improve detection of unallowable services." Although the Department of Finance and Administration's (F&A's) Office of Program Accountability and Review (PAR) has looked for more types of unallowable payments, testwork revealed that the payment problems still exist. TennCare has chosen to rely solely upon Children's Services to bill TennCare only for children in state custody. Although TennCare staff held meetings with DCS and BHO representatives to clarify benefit issues, problems still exist.

In accordance with its agreement with TennCare, Children's Services contracts separately with various practitioners and other 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, 2001, TennCare paid approximately $122 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. In addition, TennCare has contracted with the BHOs to provide the first $30,000 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.

Since TennCare still has not implemented procedures to identify services covered by the BHOs for children not in state custody or at risk of state custody, TennCare has again paid both the BHOs and Children's Services for services for children not in state custody.

TennCare has made payments to Children's Services for enhanced behavioral health services for children not in state custody during the dates of service. 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 the Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that TennCare had improperly paid $363,800 to DCS for the year ended June 30, 2001, for children who were not in the state's custody during the dates of service billed to TennCare. Federal questioned costs totaled $231,440. The remaining $132,360 was state matching funds.

In addition, a sample of 60 children from a listing totaling $4,590,432 which had mismatched names, dates of birth, and/or social security numbers was selected. Further review of these names revealed that all 60 children had a record in TNKIDS. However, of these 60 children – representing $453,194 of the $4,590,432 – $47,821 was paid to DCS for dates of services during which time the child was not in custody per the related record in TNKIDS. Federal questioned costs totaled $30,423. The remaining $17,398 was state matching funds.

Furthermore, 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 $769,055 for the year ended June 30, 2001, for services covered by the BHOs. Federal questioned cost totaled $489,254. The remaining $279,801 was state matching funds.

We also found that TennCare made some payments to DCS for providers who billed the BHO and then billed DCS for the same child for the same dates of service. While some portion of these payments might be appropriate, the absence of written policies and procedures regarding instances where such a payment is allowable makes this determination very difficult. In some cases, we found that the BHO was billed by one provider and DCS was billed by a different provider for the same child for the same dates of service. In other cases, we found that the BHO and DCS were billed by the same provider.

In total, as a result of the conditions described in this finding, $1,180,676 was improperly paid to Children's Services. A total of $751,117 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $429,559 was state matching funds.

A review of our CAATs associated with custody, runaways (see finding 01-DFA-14), incarcerated youth (see finding 01-DFA-14), children under the age of three (see finding 01-DFA-14), children who were placed in medical hospitals (see finding 01-DFA-14), and children who received alcohol and drug treatment revealed that our results sometimes included duplicate questioned costs. For example, costs for an incarcerated youth that was also receiving alcohol and drug treatment would be questioned twice, once in the test of incarcerated youth and once in the test of youth receiving alcohol and drug treatment. We estimate the amount of duplicate questioned costs which are included in the costs mentioned in the previous paragraph to be approximately $310,500. The estimated federal amount of duplicate questioned costs is approximately $197,532. The state matching funds are estimated to be approximately $112,968.

Recommendation

The Director of TennCare should ensure that monitoring techniques are implemented to detect and prevent unauthorized payments for children in state custody, children not in state custody, and children at risk of being in state custody. Controls should be developed and implemented to ensure the BHOs and Children's Services are paid only for services for which they are responsible. In addition, policies should be developed and implemented to describe instances where providers may bill the BHO and Children's Services for the same dates of service for the same child.

Management's Comment

We concur in part. We concur that TennCare should not be paying the Department of Children's Services (DCS) for services for incarcerated youth, runaways, or children who are not in custody. During the past year there have been extraordinary efforts made to link data from DCS and TennCare. DCS/TennCare file updates had been occurring off-line, approximately every two weeks. On July 1, 2001, all DCS children were moved into TennCare Select. Eligibility information is now updated systematically on a daily basis. This change alone has greatly improved monitoring of a child's custody status. In addition, we will continue to work with DCS to request their cooperation in billing only for services for which we have contracted. We will implement procedures to improve our monitoring of DCS's billing activity to ensure that inappropriate payments requested are either denied or recouped, if payment has already occurred.

We do not concur, however, with other assumptions made in the finding. These assumptions may be based on an incomplete understanding of arrangements that have been in place for many years. TennCare pays DCS through the State's Title V agreement for "children's therapeutic intervention services." These services are defined as the portion of a child's residential placement day at DCS that qualifies as "treatment." Non-Medicaid services are not included in this payment. The portion of the child's residential placement day that is considered

"treatment" is calculated on the basis of a random moment time study that has been approved by CMS. This is a legitimate payment that does not duplicate other payments for services that a child might receive while he or she is in DCS custody. It does not include payment for room and board or other services that are not "treatment." This arrangement allows the state to take advantage of the availability of federal funding for treatment services that would otherwise be provided at 100% state expense.

A residential treatment provider who is being paid by DCS should obviously not be billing the BHO also for residential treatment. It would be unlikely that this would occur, however, since residential treatment for custody children is clearly the responsibility of DCS. It is entirely possible that a child could be in a DCS residential placement, with the treatment portion of his or her day being paid for by TennCare, and still access services from the BHO without duplicate payments being involved.

Example: *A child is in therapeutic foster care at DCS, with the therapeutic portion of his/her day paid for by TennCare. The child sees a psychiatrist on a day when he is in therapeutic foster care. The psychiatrist's services are paid for by the BHO. The services that are being provided are different, and payment for both is appropriate.*

"Children's therapeutic intervention services" could also include alcohol and drug treatment. Thus a child could be in DCS custody, in a DCS residential placement, with the portion of his day that is alcohol and drug treatment related properly billable to TennCare.

We recognize that the arrangements between DCS and TennCare are complex, and we plan to produce a manual in the coming year that will outline written policies and procedures for these interactions.

The Program Integrity Unit of the Office of Health Services has worked with representatives of DCS, the BHOs, TennCare, and the Comptroller's Office to review issues from the June 30, 2000 audit finding that are similar to those mentioned in this finding. This review is still in process, but at this time it has been determined that of the $13 million in billings questioned in the previous audit report, less than $100,000 in billings may be duplicates. Additional research is being performed to determine the appropriate action to take for resolution of these items. Also as a result of this review it was determined that services for children in DCS Continuums 3 and 4 were the most likely to be billed to both DCS and the BHO. Therefore, in October 2001, TennCare Fiscal Services began running a quarterly data match against BHO encounter data for children in DCS Continuums 3 and 4 to search for billings that may be considered inappropriate. When indicated, additional research is performed to ensure billings are appropriate.

Rebuttal

As stated in the finding, in the absence of written policies and procedures regarding payments made to DCS and the BHO for the same child for the same dates of services, we

cannot determine which payments are allowable. Management appears to agree since it plans to produce a manual that will outline written policies and procedures for these interactions.

While management indicates that "children's therapeutic intervention services" could include alcohol and drug treatment while the child is in custody, management did not address the issue that the first $30,000 of these services should be provided by a BHO.

Management, in referring to the prior year audit report, states that "of the $13 million in billings questioned in the previous audit report, less than $100,000 in billings may be duplicates." However, the previous audit report identified only approximately $3.6 million as possible duplicate billings. The $13 million referred in the prior audit finding also included payments for children not in state custody, payments for hometies services that should be provided by the BHOs, and payments for alcohol and drug treatment.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
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 implemented

Finding

As noted in three previous years' audit findings, with which management concurred, TennCare has not ensured that the Department of Children's Services (Children's Services) has established federally approved Medicaid treatment rates for services provided for children in state custody. In response to the prior audit finding, management stated it would "again request a response from HCFA [the Centers for Medicare and Medicaid Services (CMS), formerly known as the Health Care Financing Administration]."

Children's Services completed a new time and cost study in January of 2000, to serve as the methodology for determining actual cost associated with the treatment of children in its custody. On November 5, 2001, the federal Department of Health and Human Services' Division of Cost Allocation approved an amendment to the Department of Children's Services cost allocation plan, effective July 1, 2000. This amendment, which establishes standard rates based on levels of service to be billed to TennCare and documents the methodology for determining those rates, is awaiting implementation and retroactive application by Children's Services.

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 and then bills TennCare for the reimbursement of Medicaid services.

Testwork performed on the billing rates used during the audit period revealed that in 23 of the 30 billings tested (77%), the amount billed to TennCare for treatment cost was greater than 50% of the total amount paid to the provider. In many instances, Children's Services was billing TennCare 70% to 100% of the total amount paid to the provider, and management at Children's Services could not substantiate the rates being used. It appears the amount paid to the provider included room and board and education costs that are not allowable costs to TennCare. As a result, TennCare has been reimbursing Children's Services for non-Medicaid services.

Recommendation

The Director of TennCare should ensure that Children's Services promptly implements the federally approved rates for treatment costs associated with children in state custody.

Management's Comment

We concur. The Department of Children's Services has provided TennCare with rates consistent with the federally approved methodology. TennCare is currently loading these rates and will be operating under them by April 2002.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
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

The previous four audits have reported that TennCare has not adequately monitored TennCare funded activities of the Department of Children's Services (Children's Services). TennCare uses the services of the Department of Finance and Administration's Division of Resource Development and Support (RDS) to monitor Children's Services. The prior year's audit finding addressed four specific areas where RDS did not follow the requirements of their agreement with TennCare:

- TennCare did not ensure that RDS was aware of all possible unallowable costs associated with certain Children's Services payments.
- RDS did not test service providers to ensure that all provider enrollment qualifications were met.
- RDS did not test the accuracy of Children's Services billing rates.
- RDS did not submit quarterly monitoring reports.

The first two areas were corrected in the audit period; however, RDS still has not tested the accuracy of Children's Services billing rates and did not submit a monitoring report for the first quarter of the fiscal year. RDS has been hampered in testing billing rates by TennCare's not having approved billing rates (finding 01-DFA-16).

Management concurred with the prior audit finding, as they had with previous findings, and stated that TennCare appointed a Children's Services liaison who has met regularly with Children's Services to discuss billing codes, billing practices, coverage of services, and other related issues. Management also stated that the liaison had met with RDS monitoring staff to clarify issues and discuss reports. Also, management stated that TennCare would continue to work with RDS monitoring staff to strengthen monitoring of Children's Services. Although during audit fieldwork evidence of these actions was provided, testwork revealed that monitoring still needs improvement.

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, 2001, TennCare paid approximately $122 million to Children's Services in fee-for-service reimbursement claims.

Because of the inadequate monitoring of Children's Services, TennCare cannot ensure that the amounts billed are correct and allowable.

Recommendation

The Director of TennCare should ensure that RDS properly performs its responsibilities under the monitoring agreement. The Director of TennCare should require quarterly reports from RDS. He should also provide reasonable criteria for RDS to use to determine the accuracy of Children's Services' billing rates.

Management's Comment

RDS did not test the accuracy of Children's Services billing rates.

We concur. Testing of DCS billing rates was discussed with RDS in a planning meeting. It was determined that TennCare would be responsible for monitoring these rates. New DCS rates are currently reviewed by the Comptroller of the Treasury, under contract with TennCare. TennCare will select a sample of claims on a periodic basis and test the rates billed by DCS. Any discrepancies will be resolved with DCS.

RDS did not submit quarterly monitoring reports.

We concur. TennCare will work with RDS to ensure that quarterly reports are submitted.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness; Special Tests and Provisions
Questioned Costs	None

TennCare continues to fail to adequately monitor the Medicaid Waiver for Home and Community Based Services for the Mentally Retarded and Developmentally Disabled

Finding

As noted in the prior two audits, the Bureau of TennCare's monitoring of the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (HCBS MR/DD waiver) under Section 1915(c) of the Social Security Act is still inadequate to provide the federally required assurances of health and welfare and of financial accountability and to ensure fulfillment of TennCare's contract responsibilities.

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. Specifically, TennCare has not reported the required assurances in a timely manner to the Centers for Medicare and Medicaid Services (CMS) and has not provided adequate monitoring to support the health, welfare, and financial accountability section of the report. The Division of Mental Retardation Services (DMRS), which oversees the program for TennCare, is contractually required to monitor the HCBS MR/DD waiver's Medicaid service providers. See finding 01-DFA-19 for further details regarding this matter.

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 MR/DD waiver that 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 MR/DD 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.

Testwork revealed that TennCare still does not appear to have adequate personnel to perform the monitoring needed to support the federally required assurances. The Bureau of TennCare had only one permanent monitor, who is a registered nurse, for the approximately 4,500 recipients of waiver services, 462 service providers, and DMRS during the year ended June 30, 2001. While DMRS has contracted with the Office of Program Accountability and Review to perform fiscal monitoring for the program, TennCare performed no procedures to ensure that the monitoring was adequate. In a letter of correspondence from the CMS to the Bureau of TennCare dated October 25, 2001, in reference to the HCBS MR/DD waiver, CMS noted that "sufficient staff to monitor administration and operation of the program is still not in place."

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 Health Care Financing Administration (HCFA) 372 report, on the impact of the 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.

Management concurred with the prior audit finding and stated they would draft policies to address the timely submission of the HCFA 372 report (Annual Report on Home and Community-Based Services Waivers report). However, the policies concerning the HCFA 372 reports were in draft stage during the audit period.

For the year ended June 30, 2000, 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 by December 28, 2000, were not submitted until August 20, 2001. The HCFA 372 report for the American Disabled for Attendant Programs Today (ADAPT) waiver (Davidson, Hamilton, and Knox counties) that should have been submitted by April 30, 2001, had not been submitted by December 4, 2001. The respective HCFA 372 (S) reports for fiscal year 1999, which were due the year after the HCFA 372 reports, were submitted at the same time. Both reports were submitted after the required due date.

In addition to not having formal monitoring policies and procedures, TennCare has also failed to meet specific contractual monitoring responsibilities. TennCare does have six specific monitoring responsibilities for the HCBS MR/DD waiver in its contract with DMRS. However, TennCare did not comply with the five that are still applicable. One of the responsibilities, related to reviewing preadmission evaluations (PAEs) developed by DMRS, is no longer applicable because DMRS stopped and TennCare began approving these PAEs in June 2000. In response to the prior audit finding, management stated they would revise the contract with DMRS to reflect the current PAEs approval process. However, TennCare did not modify the existing contract to exclude the requirement for TennCare to review the random sample of PAEs. The contract also includes these other responsibilities for TennCare:

1. TennCare is to monitor the plans of care for persons receiving waiver services by reviewing a sample of the plans of care for recipients in the program during the annual state assessment. Testwork revealed that the TennCare monitoring staff did not review plans of care for the year ending June 30, 2001.

2. TennCare is required to monitor DMRS' policies for implementation and coordination of the waiver services approved by Health and Human Services (HHS). However, TennCare has not adequately monitored the policies of DMRS for implementation and coordination of the waiver services. For example, TennCare had no role in the approval process of the *Operations Manual for Community Providers* in use during the audit period, which is the policy manual used by DMRS.

3. Per the contract, TennCare is to provide quality assurance monitoring to evaluate performance of DMRS. However, TennCare has not performed quality assurance monitoring of DMRS.

4. TennCare is to perform periodic audits of client records to validate the findings of the DMRS Quality Enhancement review, and report the results to DMRS with action required or needed to rectify deficiencies in a timely manner. This report is an annual statewide assessment of DMRS' overall performance in the waiver. TennCare does not have guidelines to use when performing periodic audits of client records. Furthermore, TennCare has not performed the state assessment. The Compliance Review conducted by CMS for the year ending June 30, 2001, stated, "The Medicaid Agency indicated that it conducts reviews and issues an annual report. However, a report has not been issued from the Medicaid Agency to DMRS in 5 years."

5. 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. However, this monitoring was not performed.

In addition, the HCBS MR/DD waiver contract states that marketing shall be the responsibility of DMRS. DMRS will send to TennCare "for prior written approval all of its marketing plans, procedures and materials relating to services to be provided. . . ." However, no marketing plans were submitted by DMRS during the audit period.

These critical contractual responsibilities have not been fulfilled. 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 other 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 CMS. 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 CMS. The Director should ensure that an adequate number of appropriately trained staff are available to perform monitoring. The Director should ensure that all contract monitoring responsibilities are satisfied.

Management's Comment

We partially concur.

Overview—Building Capacity: TDLTC is in the process of establishing a Quality Monitoring Unit with sufficient staff to monitor the MR waiver and other waiver programs. Policies, survey tools and procedures for monitoring are under development. Development of a formal plan and associated policies has been delayed to a large part due to resource issues. There have been a number of targeted complaint investigations required by CMS. Available staff have been devoted to completing these investigations, implementing elements of the CMS corrective actions plan and hiring/training new QM staff. A meeting is scheduled for February 14, 2002 to develop an interim QM plan. A permanent QM plan will be developed upon hiring a QM manager. The plan will include annual review of a sample of plans of care, monitoring of DMRS policies for implementation, coordination of waiver services and review of the operations manual for community providers.

CMS 372 reports: Systems issues were resolved during the last fiscal year to allow the report to be available to TDLTC on a timely basis. However, requirements to submit a QA summary have delayed submission to CMS until reports on QM activities were available. TDLTC waiver staff are currently completing all outstanding reports for submission to CMS by the end of this month. With increased QM staff in the TDLTC, reports should be timely from this point forward. Policies for submission of 372 reports are no longer draft policies. In fact, it was an oversight that the "draft" notation was not removed from the copy of the policy supplied to the auditors. The policies provided were and are written representations of the process that has always been followed, including the time period during the audit period.

Sufficiency of monitoring staff: As previously mentioned, a QM Unit is being established with a number of new positions approved to staff the unit. Staff hired to date include the following: an RN Complaint Coordinator, 3 RN Regional Quality Monitors, a QM Data Base Coordinator, and two in-house RN QM Coordinators. In addition, two nurse auditors from the Comptroller's Office have been assigned to the TDLTC and will be utilized to perform post-payment reviews. In addition, TDLTC is attempting to hire five Mental Retardation Program Specialist 3 positions and a QM Unit Manager.

Reviews of care: Surveys done for the audit period did include reviews of a sample of enrollee plans of care. However, we concur that the written report was not submitted timely to DMRS. The report is in draft form awaiting review and revision by the TDLTC director. Report findings have been discussed with DMRS and are in large part addressed by the findings

included in the CMS audit report. However, the report will be finalized by the end of March and will be submitted to DMRS with a directive to correct any deficiencies not currently being addressed by the Corrective Plan developed as a result of the CMS audit.

TDLTC is now reviewing all policies prior to issuance to waiver service providers. In addition, TDLTC is reviewing the new operations manual and making revisions as appropriate. The new *Operating Guidelines* will be reviewed in its entirety and issued to providers by July 1, 2002. Sections are currently being issued as replacement sections as approved by TDLTC.

State Assessment surveys and targeted reviews completed by TDLTC QM staff include evaluation of both providers and administrative lead agencies. Reports will, from this point forward, address recommendations for DMRS as well as recommendations for actions to resolve provider deficiencies. We do not concur that DMRS has not been monitored; however, we do concur that reports have not been timely. The last report issued for FY 96/97 was issued late. In attempt to bring reports up to date, findings for FY 98/99 and 99/00 have been included in one report that is currently in draft form. As previously indicated, this report will be finalized and issued by the end of March, 2002. As noted in the Corrective Plan, TDLTC will continue to conduct targeted reviews and issue reports to DMRS for the current and past fiscal year and will resume State Assessments in fall 2002 for the current fiscal year. Audit tools and policies, as well as a formal monitoring plan will be developed and implemented by that time. Current and future targeted and state assessment reviews will include review and evaluation of DMRS QE activities.

Rebuttal

Management has concurred with this audit finding in the previous two audits.

Reviews of Care: The contract requirement referenced in the finding requires TennCare to monitor plans of care for individuals "during the state assessment." Upon receiving this response we asked management for documentation that they examined a sample of enrollee's plans of care. Management provided documentation that plans of care were reviewed during investigations of providers, but not during the state assessment as required by the contract. In addition, as stated in the finding, TennCare has not performed the annual state assessment.

We agree that DMRS has been monitored. However, as noted in this finding, there were deficiencies in the monitoring effort.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition; Special Tests and Provisions
Questioned Costs	None

TennCare should ensure that the Division of Mental Retardation Services provides adequate monitoring of the waiver for Medicaid Home and Community Based Services for the Mentally Retarded and Developmentally Disabled

Finding

As noted in the prior two audits, the TennCare Bureau did not ensure that the Division of Mental Retardation Services (DMRS) complied with its contract monitoring requirements for the Medicaid Home and Community Based Services (HCBS) waiver for the Mentally Retarded and Developmentally Disabled. The contract between the TennCare Bureau and DMRS requires DMRS 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 finding and stated,

> 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. . . . 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.

According to the HCBS MR/DD waiver, the health and welfare assurances to be provided include assurance of adequate standards for all types of providers that furnish services under the waiver and assurance of state licensure requirements being met on the date the services are furnished.

Testwork revealed that a Memorandum of Understanding Agreement was put in place between DMRS, Finance and Administration, and the PAR group to perform fiscal monitoring for the HCBS Mentally Retarded and Developmentally Disabled (MR/DD) providers. The effective date of the contract was August 1, 2000, and the PAR unit did perform adequate fiscal monitoring for waiver recipients and service providers except for alternative providers during the

audit period. Testwork also revealed that DMRS had a monitoring tool in place to monitor the waiver's home health agencies and carried out the monitoring of these providers. However, the monitoring tool was not approved by TennCare as required by TennCare's contract with DMRS which states that TennCare will monitor "policies and procedures for implementation and coordination of the waiver services."

In addition, to fiscal monitoring, we also examined DMRS's programmatic monitoring. Although testwork revealed that DMRS 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, there were no monitoring procedures in place for monitoring alternative providers such as nutritionists, therapists, and dentists.

Recommendation

The Director of TennCare and the Deputy Commissioner over DMRS should ensure that DMRS complies with contractual requirements for assurances of health and welfare. The Director should ensure that all alternative providers are monitored. To ensure adequate monitoring is provided, DMRS monitoring policies and procedures should be approved by TennCare.

Management's Comment

We concur. As mentioned in the response to other audit findings, TDLTC is establishing a Quality Monitoring Unit. Staff in this unit will evaluate the DMRS QE system and provide recommendations for improving the process and correcting deficiencies as is appropriate. A major focus will be on ensuring follow-through sufficient to assure timely correction of deficiencies noted.

Regarding DMRS monitoring tools, policies and procedures, TDLTC has reviewed the Quality Monitoring section of the DMRS Operating Guidelines. QE tools are undergoing further revision and TDLTC is participating in this process. The DLTC Regional Monitoring Nurse participated in testing the current QE tool for Home Health providers and provided recommendations for revision to the form and process during the testing period.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness; Activities Allowed or Unallowed
Questioned Costs	None

TennCare is still failing to pay claims for services provided to the mentally retarded and developmentally disabled in accordance with the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled

Finding

As noted in the prior two audits, TennCare has allowed other state officials outside the Bureau of TennCare 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 MR/DD 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, the Bureau of TennCare has contracted with the Division of Mental Retardation Services (DMRS) (both the bureau and DMRS are within the Department of Finance and Administration) to oversee the HCBS MR/DD waiver program. However, DMRS has not complied with HCBS MR/DD waiver requirements regarding claims for services.

The prior finding noted that

- TennCare did not contract directly with providers and allowed DMRS to contract directly with these providers. Furthermore, DMRS did not obtain written approval from TennCare before entering into contracts with providers, nor did it submit copies of provider contracts to TennCare before their execution. In addition, TennCare has inappropriately paid DMRS as a Medicaid provider. DMRS in turn has treated the actual Medicaid service providers as DMRS vendors;
- TennCare did not make direct payments to providers of services covered by the waiver and allowed claims to be processed on a system not approved as a Medicaid Management Information System;
- TennCare allowed DMRS to pay waiver claims outside the prescribed waiver arrangement; and
- TennCare allowed DMRS to pay providers for days when a waiver recipient did not receive services (leave days).

Management concurred with the prior audit finding concerning payments to providers for leave days and changed its methodology to prevent payments for leave days. However, the remaining issues continue to be problems.

Section 1902(a)(27) of the Social Security Act and the HCBS MR/DD waiver require TennCare to contract directly with the providers. The contract between TennCare and DMRS also prohibits DMRS' assignment of a contract without approval from TennCare and requires DMRS to submit copies of contracts to TennCare prior to the effective date of the contract. However, TennCare has allowed DMRS to contract directly with the Medicaid providers.

Management stated in its comments to the prior finding that a new provider agreement was developed that allows both TennCare and DMRS to sign the agreement with the provider. However, the contracts in effect during the audit period did not contain signatures by both DMRS and TennCare.

In addition, TennCare has inappropriately paid DMRS as a Medicaid provider. DMRS in turn has treated the actual Medicaid service providers as DMRS vendors. According to Medicaid principles, as described in the Provider Reimbursement Manual, Part I, Section 2402.1, DMRS is not a Medicaid provider because it does not perform actual Medicaid services.

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 DMRS to process claims on its own system and make payments to providers through the State of Tennessee Accounting and Reporting System (STARS).

DMRS has also paid waiver claims outside the prescribed waiver arrangement. The waiver is designed to afford individuals who are eligible 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 DMRS for services.
3. DMRS pays providers based on rates established by DMRS, not the rates in the waiver. TennCare has improperly allowed DMRS to use the Community Services Tracking System and STARS to pay the providers.
4. DMRS bills TennCare (as if DMRS were a provider) based on the waiver rates.
5. TennCare pays DMRS (as if DMRS were a provider) the TennCare rates using the TennCare Management Information System (TCMIS).

Management stated in the prior audit finding that they would seek clarification concerning the reimbursement of providers at negotiated rates rather than waiver-approved rates.

However, according to discussions with management, TennCare did not receive a response from CMS regarding the reimbursement rates. Because TennCare has not ensured that DMRS complied with the waiver and federal regulations, TennCare paid DMRS more than DMRS had paid the providers in 44 of 53 claims examined. TennCare paid DMRS less than DMRS paid the providers on the other 9 claims. For the 53 claims examined, TennCare paid $104,088 to DMRS, and DMRS paid the providers $84,275. As noted in finding 01-DFA-21, testwork on this same sample revealed that these claims were not adequately approved and/or documented. As a result, the questioned costs relating to the inadequate approval and/or documentation have been reported in finding 00-DFA-21. No additional questioned costs relating to the differences in payments will be reported in this finding.

Testwork and auditor inquiry also revealed a new issue regarding DMRS' contracting with providers who provide a service described as community participation (CP) combo. CP combo services are provided to individuals in the HCBS MR/DD waiver. Chapter three of the DMRS' *Operations Manual for Community Providers* permits CP combo services, which are a combination of community participation and day habilitation (services to improve the recipient's social skills and adaptive skills) services. However, the HCBS MR/DD waiver does not allow any combination of services. For example, we examined a cost plan of a waiver recipient and determined that TennCare is paying DMRS for community participation services at $13.00 per hour, when in some cases, the waiver recipient is receiving day habilitation, which should be paid at $6.65 to $8.90 per hour. As a result, for each hour when day habilitation was provided, TennCare overpaid DMRS.

By not paying providers directly, federal reimbursement has been delayed longer with DMRS paying the provider than if TennCare had paid providers directly in accordance with federal regulations. In addition, as noted earlier in the finding, in most cases DMRS pays the provider less than TennCare reimburses DMRS. Most of the actual providers are contracting and being paid rates less than the approved waiver rates. As a result, DMRS is profiting on these claims at the expense of the actual providers. Otherwise, TennCare's higher payments to DMRS may result in higher costs than necessary for the program when actual providers are contracting to provide services at rates less than the waiver approved rates.

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 should ensure that TennCare pays providers in accordance with the waiver and only for allowable services. The Director should ensure that the federal financial participation drawn is based upon waiver approved rates or the actual amount paid to the ultimate providers of services if agreements are reached with providers to provide services at rates less than the waiver approved rates. TennCare should process claims on the approved Medicaid (TennCare) Management Information System and pay providers directly. The Director should ensure that services are not combined to conflict with the HCBS MR/DD waiver.

Management's Comment

We partially concur.

Provider agreements: The format for provider agreements has been revised. It is now a three-way contract between the provider, TennCare, and DMRS. For the 2002 fiscal year, provider agreements were submitted by DMRS for TennCare signature prior to execution. The provider agreements are currently being matched against provider lists to ensure that a signed contract is on file at TDLTC for all MR waiver providers. TennCare is currently reviewing DMRS enrollment processes and has been signing off on new provider approvals since July 2001.

Provider payment: Federal regulations allow providers to reassign payment to DMRS. Signed provider agreements include reassignment of payment to DMRS. However, we concur that the payments made by DMRS were not made via an approved MMIS system. TDLTC has had meetings with TennCare Information Systems staff, Fiscal staff and Provider Services staff to begin developing mechanisms for direct provider payment. In regional meetings with MR waiver provider staff (held in August/September and December 2001), providers were informed that in the future, payments would be issued directly by TennCare with an option to reassign payment to DMRS. In regional meetings scheduled for March 2002, TennCare Provider enrollment forms will be given to providers so that providers can complete the forms, submit them to TennCare and be put on the systems file as a TennCare provider.

Payment of DMRS as a provider: We concur that DMRS has been paid in accordance with the rates in the waiver and that in most cases, the rates paid to providers by DMRS have been different. The rates in the approved waiver document are estimated average rates. It is common for states to contract with providers for rates that are different than the average rates in the waiver to accommodate for differences in regional costs of living and staffing costs. The goal is for the rates paid to average what has been approved in the waiver application for FFP. The amount paid to DMRS in excess of what was paid providers was intended to provide reimbursement to DMRS for administrative costs of daily operations for the waiver program. The amounts realized via this mechanism do not, in fact, cover all the administrative costs incurred by DMRS; therefore, DMRS is not "profiting" from this arrangement. However, we intend to include in TennCare's contract with DMRS a description of payment for administrative services in accordance with the cost allocation plan approved by CMS(verbal notification has been received approving the cost allocation plan and official notification is expected soon). The cost allocation plan includes a process to perform a year-end cost settlement.

CP combo rates: CMS has indicated that it is permissible to allow a combination of day services, as long as the provider is not paid for two day services that are billed during the same period of time. TDLTC will have further discussions with CMS and DMRS pertaining to the way DMRS has elected to pay for combination services. The system will be revised as necessary to comply with federal regulations and ensure appropriate payment for services rendered. TDLTC will monitor for overpayment via survey and post payment review.

Rebuttal

TennCare management has concurred with this audit finding in the previous two audits.

Provider payment: The provider agreements in effect during the audit period required the provider to accept payment from DMRS. The agreements did not give the provider the opportunity to be paid through TCMIS, the approved Medicaid Management Information System. In a report of a compliance review conducted for the HCBS waiver dated July 27, 2001, CMS stated:

> Section 1902(a)(32) requires that providers have the option of receiving payments directly from the State Medicaid Agency. The state should modify its payment system to comply with this requirement.

Payment of DMRS as a provider: Management stated in their response:

> The amounts realized via this mechanism do not, in fact, cover all the administrative costs incurred by DMRS; therefore DMRS is not "profiting" from the agreement.

While DMRS may not be receiving enough through the claims reimbursement process to pay their providers and fund all administrative costs, it should be noted that administrative costs should be claimed using a cost allocation plan.

Under the current arrangement with the Bureau, the profit (the excess of TennCare's reimbursments to DMRS over DMRS' payments to providers) from the reimbursement of treatment costs is inappropriately being used to pay administrative costs.

The federal government has noted this inappropriate practice of using claims reimbursement to partially fund administrative costs in a report of a compliance review conducted for the HCBS waiver dated July 27, 2001, in which CMS stated:

> The State Medicaid Agency reimburses the DMRS for the services and DMRS reimburses the providers. It appears that, in some cases, the DMRS reimburses providers less than the payment received from the Bureau of TennCare. Governmental agencies may not profit by reassignment in any way, which is related to the amount of compensation furnished to the provider (e.g., the agencies may not deduct 10 percent of the payment to cover their administrative costs). To do so places the agency in the position of "factor" as defined in 42 CFR 447.10(b). Payment to "factors" is prohibited under 42 CFR 447.10(h).

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	$75,382.70

TennCare has still failed to ensure 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 two audits, TennCare has not ensured that the Division of Mental Retardation Services (DMRS) appropriately reviews and authorizes the eligibility of and the allowable services for recipients under the Medicaid Home and Community Based Services for the Mentally Retarded and Developmentally Disabled (HCBS MR/DD) Waiver and the Elderly and Disabled waivers. DMRS allowed providers to render services to recipients before proper eligibility preadmission evaluations were performed and documented and before services were reviewed and authorized. In addition, claims were paid for unallowable and/or unauthorized services, and the required service plan and cost plans were inconsistent.

In response to the prior finding, management stated:

> 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. . . . Cost plan and service plan date consistency has likewise improved with the revised process. . . . A draft policy has been written to address the review of PAEs [preadmission evaluation] for those applying for TennCare reimbursed programs for the mentally retarded. . . .

However, as noted below, the problems have continued.

A sample of 60 claims for the HCBS MR/DD Waiver and the Elderly and Disabled waivers was selected. Fifty-three claims were for individuals enrolled in the HCBS MR/DD Waiver. The remaining seven individuals were enrolled in the Elderly and Disabled waivers.

For the 60 claims, we examined the following documentation:

- the related PAEs for all waiver recipients (60 claims);

- the required physical and psychological exams for HCBS MR/DD recipients (53 claims);
- the independent support plans for HCBS MR/DD recipients (53 claims);
- the service plans for all waiver recipients (60 claims);
- the cost plans for HCBS MR/DD recipients (53 claims);
- the recertification for all waiver recipients (60 claims);
- other required supporting documentation for all waivers (60 claims); and
- service plans for independent support coordination (37 claims).

In a review of the waiver eligibility process, testwork revealed that for 7 of 53 claims tested (13%) for HCBS MR/DD recipients, the PAEs and the required physical exam and/or psychological exam had one or more of the following deficiencies:

- The PAE was not on file, or the PAE was not signed. In DMRS' *Operations Manual for Community Providers*, chapter 1 requires a preadmission evaluation (PAE) to be properly completed for each recipient, and chapter 2 requires service plans to be authorized before entry into DMRS' Community Services Tracking System as approved.
- There was no evidence that a physical and/or psychological exam was performed. Furthermore, for 7 of 53 claims tested (13%) for HCBS MR/DD recipients, there was no evidence on the psychological exam that the recipient had a primary diagnosis of mental retardation prior to age 18 as required by chapter one of the *Operations Manual for Community Providers*. Physical exams and psychological exams are required by the *Operations Manual for Community Providers* as evidence of waiver eligibility for individuals in the HCBS MR/DD Waiver.
- The physical and/or psychological exams were not signed within the required time frame. The *Operations Manual for Community Providers*, chapter 1 requires that the psychological and physical exams must be performed within the preceding 12 months. If an exam was performed over 90 days but less than 1 year before entry into the waiver, it must be updated.

In our review of the service authorization process, testwork revealed that the service plans for 48 of 60 claims tested (80%) were improper. Problems with the service plans included the following discrepancies:

- There were no signatures on the service plans to indicate review.
- The service plans were not reviewed timely before the services were provided.
- The service plans were not on file at the regional offices; therefore, there was no evidence of any review prior to services being rendered.

Support plans serve as a planning tool to identify wants, desires, and goals of a recipient as well as the waiver services needed to achieve these wants, desires, and goals. The services

identified in the support plan are used later in the preparation of the service plan. For 4 of 53 claims (8%) the ISPs were either missing, unsigned, or did not indicate a need for the services provided. The *Operations Manual for Community Providers*, chapter 2 requires the preparation of the support plan and a formal review.

Section 13 of the HCBS Waiver states that services under the waiver will be furnished pursuant to an approved plan of care (service plan). Documentation for approval of the service plan is based on appendix E of the HCBS MR/DD Waiver. Furthermore, the *Operations Manual for Community Providers* in chapter 2 states, "All services funded through the Medicaid Waiver . . . must be pre-authorized by DMRS Regional Offices." The manual also states, "The Service Plan must be submitted to the Regional Office at least one month prior to the person's most recent Service Plan authorization date."

We also examined cost plans as evidence of the preauthorization of waiver services. The cost plans are developed in conjunction with the service plans for each eligible waiver recipient. The cost plans identify the appropriate costs associated with the authorized services provided to eligible waiver recipients.

Testwork revealed that 50 of 53 claims (94%) for HCBS MR/DD Waiver recipients were not proper because of one or more of the following deficiencies:

- The cost plans were not signed to indicate review.
- The review and authorization of services were not performed timely.
- The cost plans were not on file.
- The authorized dates for service on the cost plan did not agree with those on the service plan.

A memorandum to Medicaid Waiver Providers from Mental Retardation Services requires that effective December 1, 1998, "All services must be authorized in advance, and in writing by the Regional Office, using a valid Cost Plan." Furthermore, a recent Compliance Review conducted by the Centers for Medicare and Medicaid Services (CMS), formerly known as the Health Care Financing Administration, during the year ended June 30, 2001, noted, "The effective dates of the plans [Cost Plan and Service Plan] differed and could not be correlated with the data in the plans. . . . [R]egarding late service plans/cost plans . . . [i]n a recent query done by our office, it was noted that three individuals had plans that had expired. . . . Technically, these individuals are no longer in the waiver program."

In addition, we examined the recertifications for all waiver recipients. It was determined that for 2 of 60 claims (3%) there was no recertification on file. All the waivers require recipients to be recertified at least every 12 months.

We also performed testwork to determine if the waiver claims were adequately supported. For 19 of 53 claims for HCBS MR/DD recipients tested (35%), the problems noted included a lack of supporting documentation, documentation that did not agree with the services billed, and/or calculation errors of hours the service was provided in the documentation. For 4 of

7 claims (57%) for recipients enrolled in the Elderly and Disabled Waiver, the problems included claims where the support did not agree with the services billed, and/or calculation errors in the support.

We also examined the appropriateness of waiver rates. Testwork revealed that for 53 of 60 claims (88%), DMRS paid providers based on inappropriate rates. The 53 claims were paid based upon the rates in DMRS' Community Services Tracking System. However, these rates do not agree with the waiver-approved rates in the TennCare Management Information System (TCMIS) (see finding 01-DFA-20 for further details on this matter).

Finally, we examined claims for independent support coordination. Independent support coordination is provided to waiver recipients to assist them in obtaining services that are appropriate to their needs. Testwork revealed that for 4 of 37 claims tested for independent support coordination (11%), the independent support coordinator (ISC) did not maintain service plans or the service plan was not proper. The *Operations Manual for Community Providers*, chapter 3, requires an ISC to complete the service plan and submit it to the regional office.

The total amount of the 60 claims sampled and discussed in this finding were $110,230.80. Errors totaled $107,238.92 of which $68,222.72 is federal questioned costs. The remainder of $39,016.20 is state matching funds. The total amount paid for HCBS waiver claims was $171,982,027.21.

During the testwork, we also discovered that TennCare paid many claims in error to Senior Services, a provider of services for the elderly. Testwork revealed that DMRS paid for 127 "Minor Home Modifications" through the American Disabled for Attendant Programs Today (ADAPT) waiver for Davidson County when in fact Senior Services had not billed for minor home modifications. A total of $11,254.74 was paid to Senior Services because of the payment error for the 127 home modifications. Of this amount, $7,159.98 is federal questioned costs. The remaining $4,094.76 is state matching funds.

This testwork also revealed that one individual was approved to receive services under two different waivers, the Elderly and Disabled Waiver and the HCBS MR/DD Waiver. On the service plan for the MR/DD Waiver, independent support coordination services were approved for the period January 1, 2001, through February 28, 2001, and in the physician's plan for care in the elderly waiver, case management services were approved for the period December 22, 2000, through March 22, 2001. Although no duplicate payments were found, this individual was given the authorization to obtain similar services at the same time under two different waivers. Allowing individuals to be in multiple waivers could prevent others who need waiver services from obtaining access to the services because there is a limited number of slots available.

Since TennCare has not ensured that adequate processes were in place for the approval of recipient eligibility and for the review and payment of services under the Medicaid Home and Community Based Services Waiver, Medicaid providers of HCBS Waiver services were paid for ineligible recipients and inadequately documented services. The Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that costs be adequately documented.

Recommendation

The Director of TennCare should determine why the measures taken in 2000 were inadequate and should ensure that the eligibility criteria for all individuals are documented on the PAE. The Deputy Commissioner over DMRS should ensure that review and approval of services under the HCBS Waiver is adequately documented in all support plans, service plans, and cost plans. In addition, cost plan and service plan dates should be in agreement. The Director should ensure that all individuals are recertified at least every 12 months. Waiver claims without adequate documentation should be denied. The Director of TennCare should ensure claims are paid in accordance with the waiver at the approved rates. The Director should ensure that ISCs maintain proper service plans. Payments for minor home modifications should be made only when the modifications are actually performed and documented on the claims form. The overpayments made for minor home modifications should be recovered. The Director of TennCare should ensure that recipients are approved for only one waiver so as not to limit access to services by others.

Management's Comment

We partially concur.

PAEs: PAEs are not approved by TDLTC without signatures and appropriate physicals and psychologicals for those applying for the MR waiver. It is reasonable to expect that an occasional human error could occur, but DTLC staff are very attentive to ensuring inclusion of the required elements prior to approving the forms. It is possible that supporting documentation could be detached from the original PAE form. We will review the PAEs in question and take appropriate action as necessary.

Update signatures: TDLTC policy is to consider the physician's signature on the PAE as an update to the physical and psychological examinations. We will review the records in question and take appropriate action as necessary.

ISPs: We concur that there continue to be problems with service and cost plans. DMRS is no longer distributing cost plans. Service plans are the mechanism used to authorize services. We are currently working with DMRS and waiver providers to streamline and improve the ISP format and service plan authorization process. A post-payment review process that includes evaluation of a sample of ISPs and service plans is included in this improvement effort. Reviewers will look for corresponding dates on the ISP and service plan, signature authorization of the service plan prior to delivery of services, billing in accordance with hours of service provided and timeliness of updating and authorizing service plans and annual recertification. In addition, reviewers doing post-payment reviews and other QM surveys and targeted reviews will evaluate the appropriateness of the ISP to individual need. TDLTC and DMRS will collaborate in developing resolution to any deficiencies noted.

Individual enrollment in two waiver programs: Senior Services has been informed that it is inappropriate for a person to be enrolled in two waivers simultaneously. DMRS will be

asked to send an information bulletin to all Support Coordination Agencies including the same clarification. In addition, the issue of simultaneous enrollment in two waivers will be addressed at March regional provider meetings. TDLTC will discuss with TennCare Information Systems staff any billing edits that can be done to prevent this from occurring in the future. Funding provided for services provided will be recouped from one of the waiver programs.

Rebuttal

It is not clear from management's comment with which part(s) of the finding management does not concur. Management has concurred with this audit finding in the previous two audits. Management did not address the part of the recommendation concerning minor home modifications.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness, Activities Allowed or Unallowed
Questioned Costs	$35,897,908.56

TennCare's monitoring of the payments for the pharmacy program needs improvement and TennCare needs to maintain annual drug use review reports

Finding

TennCare's monitoring of the payments for the pharmacy program needs improvement. TennCare contracts with Consultec, LLC (Consultec), to pay claims on a fee-for-service basis to providers for individuals who are both Medicare and Medicaid eligible as well as for behavioral health drugs for TennCare enrollees. Consultec pays the claims submitted by the pharmacy program providers, and then TennCare reimburses Consultec for the cost of the claims paid.

Discussions with management at TennCare revealed that TennCare has not adequately monitored the payments to Consultec. Some examples of the deficiencies in TennCare's monitoring of the contract between TennCare and Consultec include the following:

- TennCare did not monitor to ensure the amount paid to the providers for the drugs was correct.
- TennCare did not monitor to ensure that an individual provider claim was not reimbursed more than once.
- TennCare did not monitor to ensure that Consultec paid only providers for claims for TennCare eligibles who should be receiving benefits through Consultec.
- TennCare did not monitor to ensure that Consultec paid the providers the same amounts billed to TennCare.

Each week Consultec sends an invoice and a listing of the claims paid to the Bureau of TennCare's Fiscal Office. We examined the listings submitted by Consultec and determined that TennCare did not have a listing for 6 of the 52 weeks (11.5%) during the audit period. *Office of Management and Budget Circular A-87* requires that all costs are adequately documented. The total amount paid for these six weeks was $56,427,579, of which $35,897,815 is federal questioned costs. The remaining $20,529,764 is state matching funds.

Testwork on the other 46 weeks also revealed that 4 of the 64 claims selected (6%) did not have a complete date of service. These claims were missing a day or month. The total cost of the 64 claims sampled was $2,639.58. Because we were not able to determine the date the

enrollee received the drugs, we were not able to determine if the enrollee was eligible on the dates in question. For the 60 claims with complete dates, 2 (3%) were not eligible for TennCare on the dates of service, according to the TennCare Management Information System. The amount TennCare reimbursed Consultec was approximately $614 million for the year ended June 30, 2001. The total amount paid for the six claims in question was $147.06. Federal questioned costs total $93.56. An additional $53.50 of state matching funds was related to the questioned costs. We believe likely questioned costs exceed $10,000 for this condition.

This inadequate monitoring could lead to duplicate paid claims, ineligible recipients receiving benefits, Consultec's not paying providers what is billed to TennCare, and/or the incorrect amount being paid for drugs.

In addition, the Social Security Act 1927 (g) (3) (A) through (D) requires that each state must establish a drug use review (DUR) board. The state must require that the DUR Board prepare an annual report that includes a description of the activities of the Board. The Director of Pharmacy said that TennCare submitted the annual report in December 2000. However, management could not locate the report that was sent.

Recommendation

The Director of TennCare should ensure that staff perform adequate monitoring of pharmacy program contract payments and develop and implement written policies and procedures as necessary to effectively monitor the contract with Consultec. All weekly listings of claims paid should be maintained and used to monitor the claims paid by Consultec. The monitoring effort should include procedures to ensure that claims are paid only for individuals who should be receiving benefits thorough Consultec, correct amounts are paid for drugs, no duplicate claims are paid, and Consultec is paying providers all the money transferred by TennCare. The Director should ensure that the annual DUR reports are kept.

Management's Comment

We do not concur with the questioned costs related to this finding since our review indicated that invoices were on file to support all amounts paid to the contractor. For two of the invoices, listings of claims that accompany the invoices were not on file. TennCare has requested the contractor provide these listings immediately. Upon receipt each week, the Bureau will perform the reconciliation that is normally done for these invoices to ensure that listings accompany all invoices.

We do concur with the need for monitoring procedures. The Bureau will coordinate efforts between the Fiscal Unit and the Pharmacy Unit to assure written policies and procedures are developed and followed to effectively monitor the contract between TennCare and Consultec (ACS). The monitoring effort will include procedures that will assure claims are paid correctly for eligible members and that Consultec pays providers exactly as they invoice the TennCare Bureau.

The 2000 annual DUR report was located when the responsible employee returned from medical leave. However, new policies and procedures will also address the writing and storage of the annual DUR report to ensure it is available to all necessary staff.

Rebuttal

OMB Circular A-133 defines a questioned cost as "a cost that is questioned by the auditor because of an audit finding . . . . Where the costs, at the time of the audit, are not supported by adequate documentation." Adequate documentation includes having the listings of individuals that consultec has paid for at the time of audit. By not receiving or maintaining these listings TennCare cannot ensure that payments to Consultec are for valid costs.

Management did not address the following concerns in their comments:

- Claims with incomplete dates of service; and
- Claims paid for individuals that were not eligible on the date of service.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition; Eligibility
Questioned Costs	$4,278,607

TennCare paid capitation payments and fee-for-service payments on behalf of incarcerated enrollees, resulting in federal questioned costs of $4,278,607

Finding

As noted in the two prior audits, TennCare still has not ensured that when enrollees become incarcerated, adequate controls are in place to prevent capitation payments to managed care organizations and payments to providers for fee-for-service claims. 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 in part with the prior audit finding and stated that TennCare is 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. However, from the beginning of the audit period until February 2001, because of the temporary restraining order, TennCare did not terminate any incarcerated enrollees (see finding 01-DFA-08 for details). In February 2001, TennCare performed a data match with the Department of Correction's information to identify the prisoners on TennCare, which resulted in TennCare mailing 481 termination notices to enrollees. However, although TennCare mailed the termination notices, it continues to pay capitation payments for incarcerated enrollees. Management further responded to the previous audit finding that, in its opinion, the contracts with the MCOs should not be amended to permit retroactive recovery of payments for incarcerated enrollees.

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 $6,725,519 from July 1, 2000, through June 30, 2001, for approximately 5,400 adult inmates in state prisons. Of this amount, $6,626,578 was paid to MCOs, and $98,941 was paid to providers for fee-for-service claims. Of these amounts, $4,278,607 is federal questioned costs. An additional $2,446,912 of state matching funds was related to the federal questioned costs.

Per the *Code of Federal Regulations*, Title 42, Part 435, Sections 1008 and 1009, the state, not the federal government, is responsible for the health care costs of adult inmates.

Based on discussions with TennCare's Information Systems staff, 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, including those that are incarcerated, until notification of death or proof that the individual has elected Medicaid coverage in another state. Testwork revealed that many of the incarcerated individuals noted in fact were not classified as SSI enrollees in TennCare's System. (See finding 01-DFA-10 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 prevents TennCare from making disenrollment retroactive "except for situations involving enrollment obtained by fraudulent applications or death." For example, if a person was incarcerated in June 2000 and TennCare was notified in September 2000, TennCare would only recover capitation payments made beginning September 2000, rather than going back to the exact date of incarceration in June.
- In May 2000, TennCare was placed under a temporary restraining order that prohibited 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 did not rely upon its reverification process as a basis to terminate an individual. (See finding 01-DFA-08 for more information.) In October 2000, the Bureau was given authorization to terminate incarcerated adults in State Prisons. However, the prisoner match did not occur until February 2001, and the matched prisoners were not terminated until late in the audit period.
- 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. As management has chosen not to make changes in the MCO contract language that would allow full recovery of capitation payments for incarcerated enrollees, TennCare should develop a mechanism to identify these payments and use state dollars only to pay for these ineligible enrollees.

Management's Comment

We concur in part. We agree that a timely identification of incarcerated enrollees is important. We have been working with the Program Integrity Unit to improve a process of data matching in order to identify possible incarcerated enrollees and will continue to work with them to refine those processes. We believe the amounts paid for incarcerated enrollees during the period of the TRO are allowable costs for federal reimbursement because they were due to federal court actions. We will review our controls over fee-for-service claims related to this issue and make adjustments that are cost effective. Further review of the auditor's testwork would assist in this.

Rebuttal

As stated in the finding, per the *Code of Federal Regulations*, Title 42, Part 435, Sections 1008 and 1009, the state, not the federal government, is responsible for the health care costs of adult inmates.

OMB Circular A-133 defines a questioned cost as a cost which "resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds." TennCare should not pass on costs to the federal government when it has failed to establish adequate due process procedures resulting in a court order. If TennCare had adequate due process procedures in place, the court would not have issued the court order. See finding 01-DFA-08 for further details regarding this matter.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
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

As noted in the prior audit, the Bureau of TennCare allowed providers to submit claims later than 12 months from the date of service. In addition, the Bureau did not pay Medicare crossover provider claims within 6 months after receiving the Medicare claim. Management did not concur with the prior audit finding stating that it needed to review the claims in question to determine the reasons for the delay and that processing can appropriately occur outside of the timelines listed for a variety of reasons. But they stated that they would review their policies for this area and ensure they are appropriate. However, testwork revealed that the problems still exist.

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, except in the following circumstances: (i) This time limitation does not apply to retroactive adjustments paid to providers who are reimbursed under a retrospective payment system. . . . (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. (iii) The time limitation does not apply to claims from providers under investigation for fraud or abuse. (iv) The agency may make payments at any time in accordance with a court order, to carry out hearing decisions or agency corrective actions taken to resolve a dispute, or to extend the benefits of a hearing decision, correction action, or other court order to others in the same situation as those directly affected by it.

The Bureau of TennCare pays Medicare crossover providers directly. The Division of Mental Retardation Services (DMRS) within the Department of Finance and Administration pays providers under the Home and Community Based Services Waiver for the Mentally Retarded

and Developmentally Disabled (HCBS-MR) waiver. Department of Children's Services (Children's Services) providers are paid directly by Children's Services. After paying their providers, DMRS and Children's Services submit their provider claims to the Bureau for reimbursement.

Testwork revealed that TennCare paid $3,559,560 in claims to Children's Services and $2,819,304 in claims to DMRS for claims submitted after 12 months from the date of service. In addition, TennCare paid $31,390 in claims to crossover providers that were not paid within 6 months of receipt of the claim. Although federal regulations allow certain exceptions beyond the 12-month or 6-month requirement, the claims in question do not fall within the exceptions listed in the CFR.

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, DMRS, and Medicare crossover provider claims, consistent with federal regulations. However, according to TennCare staff, personnel knowingly override these edits for Children's Services and Medicare crossover provider claims. In addition, TennCare does not use the system edit necessary to prevent payments of claims filed untimely from DMRS.

When claims are not received in a timely manner, the computer edits could be utilized to halt payments to Children's Services, DMRS, and Medicare crossover providers. By not using edits and overriding edits, TennCare cannot ensure that these claims are denied as required, and TennCare enables the state departments to continue to defy federal regulations without 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 and Children's Services claims are received within 12 months of the date of service and that Medicare crossover provider claims are paid within 6 months after receiving notice of the disposition of the Medicare claim. 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 concur. We have implemented edits to prevent payment of claims submitted over twelve months after the service date. We are reviewing the controls over cross-over claims and will implement necessary changes to ensure compliance with regulations.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition; Eligibility
Questioned Costs	$7,166

TennCare did not recover fee-for-service claims paid to providers and used federal matching funds for capitation payments paid to managed care organizations for deceased individuals including those who had been dead for more than a year

Finding

As noted in the prior three audits, TennCare has not ensured that adequate controls are in place to recover fee-for-service payments that are made to providers for dates of service after an enrollee's date of death. In addition, TennCare has claimed federal matching funds for capitation payments paid to managed care organizations for deceased individuals who have been dead for more than a year. Management partially concurred and stated that procedures over recovery of fee-for-service claims paid on behalf of deceased enrollees would be reviewed. However, no changes were made to the procedures.

Management did not concur with the finding related to recoveries of capitation payments for enrollees prior to 12 months before the date-of-death notification because they "believe the contract with the MCOs does not permit retroactive recovery of capitation payments for enrollees greater than twelve months." In February 2002 management obtained an opinion from the Attorney General's office on the recovery of capitation payments. The opinion states "this Office believes that retroactives adjustments greater than 12 months for deceased TennCare enrollees should not be made for period prior to July 1, 2001." Although the contract would prohibit the recovery of payments from the MCOs for these indivduals, TennCare has continued to claim federal financial participation for individuals that have been deceased for more than 12 months. For costs to be allowable for federal financial participation, the costs must be paid for allowable servicies provided to living enrollees.

The capitation payments are made to the MCOs on behalf of TennCare enrollees to cover medical 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 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.

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, because of a Temporary Restraining Order TennCare has not reverified the eligibility of enrollees timely (see finding 01-DFA-08 for more details).

When it takes over a year to detect an enrollee's death, TennCare does not recover all of the fee-for-service payments made for deceased individuals and, although the MCO contracts prohibit recovery of capitation payments for indivdiduals who have been deceased for more than a year, TennCare has claimed federal matching funds for these individuals. We performed a data match between capitation payments per TennCare's paid claims tapes and date-of-death information from the Office of Vital Records in the Department of Health. We found that TennCare paid $550,696 to the MCOs on behalf of deceased individuals reported by the Office of Vital Records. We selected a sample of 60 of these payments to the MCOs totaling $9,752 to determine if these payments had been recovered. For 3 of 60 MCO capitation payments tested (5%) totaling $839, TennCare had not recovered the payment to the MCOs as of November 28, 2001. Further follow-up of these payments revealed that these three payments had not been recovered because of the 12-month limitation. These individuals were deceased prior to the dates of service, and TennCare has used federal matching funds for the payments made on behalf of these deceased individuals.

Federal questioned costs totaled $534. The remaining $305 was state matching funds. We believe that likely federal questioned costs associated with this condition could exceed $10,000.

We also performed a computer-assisted audit technique (CAAT) to compare capitation payments per TennCare's paid claims tapes with TennCare's own eligibility history files. The search revealed that TennCare made payments totaling $169,427 to the MCOs from July 1, 2000, through June 30, 2001, for which the date of death recorded in TCMIS was before the dates of service. Testwork was performed for a sample of the 60 payments to the MCOs to verify that these payments had been recovered. Testwork revealed that all the payments had been properly voided or adjusted.

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 in TCMIS. Based on discussion 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 the payment. Although exception reports are produced that alert management of these recipients, discussion with management revealed that the reports produced by the system do not include all the recipients. According to Information Systems 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.

In the data match between fee-for-service payments and date of death information in TCMIS we found payments totaling $241,458 for which the dates of death recorded in TCMIS were before the dates of service. Testwork was performed on a sample of 71 of these fee-for-service transactions totaling $21,287 to verify that these payments had been recovered. For 53 of 71 fee-for-service payments tested (75%), TennCare had not recovered the payment as of November 14, 2001. A total of $8,939 was paid and not recovered for the dates of service that were after these individuals' dates of death in TCMIS. Federal questioned costs totaled $5,687. The remaining $3,252 was state matching funds.

We also performed a data match between fee-for-service payments per TennCare's paid claims tapes and date-of-death information from the Office of Vital Records. We found that TennCare paid $43,316 in fee-for-service claims on behalf of deceased individuals, based on information from the Office of Vital Records. Testwork was performed on a sample of 25 of the fee-for-service payments totaling $4,428 to determine if these payments had been recovered. For 11 of 25 payments tested (44%), totaling $1,485, TennCare had not recovered the payment as of September 18, 2001. Further follow-up of these payments revealed that four of these payments had not been recovered because of the 12-month limitation. The other seven payments had not been recovered because the individual had not been listed on the TCMIS reports used to recover fee-for-service payments. Federal questioned costs totaled $945. The remaining $540 was state matching funds. We believe likely question costs 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 fee-for-service payments made on behalf of deceased recipients are recovered back to the date of death. The Director should ensure that capitation payments made beyond the 12-month limitation are not funded with federal matching dollars. If management believes that these costs for deceased enrollees can be paid with federal matching dollars, written clarification regarding this situation should be obtained from the federal grantor.

Management's Comment

We do not concur. Procedures are in place to identify fee-for-service payments to deceased enrollees and to recover those payments when date of death notification occurs after the date of payment. However, the Bureau will review the cases cited by the auditors to ensure that procedures in place are effective.

Rebuttal

As stated in the audit finding, we found fee-for-service payments on behalf of deceased enrollees. Since we found these payments it is clear that the procedures in place for fee-for-service payments were not effective and need improvement.

Management did not address the part of the recommendation concerning capitation payments.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Activities Allowed or Unallowed
Questioned Costs	$661,464

Against the direction of the Centers for Medicare and Medicaid Services, TennCare inappropriately claimed federal matching funds for premium taxes related to the graduate medical education program and a pool payment made to Meharry Medical College

Finding

Against the direction of the Centers for Medicare and Medicaid Services (CMS), formerly known as the Health Care Financing Administration (HCFA), TennCare inappropriately claimed federal funds for premium taxes related to the graduate medical education program and a pool payment to Meharry Medical College for their dental program.

TennCare has contracted with four graduate medical schools to administer the graduate medical education program. For the year ending June 30, 2001, these contracts with the schools totaled $46 million.

In addition to these four contracts, TennCare also contracted with Volunteer State Health Plan (VSHP), a Managed Care Organization (MCO), to disburse the $46 million to the four graduate medical schools. However, TennCare's payments to the VSHP resulted in MCO premium taxes that were to be paid by the VSHP back to the state. As a result, TennCare contracted with VSHP for a total of $46,938,776 to cover the VSHP's premium tax cost. The approval letter from CMS to TennCare for the graduate medical education program specifically states,

> . . . as we have already advised your staff, the State cannot claim Federal financial participation (FFP) for the $938,776 that you intend to pay Volunteer State Health Plan for their cost of the MCO premium tax that will be paid back to the state.

An examination of TennCare's quarterly expenditure report revealed that TennCare claimed federal financial participation for this premium tax. The premium tax totaled $938,778, of which $598,846 is federal questioned costs. The remaining $339,932 is state matching funds.

TennCare also contracted with Xantus Healthplan to make a pool payment to Meharry Medical College for Meharry's dental program. The total amount paid to Xantus was $4,909,168, which consisted of the payment to Meharry of $4,810,005, a 2% MCO premium tax of $98,163, and an administrative fee to Xantus of $1,000.00. The CMS approval letter for this pool payment also prohibited TennCare's claiming the federal financial participation on the

payment to Xantus for premium taxes. However, TennCare claimed $62,618 in federal financial participation for the premium tax, which is federal questioned costs. The remaining $35,545 is state matching funds.

TennCare's failure to follow specific CMS guidance outlined in the approval document has resulted in federal questioned costs and could also jeopardize future federal funding.

Recommendation

The Director of TennCare should ensure that TennCare follows directives of the federal grantor in determining which costs can be funded with federal dollars.

Management's Comment

We do not concur. It is our opinion that these are allowable expenditures under Title XIX regulations. It is our responsibility to claim all expenditures eligible for federal funding. CMS officials are aware the state claimed the funding and we have not received any further correspondence from CMS on this issue.

Rebuttal

CMS specifically states in the approval letter that TennCare cannot claim federal financial participation for these taxes. CMS, not TennCare, is ultimately the judge as to which costs are allowable and which costs are not. OMB Circular A-133 defines a questioned cost as a cost which "resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds. . ." [emphasis added]

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare did not approve contracts related to the graduate medical education program before the beginning of the contract period

Finding

The Bureau of TennCare did not ensure that the contracts with the four graduate medical schools were approved before the contract period began. Chapter 0620-3-3-.04(c)(8) of the *Rules of the Department of Finance and Administration* states that "upon approval by the Commissioner of Finance and Administration it [the contract] shall be an effective and binding contract." A contract should serve as the legal instrument governing the activities of TennCare as they relate to the graduate medical schools and should specify the scope of services, grant terms, payment terms, and other conditions. According to TennCare personnel, there were many discussions with the Centers for Medicare and Medicaid Services formally known as the Health Care Financing Administration (HCFA) regarding the payments to the medical schools and the contracts. These discussions delayed final approval of the contract.

The contracts between the Bureau and Meharry Medical College, East Tennessee State University, and the University of Tennessee at Martin with a beginning effective date of July 1, 2000, were approved on June 21, 2001, over 11 months after the beginning effective date. The contract with Vanderbilt University with a beginning effective date of July 1, 2000, was signed on July 9, 2001, over a year after the beginning effective date.

The Bureau contracted with an MCO, Volunteer State Health Plan (VSHP), to make the payments to the graduate medical schools. Discussion with staff at the medical schools revealed that Vanderbilt University and East Tennessee State University received payments from VSHP before TennCare had contracts with the schools that were signed by all the necessary parties. Vanderbilt University received a $12,568,014 payment on June 21, 2001, 18 days before there was an approved contract. East Tennessee State University received an $8,576,612 payment on June 20, 2001, one day before there was an approved contract. The total amount paid to all four medical schools for the primary care component was approximately $46 million. In addition, the Bureau of TennCare made payments directly to all four of the graduate medical schools totaling $33,750 throughout the year for the stipend component of the graduate medical education program before the contracts were approved.

Not having an executed contract in place at the beginning of the contract term can lead to confusion between the parties regarding the scope of services, grant terms, payment terms, and other conditions. In addition, 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 Director of the Bureau of TennCare should ensure that all contracts are signed before the effective date and payments are not made to contractors before approved contracts are in place.

Management's Comment

We concur in part. Contract approval was delayed pending CMS approval of the program. CMS required the state to alter the program. The schools had to receive the funding from a managed care organization rather than directly from the state. This was not approved until June of 2001. The stipend payments made were part of stipend agreements already in place prior to fiscal year 2001 and therefore the state was committed to these items. We agree that the agreements should have been signed before funds were disbursed. This was an oversight and the contracts were signed within 18 days of the disbursement.

Auditor's Comment

It is not clear from management's comment with which part(s) of the finding management does not concur. Management is responsible for having contracts approved before they are effective. If there are anticipated delays in getting contracts approved then management should start the contract approval process earlier to ensure timely approval of the contracts.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition, Activities Allowed or Unallowed
Questioned Costs	$334.46

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 five prior audits, TennCare has not complied with departmental rules, resulting in overpayments to providers for Medicare cross-over claims (claims paid partially by both Medicare and Medicaid). Furthermore, as noted in the prior four audits, TennCare has not corrected control weaknesses in processing the 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 Finance and Administration*, Chapter 1200-13-1.05, in effect during the audit period, the total amount paid by all parties (Medicare, patient, and TennCare) cannot exceed the fee limitations set by TennCare. Management concurred with this portion of the prior-year audit finding and stated that "a rule was drafted which stated that the total amount paid by a combination of Medicaid as a 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." According to the Chief Financial Officer, in April 2001, TennCare proposed to change the rules. However, this rule did not become effective until November 4, 2001, after the audit period.

Although the old rule stated above was in effect during the audit period, TennCare's computer system always paid 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, the TennCare Management Information System (TCMIS) did 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 complied with this rule. The total amount of all expenditures for professional and institutional cross-over claims during the year ended June 30, 2001, was approximately $76 million.

Testwork revealed that for 30 of 60 Medicare professional cross-over claims tested (50%), payments exceeded the maximum allowable. The 60 claims totaled $670.73, and

$525.73, or 78%, was unallowable. TennCare's payments of $525.73 exceeded the maximum amount allowed according to the Medicaid Fee Schedule and the rule stated above. Federal questioned costs totaled $334.46. The remaining $191.27 consisted of state matching funds. During the year ended June 30, 2001, TennCare paid $49,667,034 for Medicare professional cross-over claims. We believe likely questioned costs associated with this condition exceed $10,000.

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). In response to the prior-year audit, management stated that they would review the third-party liability issues surrounding cross-over claims noted; however, according to various personnel, this was not done during the audit period. 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.

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. In addition, TennCare's policies and procedures manual discusses claim type 18 (Professional Crossover Claims), but does not discuss claim type 17 (Institutional Crossover Claims), nor does it include the pricing methodology for claim type 17.

During the testwork performed on professional cross-over claims, it was noted that the following pricing procedures are not discussed in TennCare's policies and procedures manual:

- For Durable Medical Equipment and Anesthesia claims, TennCare always pays the amount billed by Medicare.
- For certain procedure codes, the system automatically pays the rates loaded in the system.
- For claims with injection codes, the system automatically pays a $2.00 administrative fee.
- For claims where there is not a type of service listed, TennCare pays the amount which is billed.

Recommendation

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. The Director of TennCare and staff should ensure that the Bureau's policies, procedures, and computer systems are updated timely to reflect new developments.

Management's Comment

We do not concur that the TennCare system always paid the entire deductible or coinsurance billed for outpatient hospital services regardless of how much Medicare or the patient paid or any limitation set by TennCare. We currently pay the Medicare Hospital Part B deductible as billed; however payment for the Medicare Part B institutional crossover claim is determined by reducing the allowable charges on an outpatient claim using a percentage established for each hospital. This percentage is maintained on the provider's master file (TPIQ). For each outpatient and inpatient Part B crossover claim, the Medicare allowed amount minus any cash and/or blood deductible amounts will be multiplied by the hospital's established percentage to determine the allowable amount and Medicare payment. Medicaid will pay the difference between this allowable amount and the Medicare payment.

We do not concur that professional cross-over payments exceeded the maximum allowable. The TCMIS recalculates payments for most provider specialties but not the Medicaid Fee Schedules for the provider groups referenced in the audit finding.

We will review the claims tested by the auditors to determine if the current reimbursement logic for the Medicare Part B crossover claims will require any additional policy revisions.

We do not concur that there is no procedure to identify third party liabilities (TPL). A manual procedure is in place to add or change TPL data as a result of reviewing a cross-over claim for TPL coverage. When claims are pended for TPL, the TPL information attached to the claim is compared to the TPL information in the TCMIS system. Any needed changes are made to the TennCare TPL history data from this process. The suspended claim for the TPL edit is overridden if the TPL information on the claim attachment validates that the TPL information within the TCMIS is no longer active or does not cover the crossover claim service. Otherwise, the suspended claim is denied. If the information/claim attachment identifies additional TPL coverage, the coverage is added to the TCMIS. We are not aware of special cross-over claims which have been paid in error as a result of third-party information on file. TennCare Information Systems management will review the auditor's testwork sampled for TPL to determine whether claims were paid in error.

We do not concur that the policies and procedures manual used in the Provider Relations unit does not discuss or include information on the pricing methodology for claim type 17 (Institutional Crossover Claims). The current manual has a copy of the Medicaid Hospital Bulletin dated September 1996, this bulletin details the reimbursement methodology used to price Medicare crossover claims for the Inpatient Hospital deductible. In addition, the manual has a copy of the Medicaid Hospital Bulletin dated June 1998, detailing the reimbursement methodology for pricing Medicare Outpatient crossover claims.

We concur that the TennCare system reimburses the billed charges on claims without the type of service listed on the claim. We are currently working with IS to require EDS to return all claims received without the type of service indicator listed. Regarding reimbursement for the

Medicare crossover claims with injection codes, we will review claims tested by the auditors to determine if the reimbursement logic is within the current rules.

Rebuttal

This is the sixth consecutive year that there has been at least one finding in the audit concerning Medicare crossover claims. Management concurred with this audit finding in each of the previous audits.

Regarding the comments about the deductibles and coinsurance, on numerous occasions we asked staff about the processes concerning these issues. The information presented in management's comments was not communicated to us until February 2002.

As noted in the finding, 30 of 60 claims did exceed the maximum allowable. The *Rules of the Tennessee Department of Finance and Administration*, Chapter 1200-13-1.05(3)(c) that was in effect during the audit period states:

> the total amount paid by a combination of Medicare for the covered health care services, patient liability, if any, and Medicaid as deductible and co-insurance shall not exceed the limit of the Medicaid fee schedule. . .

To be in compliance with this rule, TennCare should have calculated the payments based upon the Medicaid Fee Schedule for all provider groups.

During fieldwork we asked the Chief Financial Officer and the Director of Information Systems about any changes made to the system to detect third party resources for these crossover claims. Although the issue regarding claims for psychologists and social workers has been in the previous audit findings, both indicated that no changes had been made to TCMIS to detect third party resources. While we agree that there are procedures to detect TPL on some claims, we did not state in the audit finding that "there is no procedure to identify third party liabilities." Management's comments do not address specifically how the system detects third party resources on claims for psychologists and social workers.

The provider relations manual provided to us during fieldwork did not contain a Medicaid Hospital Bulletin dated September 1996 nor did it include a copy of a Medicaid Hospital Bulletin dated June 1998.

Management did not address the concerns in the finding regarding the following issues not being in the policies and procedures manual:

- For Durable Medical Equipment and Anesthesia claims, TennCare always pays the amount billed by Medicare.
- For certain procedure codes, the system automatically pays the rates loaded in the system.
- For claims with injection codes, the system automatically pays a $2.00 administrative fee.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition, Activities Allowed or Unallowed
Questioned Costs	$24,445

TennCare made purchases from vendors that did not comply with federal regulations

Finding

TennCare made purchases from vendors that were not in compliance with the Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. Circular A-87 basic guidelines require that purchases "conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items" and "be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit." The basic guidelines also require that all costs be adequately documented.

Testwork revealed that 10 of 45 purchases (22%) sampled did not comply with one or both of the basic guidelines because the purchases did not comply with state purchasing procedures. The causes of noncompliance were

- 7 of the 45 (15%) were not adequately documented and
- 8 of the 45 (18%) did not conform to all limitations required by the Delegated Purchase Authority (DPA) which TennCare used to make these purchases.

In addition, testwork revealed that 3 of the 45 authorizations to vendors (7%) were not mathematically accurate.

Of the seven purchases that were not adequately documented, the following deficiencies were noted:

- The "authorization to vendor" form used to make all purchases of these services was not signed by the vendor.
- The amount on the invoice from the vendor was lower than the amount actually paid.
- The time sheets of the vendors were not attached, making it impossible to determine compliance with the DPA limits discussed later in the finding.

- The supporting documentation did not include the cost center, allotment code, and DPA number.
- The hours on the vendor's invoice did not agree with the amounts on the vendor's time sheets.

DPAs are granted by the Commissioner of the Department of Finance and Administration to departments when purchases are small in nature and frequent in occurrence and it is not practical to determine in advance their volume, delivery, or exact costs. DPAs assist departments in expediting the purchasing process. Of the eight that did not conform to all limitations required by the DPA, these errors resulted because of one or both of the following reasons:

- The total purchase exceeded the $5,000 limit required by Section E of the DPA.
- The purchase included one or more of the vendor's employees, which exceeded the $250 per day limit required by Section F of the DPA.

The total known questioned cost associated with the above conditions is $48,890. Of the $48,890 paid, federal questioned costs are $24,445. An additional $24,445 of state matching funds was related to the federal questioned costs. The total amount paid for the sample of 45 purchases was $89,762. According to data from the State of Tennessee Accounting and Reporting System (STARS), the total amount paid pursuant to this DPA was $920,250. The failure to comply with these federal regulations indicates inadequate review was performed with regard to these costs, and future potential purchases could be unallowable.

Recommendation

The Chief Financial Officer (CFO) should ensure that all costs are in compliance with Circular A-87 guidelines. The CFO should ensure that adequate procedures to detect payments not in compliance with OMB Circular A-87 guidelines are performed during the payment review and approval process.

Management's Comment

TennCare concurs that all costs should be in compliance with Circular A-87 guidelines. TennCare will ensure that adequate procedures are in place to detect payments not in compliance with OMB Circular A-87 guidelines when performing payment review and approval processes.

However, we do not believe that these payments should be disallowed. Although we did not completely follow state purchasing guidelines, these expenditures were for allowable costs.

Specifically, the finding states that seven (7) were not adequately documented. The Direct Purchase Authority (DPA) contract states that a vendor authorization form should be used for billing purposes, however the contract does not stipulate that supporting documentation must

accompany the vendor authorization form. A vendor authorization form stipulates an amount invoiced to the state and requires the vendor's signature and further requires TennCare program staff approval on the services rendered (attesting that this is an approved authorization form for payment). TennCare attaches all supporting documentation to the vendor authorization form. Currently, TennCare accounts payable staff requires all vendor authorization forms to be accompanied with supporting documentation exceeding the terms stated in the contract.

Additionally three payments were not mathematically correct. In reviewing supporting documentation and the vendor authorization billing forms, mathematical errors were found. Some vendors are paid an hourly rate, and when supporting documentation (timesheets) stated x number of hours times the hourly rate and this differed from the amount stated on the vendor authorization form, then staff made every effort to correct any mathematical errors.

Further, several instances were found where payments exceeded specified payment rates/schedules as stated in the DPA contract. These payment rates/schedules were requested in the DPA contract and upon review, several of the payment rates were requested to be increased in the new approved DPA for the current fiscal year. Program staff were informed to make sure all vendor authorization forms adhere to the stipulated amounts (payment rates/schedules) in the contract.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
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

As noted in the prior audit, 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. Management concurred with the finding and stated that the Bureau would "ensure that contractors provide certifications related to suspension and debarment." However, the problem still exists. Management also stated that they would "work with the Division of Mental Retardation on compliance with this area." However, TennCare still did not ensure that the Division of Mental Retardation changed its contracts for the audit period to require providers to certify that their organization and its principals are not suspended or debarred.

Testwork revealed that 21 of 30 contracts with nongovernmental entities (70%) did not include the suspension and debarment certification. Testwork also revealed that the Bureau's purchasing manual does not contain federal requirements concerning suspension and debarment.

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 and 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 be less likely to 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 the nonprocurement transactions to certify in the contracts that their organization and its principals are not suspended or debarred from a government program. The purchasing manuals should be amended to include the federal requirements. 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 in part. TennCare concurred with the auditors' finding for State Fiscal Year ending June 30, 2000. However, numerous contracts were already in place for FY 2000-2001 which did not have the needed language and are the reason for this repeated finding. Effective March 2001, with our new contract officer position filled, TennCare started inserting the suspension and debarment language manually in all new and/or amended contracts. The suspension and debarment language was not part of the standard language issued by the Department of Finance and Administration, Office of Contract Review. TennCare has included the language in contracts entered into for FY 2001-02. In addition, TennCare worked with the Office of Contract Review and effective January 1, 2002 the suspension and debarment language was inserted as standard language in state contracts.

Further, TennCare worked with the Division of Mental Retardation Services (DMRS) and effective July 1, 2001 provider agreements now contain the suspension and debarment language.

Any purchase in excess of $100,000 made by TennCare's Purchasing Unit must be approved by the Department of General Services, Purchasing Division. The Department of General Services is the state agency responsible for the debarment of any vendor, as outlined in their Agency Purchasing Procedures Manual, Section 18.5, Removal from Qualified Vendor List.

TennCare's Purchasing Policy and Procedures manual contains <u>The Department of General Services' Agency Purchasing Procedures Manual</u>, which includes a section on suspension and debarment. Furthermore, the TennCare manual has been amended to add a section on vendor debarment.

Auditor's Comment

There is not a specific section in the <u>Department of General Services' Agency Purchasing Procedures Manual</u> that pertains to federal suspension or debarment requirements. Management's comment cites Section 18.5 "Removal from Qualified Vendor List" which

pertains to vendors who have not responded to the state's Invitations to Bid and are subject to removal from the state's Qualified Vendor List. Vendors who are on the state's Qualified Vendor List may be suspended or debarred by the federal government. The Tennessee Department of General Services is not responsible for compliance with federal suspension and debarment requirements. Instead each department must ensure compliance.

In addition, review of TennCare's purchasing manual provided during fieldwork revealed that the federal suspension and debarment requirements were not included. If TennCare's purchasing manual addressed all federal suspension and debarment requirements that it needed, it is unclear why management in their comments states that TennCare's manual "has been amended to add a section on vendor debarment."

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare needs to improve internal control over premiums

Finding

As noted in the previous two audits in findings with which management concurred, testwork again revealed several discrepancies in the internal control over enrollee premiums receivable. Management concurred with both previous findings and stated in response to the most recent that "TennCare will review the current controls and procedures relative to premium reporting." However, testwork revealed the same weaknesses still exist.

Premiums are collected from enrollees who are classified as uninsured or 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 lacks internal control to ensure the accuracy of premium reporting:

- Testwork revealed that TennCare was not properly verifying and reverifying eligibility for the purpose of premiums (see finding 01-DFA-08 for more information). Therefore, proper premiums may not be charged to enrollees.
- The cumulative report provided to the auditors during this audit period contained differences from the reports used in each of the two prior audits. 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. For example, the amount of premiums billed for the month of January 1994 was different on all the reports provided to auditors. Although the amount should not have changed, the report auditors received in 2001 showed January 1994 billings as $485,170, the 2000 report showed January 1994 billings as $485,444, the 1999 report showed $485,645, and the 1998 report showed $487,046. 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. These balances were included in the calculations of year-end premium receivables. Management indicated that this difference was the result of computer programming errors.
- There are inadequate written procedures for the comparison of the list of deposits prepared by Electronic Data Systems (EDS), the fiscal agent, with the State of Tennessee Accounting and Reporting System (STARS) transactions listings. For example, the procedures do not describe which reports should be compared and how to document this review. As a result, the comparison with the list of deposits is sometimes compared to a STARS transaction listing and sometimes it is compared to the Certificates of Deposits (CDs). Not having adequate written procedures results in a review that is not adequately and/or 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 would not be aware of fluctuations that could indicate inaccuracies in premium billings. For example, TennCare does not compare enrollment data to the total amount billed.

These weaknesses in internal control could cause inaccurate reporting of premium income to the federal grantor and in the State of Tennessee's Comprehensive Annual Financial Report, and inaccurate premium amounts being billed to enrollees.

Recommendation

The Director of TennCare should strengthen internal control over premiums for the uninsured and uninsurable enrollees. Internal control should include reliable premium reporting, analytical reviews, and proper verification and reverification of eligibility for premium determination.

Management's Comment

We concur in part.

Some of the changes in reports are due to changes in enrollee information over time between dates the reports are run. We do concur that we need a more definite explanation of the reasons for the various differences.

We concur that procedures over reconciling deposits by EDS and information in STARS should be documented. Staff have been directed to document our procedures. We are working diligently with EDS and Bureau staff to refine the various premium reports for the various reasons mentioned in the finding including enabling analytical procedures to be performed on billing information. These reports are currently in being produced and tested for validity. We

currently perform some analytical procedures, but agree that it would be improved with enhanced reporting.

Auditor's Comment

It is not clear from management's comment with which part(s) of the finding management does not concur.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare did not comply with the Department of Finance and Administration's Policy 22, Subrecipient Monitoring

Finding

The bureau did not identify and report its subrecipients to the Department of Finance and Administration (F&A) as required by Policy 22. Policy 22 establishes guidelines for uniform monitoring of subrecipients that receive state and/or federal funds from state departments, agencies, and commissions. The policy requires TennCare to submit an annual monitoring plan to the Division of Resource Development and Support (RDS) in the Department of Finance and Administration for review, comment, and approval by September 30 of each year. This plan should identify all subrecipients to be monitored, describe the risk criteria utilized to select subrecipients for monitoring purposes, identify full-time equivalents dedicated to monitoring activities, and include a sample monitoring guide. TennCare has not prepared and submitted the required plan to identify its subrecipients and document other plan requirements for the audit period.

In addition, TennCare is required to submit an annual report summarizing its monitoring activities to the RDS by October 31 of each year. Per TennCare management, the report was not submitted to the division. According to management, this report was not submitted because action on other issues was a higher priority than submitting the report.

Not submitting the required monitoring plan and annual report resulted in inadequate monitoring of subrecipients.

Recommendation

The Director of TennCare should ensure that the required annual monitoring plan is submitted by September 30 of each year and that the plan includes all the required information. Also, the Director should ensure that the annual report summarizing TennCare's monitoring activities is submitted by October 31 of each year.

Management's Comment

We concur. However, we disagree with the auditor's comment that not submitting the required plan and annual report resulted in inadequate monitoring of subrecipients. During the audit period, each contract was assigned to an individual for monitoring purposes.

To ensure compliance with Policy 22, the Bureau has assigned an individual the responsibility for coordinating contract monitoring. A process has been implemented to evaluate each contract in accordance with Policy 22 to determine those that are subrecipient contracts. Each subrecipient contract will be assigned to the appropriate individual for monitoring. The monitoring plan with all relevant information will be submitted to Finance and Administration by February 28, 2002. The annual report of monitoring activities will be submitted by October 31 of each year.

Auditor's Comment

As noted in finding 01-DFA-33, TennCare did not adequately monitor their graduate medical school subrecipients.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Reportable Condition, Subrecipient Monitoring
Questioned Costs	None

TennCare has still not ensured adequate monitoring of the graduate medical schools

Finding

The previous three audits have reported that TennCare has not ensured adequate monitoring of the graduate medical schools so 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. The prior year's audit finding addressed four specific issues:

- monitoring was not performed in a timely manner,
- service requirements of students in the stipend program were not monitored,
- the list of students used to calculate the payments to the medical schools was not tested for accuracy, and
- audit reports were not obtained from the state's four graduate medical schools.

The first two issues were resolved in the audit period; however, the last two issues remain.

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, 2001, GME expenditures were approximately $46 million.

The current year's GME contracts were included in the interdepartmental agreement with the Department of Finance and Administration's Division of Resource Development and Support (RDS) to perform the contract monitoring. The activities of RDS do not supplant the primary responsibilities of the agencies the RDS is serving. It is still the primary responsibility of TennCare to ensure compliance with applicable rules. If the division is not effective in its monitoring, TennCare must take other steps to meet these responsibilities.

Testwork revealed that 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 following:

- TennCare has not required RDS to determine if 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. Management concurred with this portion of the prior-year finding; however, the contract was not revised to include this requirement. According to management, action on other issues was a higher priority than modifying the contract.
- Neither TennCare nor RDS has received audit reports from the non-state 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. Management concurred with this portion of the prior-year finding and stated, "We will review the GME and PAR [Department of Finance and Administration, Division of Resource Development and Support, Office of Program Accountability Review] 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." However, TennCare did not revise the PAR monitoring contract. Again, according to management, action on other issues was a higher priority than modifying the contract.

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 Bureau 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 inform RDS of all the areas that are required to be monitored and amend the interdepartmental agreement to require RDS to perform these monitoring duties. The director should ensure that deficiencies are promptly reported to the graduate medical schools and that the schools promptly submit corrective action plans.

Management's Comment

We concur in part. We have amended the contracts in April 2001 with the schools to include language pertaining to OMB circular A-133 audit requirements. These audits are due 9 months after the end of the fiscal year. Although the interdepartmental agreement with RDS was not amended, a meeting was held in August of 2001 to discuss the audits and modify the scopes of the audits. Among other issues, auditing the accuracy of the list of residents was addressed. We will amend the interagency agreement with RDS to include these items when it is renewed effective July 1, 2002.

Auditor's Comment

It is not clear from management's comment with which part(s) of the finding management does not concur. Management states in their comments that they discussed the audits and scopes of the audits with RDS in August 2001 (after the end of the audit period). Management indicates they specifically addressed the issues concerning auditing the lists of residents and obtaining audit reports from the schools with monitoring staff.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
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 two audits, the Bureau of TennCare has not complied with all of the TennCare waiver's Special Terms and Conditions (STCs). There are a total of 37 special terms and conditions for the TennCare Waiver; however, only 25 were applicable for the audit period. These special terms and conditions required by the federal Centers for Medicare and Medicaid Services (CMS), formerly known as the Health Care Financing Administration (HCFA), describe in detail the nature, character, and extent of anticipated federal involvement in the TennCare waiver. CMS's approval of the waiver and federal matching contributions are contingent upon the Bureau's compliance with the STCs.

The Bureau does not have adequate controls to ensure that requirements of the STCs of the TennCare Waiver are met. In response to the prior findings, management has added this responsibility to an individual (the STC Coordinator) to monitor the status of the STCs. A review of the quarterly STC status report compiled by the STC Coordinator revealed that the status of 15 of the STCs and part of an another STC was unknown in February 2001.

A review of the Bureau's controls and procedures to ensure compliance with the STCs revealed that many areas still need improvement. Testwork revealed instances of noncompliance for 9 of 25 applicable STCs. Problems related to STCs 1, 3, 9, 12, 23, and 24 are repeated from the previous audits. Problems with STCs 19, 20, and 30 were not reported in the previous audit. Previously reported problems with STCs 4, 5, and 35 were resolved during this audit period. The 9 STCs that require improvement are as follows:

- STC 1 – *All contracts and modifications of existing contracts between the state and managed care organizations (MCOs) must be approved by HCFA [CMS] prior to the effective date of the contract or modification of an existing contract. . . . No federal financial participation (FFP) will be available for any contract, modification, or services not approved by HCFA [CMS] in advance of its effective date.* This STC requires the Bureau to submit a contract or a modification of an existing contract 30 days prior to the effective date of the contract. Management stated in response to the prior audit finding that the Bureau is currently in compliance with STC 1. Apparently

this statement was made based upon TennCare's submitting the amendments before the effective date. However, testwork revealed that 5 of 10 amendments (50%) for the period ending June 30, 2001, were not submitted in the required time frame. Although all amendments were approved before the effective dates, the five amendments were submitted from one to 25 days before the effective date rather than 30 days before as required. In a site visit conducted by CMS in October 1999 CMS stated "In order to comply with this STC, Tennessee must submit proposed contract amendments to HCFA [CMS] at least 30 days prior to the effective date of the contract amendment".

- 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. The survey will measure satisfaction and will include measures of out-of-plan use, average waiting time for physician office visits, and the number and causes of disenrollment. Results of the survey and an electronic file containing the raw data collected must be provided to HCFA [CMS] by the ninth month of each operational year.* It has been noted in the past two audits as well as by CMS in a site visit performed in 1999 that the Bureau 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). Management disagreed with the previous audit finding despite having been notified by CMS of its concern over this same issue. The Bureau still has not made and does not plan to make any changes to its operational survey to include hard-to-reach individuals that do not have access to a phone such as disabled individuals and the homeless.

- STC 9 – *The State must develop internal and external audits to monitor the performance of the plans. At a minimum, the state shall monitor the financial performance and quality assurance activities of each plan.* Procedures are performed through the Tennessee Department of Commerce and Insurance for the external audits. STC 9 also requires the development of internal audits to monitor the performance of the health plans. The Bureau is to submit to the CMS Regional Office copies of the internal audits of the plans. Testwork revealed that TennCare has performed internal audits; however, there was no documentation that these audits were submitted to CMS. Management did not respond to this portion of the prior audit finding.

- STC 12 – *HCFA [CMS] will provide FFP at the applicable federal matching rate 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.* Management concurred with this portion of the prior-year audit finding and stated that they "have requested updated information from Mental Health and Mental Retardation." Although this information was received by TennCare, testwork revealed that the Bureau's method of determining expenditures for a TennCare enrollee residing at an IMD is still based

upon estimated expenditures rather than actual. TennCare revised the monthly amount based upon the information from Mental Health, but still charges the same amount each month. Therefore, the Bureau may be under- or overbilling actual expenditures for providing services to a TennCare enrollee residing in an IMD.

- STC 19 – *The State will submit quarterly progress reports, which are due 60 days after the end of each quarter. The reports should include a discussion of events occurring during the quarter that affect health care delivery, quality of care, access, financial results, benefit package, and other operational issues.* All four quarterly reports were submitted after the required deadline to CMS. The reports ranged from 12 to 20 days late.

- STC 20 – *The State will submit a draft annual report, documenting accomplishments, project status, quantitative and case study findings, and policy and administrative difficulties no later than 120 days after the end of each calendar year of operation.* The report due by April 30, 2001, was not submitted until May 15, 2001.

- STC 23 – *The state must continue to ensure that an adequate MIS is in place and provide evidence of such to HCFA [CMS] upon request. One feature of the system must be to report current enrollment by plan.* The TennCare Management Information System still needs improvement. (See finding 01-DFA-37.) Management concurred with this portion of the prior audit finding and stated that the STC will be "addressed as part of the overall review of the TCMIS." Testwork revealed that management has begun identifying the requirements for the new system and performing strategic planning. However, a new system was not implemented during the audit period. A discussion with a system analyst revealed that the new system is to be implemented in 2003.

- STC 24 – *The State must continue to assure that its eligibility determinations are accurate.* Management stated in the response to prior audit finding that "work is ongoing on STC 24." However, the Bureau's internal control over eligibility determinations is still inadequate. (See finding 01-DFA-12.)

- STC 30 – *The awardee shall develop and submit detailed plans to protect the confidentiality of all project-related information that identifies individuals.* The Bureau does not have a formal, written plan at the Bureau level to protect the confidentiality of project-related information that identifies individuals.

Recommendation

The Director of TennCare should ensure overall compliance with the Special Terms and Conditions. The Director should continue to communicate with the STC coordinator and other personnel responsible for monitoring the STCs to ensure the Bureau complies with the Special Terms and Conditions.

Management's Comment

We concur with the finding that the Special Terms & Conditions of the waiver should be monitored to assure compliance. We are currently in a period of transition of duties from the Policy Division to Program Communications once staff positions are filled. The STC Coordinator position was vacated in June 2001 and a Policy staff member assumed those duties. In October 2001, this staff member resigned and the position has not been filled due to the freeze on state hiring. The Bureau made the decision to reorganize the two areas and move the STC Coordinator duties under Program Communications. We anticipate this that should occur in early 2002.

STC 1 – We do not concur. TennCare strives to comply with the 30 day advance notification of a contract amendment. However, in some cases, operational necessity may preclude the required timeframe for submittal. In such cases, the Bureau confers with CMS and when the 30 day timeframe is impractical or detrimental to the program, CMS agrees to a shorter timeframe. If not, the requirement is enforced. Given that the 30 day requirement is a federal condition, which is, when necessary in practice, waived by the federal agency concerned, the Bureau is not out of compliance with this STC.

STC 3 – We do not concur. Since the sampling is representative of heads of households in Tennessee, it does not include nursing home residents or homeless persons. It does include disabled persons contacted at home. We offered in 1999 in a response to CMS (then HCFA) to discuss with the contractor the inclusion of these groups if requested by HCFA. However, HCFA did not ask the State to modify the sampling methodology for the beneficiary survey. The sampling methodology is described as follows.

A survey of TennCare recipients was conducted by the UT Center for Business and Economic Research, in conjunction with the UT Social Science Research Institute, between May 15 and June 30, 2000. A survey was also conducted between May 15 and June 30, 2001. The surveys were conducted with a Computer-Assisted Telephone Interviewing system, utilizing a random-digit dialing based sample. A "Household Sample" design was chosen for the survey with the interview being conducted with the Head of Household. Four calls were made to each residence, at staggered times, to minimize nonrespondent bias and to ensure representation for those more mobile respondents who are less likely to be home at the time of any one call. The design chosen was a "Household Sample", with the interview conducted with the Head of Household. The University of Tennessee Social Science Research Institute administered the surveys.

The lowest income residents of Tennessee, which include homeless persons and most nursing home patients, are the least likely to have telephones, so the poorest portion of the population is expected to be somewhat underrepresented in a raw survey. In order to ensure that the responses of all groups were representative of those in the population overall, the large sample size of 5,000 Tennessee households allowed for a weighting of responses of those in this group by their proportion in the population as reported in the 1990 Census.

The 721 TennCare Heads of Households for the survey conducted in the Year 2000 and the 824 Heads of Household for the 2001 survey should thus be considered to be representative of the population of all TennCare heads of households subject to a sampling error of +/-3.5% at the 95% confidence level. That is, we are 95% sure that the parameter estimates in this survey are within 3.5% of what they would be if all TennCare heads of households were interviewed.

It is our conclusion that since CMS is satisfied with the State's plan to comply with STC 3 and has not asked that we change our sampling methodology for the beneficiary satisfaction survey, the sampling methodology is appropriate and is representative of TennCare heads of households.

STC 9 – We concur. We have re-submitted the reports to ensure CMS has received all internal audits and studies. We will retain documentation that reports are submitted in the future.

STC 12 – We concur. We have reviewed this finding and have directed the BHO to develop a quarterly report listing TennCare members having an institutional confinement/episode of more than 30 days, and/or those meeting or exceeding an aggregate annual limit of 60 days. When the report is developed, it will be run for calendar years of 2000 to date. These reports are due by March 1, 2002. When received, the reports will be used to calculate the correct amounts referenced in the audit findings. This procedure will be used to calculate the correct figures each quarter henceforth.

STC 19 – We concur. The four Quarterly Progress Reports for the audit period were submitted after the deadline of 60 days following the end of the quarter. The delay was due to information from two TennCare Divisions not being submitted timely as requested. However, this problem has been corrected; information has been submitted timely, and reports after the audit period have been sent to CMS within the deadline. We will make every effort that future Quarterly Progress Reports will be submitted to CMS within 60 days after the end of the quarter as required in STC 19. There has been no complaint by CMS about the delayed submission of the Quarterly Progress Reports and they recognize that shifting with priorities sometimes necessitates delays.

STC 20 – We concur. The Draft Annual Report for the Year 2000 was submitted after the due date. The report was due April 30, 2000 but was submitted on May 15. The delay was due to Policy staff being involved with two crucial projects that were due in late April and early May 2001 and were unable to devote the time needed to complete the Draft Annual Report. However, we will make every effort that the Draft Annual Report for 2001 will be submitted to CMS no later than 120 days after the beginning of calendar year 2002 which will be on or before April 30, 2002. There has been no complaint by CMS about the delayed submission of the Quarterly Progress Reports and they recognize that shifting with priorities sometimes necessitates delays.

STC 23 – We do not concur. TennCare Information Systems has taken extensive steps to ensure that the TCMIS meets all federal requirements and believe to be in compliance with STC 23. The current TCMIS was considered state of the art at the time it was activated. However, advances in technology have rendered the current TCMIS in need of updating and further

replacement. TennCare is in the process of releasing an RFP which will ultimately lead to the replacement of the current TCMIS with a state of the art system. System design activities of phase 1 in the development of the RFP to replace the current TCMIS will fully complement functional areas of enrollment and eligibility determination. The new TCMIS will replace the current system and will include features that will provide extensive and enhanced reports on enrollment by plan to CMS. We desire improvement, however; proper redesign, procurement, and implementation of a replacement system takes a significant amount of time. Delivery in 2003 is appropriate.

STC 24 – We concur. The Bureau of TennCare began the Reverification process by mailing out initial reverification notices to approximately 10,000 enrollees. This mail-out was done on December 21, 2001. At the end of January 2002, an additional 25,000 initial reverification notices are scheduled to be mailed out. By March 2002, the Bureau expects to be mailing out approximately 40,000 initial notices per month.

Reverification Timelines

Enrollees receive three reverification notices. The first gives the enrollee 60 days to schedule an appointment. The notice is mailed to the address TennCare has on record and to any alternate address available through the Department of Human Services (food stamp office). If the first notice is returned undeliverable with a new forwarding address, the noticing process and reverification "clock" starts over. If the notice is returned as undeliverable with no forwarding address, TennCare will also contact the enrollee's MCO and attempt to obtain a more current address. If a more current address is obtained, the notice will be re-mailed (the reverification time frame will also re-start).

If the enrollee does not schedule an appointment within 30 days, a second reverification notice is sent with a reminder of making an appointment for reverification. If the enrollee does not schedule an appointment within the original 60 days (within 30 days of second notice), a third notice is sent. This notice informs the enrollee that their coverage will end in 30 days if they do not complete reverification or file an appeal.

STC 30 – We concur. TSOP 038 has been developed as a policy statement, which details plans to protect the confidentiality of information affecting TennCare enrollees. It is the responsibility of the MCOs and the BHOs to ensure that all Medicaid/TennCare enrollees' and potential enrollees' information, materials, and records are protected and treated as confidential information. The MCOs and the BHOs have made this commitment through their contractual arrangements with TennCare. Tennessee Department of Commerce and Insurance (TDCI) is responsible for reviewing and approving provider agreements and subcontract templates. As part of this review, we determine that these agreements contain the requirement that providers, as well as subcontractors with the TennCare HMOs/BHOs, (i.e. claims processing vendors, pharmacy benefits managers, etc.) ensure the confidentiality of enrollee information.

Rebuttal

STC 1 – In a site visit in October 1999 CMS stated

> . . . Tennessee has not been providing the proposed contract amendments to HCFA [CMS] within an adequate timeframe to allow HCFA [CMS] the full 30 days for review. In order to comply with this STC, Tennessee must submit proposed contract amendments to HCFA [CMS] at least 30 days prior to the effective date of the contract amendment.

During the audit period this condition still existed with half the amendments not meeting the 30 day requirement. Management has not provided us with written evidence that the requirement has been waived.

STC 3 – Our discussions with CMS personnel during fieldwork revealed that CMS was not satisfied with the sampling methodology. STC 3 requires a sample of all TennCare enrollees. It would seem to be very difficult to adequately weight a telephone survey to represent indivduals who do not have telephones.

STC 23 – Management concurred with this portion of the finding in the previous audit and has not developed a new system since their prior comments. The current system was originally designed as a Medicaid Management Information System and has been modified extensively to work for the managed care environment. Management's comments indicate that advances in technology have rendered the current system in need of updating and replacement. Furthermore, management indicates that the new TCMIS will include features to provide extensive and enhanced reports on enrollment by plan to CMS as is required under the STC.

Finding Number	01-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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness; Special Tests and Provisions
Questioned Costs	None

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

Finding

As noted in the two previous audits, the TennCare program still did not have adequate internal control for provider eligibility and enrollment to ensure compliance with Medicaid provider regulations. Management concurred with the prior audit finding and corrected two issues concerning the initial verification of out-of-state Medicare crossover providers at the time of enrollment and the reverification of Home Health Care Agency providers by the Division of Mental Retardation Services (DMRS). However, the current audit revealed that TennCare still had the following internal control weaknesses and noncompliance issues that were noted in the previous audit:

- the licensure status of Medicare crossover, managed care organization (MCO), and behavioral health organization (BHO) providers was not reverified after the providers were enrolled;
- 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 DMRS with the Medicaid provider rules and regulations that DMRS should follow, and as a result, DMRS did not comply;
- TennCare did not monitor the enrollment of Medicaid providers at Children's Services and DMRS;
- provider agreements did not comply with all applicable federal requirements;
- departmental rules were not followed;
- documentation that the providers met the prescribed health and safety standards was not maintained for all long-term care facilities; and
- not all providers had a provider agreement, as required.

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 DMRS. The Provider Enrollment Unit is responsible for enrolling MCO and BHO providers; Medicare crossover 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. DMRS 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 and Developmentally Disabled (HCBS-MR waiver) program. (DMRS is responsible for the daily operations of this Medicaid program.) TennCare reimburses Children's Services and DMRS for payments to these providers.

Provider Licensure Not Reverified

Management concurred in the prior year finding and stated that they were working on procedures to implement a license reverification process. However, these procedures were not developed because, according to management in the Provider Enrollment Unit, requested staff positions have not been obtained. The TennCare Provider Enrollment Unit enrolls 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 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. However, during the year ended June 30, 2001, the Provider Enrollment Unit did not use either system to reverify licensure.

The TennCare Provider Enrollment Unit, DMRS, 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 DMRS when a provider's license was suspended or terminated.

Because of the lack of reverification of providers, the Provider Enrollment Unit cannot ensure that only licensed providers are enrolled in the TennCare program as required. The *Rules of the Tennessee Department of Finance and Administration*, 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."

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

Testwork revealed the following weaknesses regarding provider eligibility and enrollment with DCS and DMRS providers:

- 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.
- The contract between TennCare and DMRS 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." TennCare did not provide DMRS with the Medicaid federal and state provider rules and regulations that DMRS should follow.
- TennCare did not monitor the enrollment of Medicaid providers at Children's Services and DMRS. The Division of Resource Development and Support (RDS) in the Department of Finance and Administration (F&A) performed fiscal monitoring procedures at Children's Services during the year ended June 30, 2001, 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 DMRS 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 DMRS 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 Finance and Administration*, 1200-13-1-.05, "Providers."

Provider Agreements Not Adequate

The Children's Services and DMRS provider agreements did not comply with federal requirements. Testwork performed on the Children's Services and DMRS provider agreements noted that both did not disclose ownership and control information and information on a provider's owners and other persons convicted of criminal offenses against Medicare or Medicaid.

In addition, TennCare's agreements for individual crossover, MCO, and BHO providers did not require providers to:

- keep any records necessary to disclose the extent of services the provider furnishes to recipients;
- furnish to the Medicaid agency, the secretary, or the state Medicaid fraud control unit information required in 42 CFR 431.107; and
- disclose ownership and control information and information on a provider's owners and other persons convicted of criminal offenses against Medicare or Medicaid.

Furthermore, TennCare's agreements with group crossover providers did not require providers to

- keep any records necessary to disclose the extent of services the provider furnishes to recipients; and
- furnish to the Medicaid agency, the secretary, or the state Medicaid fraud control unit information required in 42 CFR 431.107.

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.

Departmental Rules Not Followed

The TennCare Provider Enrollment Unit, Children's Services, and DMRS did not limit participation to providers that complied with the *Rules of the Tennessee Department of Finance and Administration*, Section 1200-13-1-.05 (1)(a), "Providers." The TennCare Provider Enrollment Unit did not require Medicare crossover, MCO, and BHO providers to

- accept, as payment in full, the amounts paid by Medicaid or paid in lieu of Medicaid by a third party;
- not be under a federal Drug Enforcement Agency (DEA) restriction of their prescribing and/or dispensing certification for scheduled drugs;
- maintain and provide Medicaid and/or its agency access to all Medicaid recipient medical records for five years from the date of service or upon written authorization from Medicaid following an audit, whichever is shorter;
- provide medical assistance at or above recognized standards of practice; and
- comply with all contractual terms and Medicaid policies as outlined in federal and state rules and regulations and Medicaid provider manuals and bulletins.

In addition, Children's Services and DMRS did not require providers to

- maintain and provide Medicaid and/or its agency access to all Medicaid recipient medical records for five years from the date of service or upon written authorization from Medicaid following an audit, whichever is shorter; and

- comply with all contractual terms and Medicaid policies as outlined in federal and state rules and regulations and Medicaid provider manuals and bulletins.

The *Rules of the Tennessee Department of Finance and Administration*, Section 1200-13-1-.05 (1)(a), "Providers," 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 Medicaid 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.

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

A sample of payments to intermediate care facilities was 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. Intermediate care facilities are long-term care providers. For 5 of 60 payments to intermediate care facilities (8%), TennCare did not have the Certification and Transmittal Form for the dates of service tested. However, after testwork was performed, the five forms were obtained from the Board for Licensing Health Care Facilities. Each time the Board for Licensing Health Care Facilities recertifies a long-term care provider, it sends TennCare a Certification and Transmittal Form, 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 Certification and Transmittal 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. For 1 of 60 payments tested (2%) TennCare did not have a provider agreement. However, after testwork was performed, the provider agreement was negotiated with the provider to correct the errors. TennCare paid approximately $934 million to intermediate care facilities for the year ended June 30, 2001.

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.

Recommendation

The Director of TennCare should ensure that adequate internal control exists for determining and maintaining provider eligibility. The Director should ensure that procedures are implemented to reverify licensure and to prevent future payments to non-licensed providers.

Children's Services and DMRS 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 that 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 DMRS.

Management and staff should ensure compliance with all Medicaid federal and state provider rules and regulations. The provider agreements should be revised to comply with the State Plan and the *Code of Federal Regulations.* Participation should be limited to providers that meet the requirements of the departmental rules. Management should ensure that documentation is maintained showing that the long-term care providers have met the prescribed health and safety standards. 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's Comment

We partially concur with this finding

Provider Licensure Not Reverified

The Provider Enrollment unit has developed procedures for reverifying the licensure renewal for providers participating in the Medicaid Program. The implementation of this new program will ensure providers participating in the program maintain a valid license. However, the implementation of the license reverification program is pending for mainframe system modifications and the hiring of three new staff members.

We are currently working with the IS unit on system modifications to the provider mainframe file. These modifications will allow us to update the license renewal information on the master provider file and generate monthly reports. The monthly reports will assist staff in identifying providers with licenses that are scheduled to expire within the next sixty days. In addition, we are working with our Personnel Department to obtain registers for the three approved positions requested for this new program. We anticipate this program will be operational by May 1, 2002.

DCS compliance with Medicaid provider rules and regulations:

We do not concur that TennCare's contract with DCS did not require DCS to comply with applicable rules and regulations. In the contract between TennCare and DCS signed June 27, 2001, provision A.4.a.vix requires TennCare to provide DCS with Medicaid Federal and

State provider rules and regulations, and provision E.10 requires DCS to comply with Medicaid provider rules and regulations.

DMRS compliance with Medicaid provider rules:

We do not concur that DMRS was not provided Medicaid rules and regulations to follow. Over the course of the last year, we have had numerous meetings with DMRS staff and have many times discussed the fact that contracted waiver providers are bound by both the HCBS rules and rules that apply to all waiver providers. In addition, the DMRS Deputy Commissioner was provided copies of last year's audit findings with rule cites and areas of non-compliance identified. The Director of Long-Term Care will draft a cover letter this week and attach the draft findings and copies of the referenced rules for which non-compliance has been identified. This will be sent to the DMRS Interim Deputy Commissioner.

Department Rules Not Followed and Provider Agreements Not Adequate

The Provider Enrollment unit developed and implemented the use of a new Provider Participation Agreement form and revised the current Provider Enrollment application to comply with the requirements of 42 CFR-431.107. We implemented the use of these new forms in October 2001. Each provider must complete these forms to enroll and participate in the Medicaid Program. Copies of the Provider Participation Agreement and the revised Provider Enrollment applications were given to the Auditor in October 2001.

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

We do not concur. The Provider Enrollment unit receives the Medicare/Medicaid Certification and Transmittal forms from Health Care Facilities (HCF). These forms certify that the Long Term Care Facility has met the required regulations to operate a nursing home in Tennessee. The C&T forms received from HCF are the documentation that the LTCF has met all of the requirements including the prescribed health and safety standards.

Not All Providers Had Agreements:

To ensure all intermediate care and skilled nursing facilities provider files contain the appropriate forms and agreements; the reviewer must complete an enrollment checklist. We currently depend on HCF to notify our office of nursing home facilities needing new contracts. However, we are currently working with the IS unit on system modification to track all LTCF recertification due dates and to generate monthly reports to alert staff of upcoming contract termination dates.

Provider enrollment monitoring of BHO providers:

TDMHDD, through a MOU (Memorandum of Understanding) with TennCare, has the responsibility for monitoring the enrollment of providers. They have agreed to include the verification of eligibility as a part of their network and provider review.

Provider enrollment monitoring of MR providers:

With respect to monitoring of provider enrollment, the TennCare Division of Long-Term Care (TDLTC) is reviewing DMRS provider enrollment processes and has asked for the processes to be reviewed by the Division of Provider Services. Recommendations for changes in the process will be submitted to DMRS upon completion of the review. Preliminary discussions of recommendations have been informally discussed during meetings with DMRS staff. In addition, since July 2001, summaries on new providers and providers expanding to different regions have been submitted to TDLTC for review and approval.

Regarding the Certification and Transmittal Forms for ICFsMR, these forms are submitted to the Provider Services Unit. The TDLTC Director will meet with the Director of the Provider Services Division to determine a mechanism of ensuring provider eligibility and to make appropriate revisions to the provider agreement.

Adequate provider agreements:

Regarding the DMRS/TennCare Interagency Agreement and provider agreements with MR Waiver Providers, staff from the Office of Health Services have been working to revise contract language. Revisions were made to the Interagency Agreement; however, revisions to the Provider Agreement have not yet been completed. The revisions are to be completed so that Providers will sign the revised provider agreement for the upcoming contract period which begins July 1, 2002.

DMRS notification of suspension/termination of provider certification:

The majority of MR waiver providers are not required to be certified and are not licensed/certified by Health Care Facilities. This would apply to Home Health Agencies providing waiver services. Development of procedures to correct this finding for those providers which do require certification will be completed in conjunction with DMRS.

Monitoring of provider enrollment:

TDLTC is reviewing DMRS provider enrollment processes and has asked for the processes to be reviewed by the Division of Provider Services. Recommendations for changes in the process will be submitted to DMRS upon completion of the review. Preliminary discussions of recommendations have been informally discussed during meetings with DMRS staff. In addition, since July 2001, summaries on new providers and providers expanding into different regions have been submitted to TennCare for review and approval.

Certification and Transmittal Forms for ICFsMR:

These forms are submitted to the Provider Services Unit. The TDLTC Director will meet with the Director of the Provider Services Division to determine a mechanism of ensuring provider eligibility and to make appropriate revisions to the provider agreement.

Rebuttal

DCS compliance with Medicaid provider rules and regulations:

Management's comments pertain to the contract that was to be effective July 1, 2001, for the period ending June 30, 2002. The contract that was in place during the audit period was the same contract that was in place in the previous audit. Management fully concurred with this audit finding last year.

DMRS compliance with Medicaid provider rules:

During fieldwork when we discussed our concern of provider agreements not containing all the required terms required by Medicaid rules with DMRS' central office staff, it appeared that they were not aware of the rules. In addition, during fieldwork we provided these rules to DMRS' central office staff. If management were aware of all provider rules and regulations, it is unclear why for the third consecutive audit, the provider agreements did not contain all the guidelines required by these same provider rules and regulations.

TennCare Did Not Have Documentation That All Providers Met Prescribed Health and Safety Standards

We agree that the Certification and Transmittal forms serve as documentation of compliance with provider health and safety standards. Although management did not concur with this portion of the finding, they did not address the lack of forms noted in the finding. As stated in the finding, TennCare did not have 5 of 60 forms. These forms were not in the provider's file at the time of audit. Only after we brought the matter to staff's attention were these forms obtained.

Finding Number	01-DFA-36
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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness; 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 two audits, the Bureau of TennCare still 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,

> 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.

Discussions with management in July 2001 revealed that work has begun on developing a comprehensive plan. However, during the audit period, a comprehensive plan was not completely developed or 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, services provided under the Medicaid Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled, services provided for enrollees who are both TennCare and Medicare recipients (Medicare cross-over claims), and pharmacy claims for individuals that are recipients of TennCare and Medicare are paid 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.

These same conditions existed during the two preceding audits.

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, in 1992 the State Medicaid Agency 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 that during the audit period, there was no statewide program of surveillance and utilization control. This condition has existed during the previous two audit periods.

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 ensure development of the comprehensive plan for utilization control and identification of fraud for all areas of the program that are fee-for-service based. When the plan is completed, the Director should ensure that it is implemented.

Management's Comment

We concur. The processes involved have been reviewed and policies and procedures developed to address the issues involved. Significant steps have been taken toward implementing a Post-payment review process for LTC waiver programs. The TennCare Division of Long-Term care (TDLTC) is currently in the process of establishing a LTC Quality Monitoring Unit. Staff positions have been approved and some have been filled. Two nurse auditors from the Comptroller's office have been reassigned to TDLTC and are being trained to review records for HCBS Waiver programs. Draft tools have been developed and are being revised and tested. These nurses began formal record reviews in November 2001. A process for post-payment reviews for the MR Waiver program is being developed first, due to the need to develop such process for compliance with the MR Waiver Corrective Plan. The process developed will then be modified and implemented for other LTC waiver programs.

With respect to fraud and abuse, a new process will require the respective programs, and the TennCare Quality Oversight and Program Fraud organizations to work together to assure the finding is addressed. The Bureau will develop a plan to address this issue in collaboration with Program Fraud organizations.

Finding Number	01-DFA-37
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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

The TennCare Management Information System lacks the necessary flexibility and internal control

Finding

As noted in three previous 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 flexibility it needs to ensure that the State of Tennessee can continue to run the state's $5.3 billion federal/state health care reform program effectively and efficiently. Management concurred with the prior finding and indicated it had begun the process of identifying the requirements for the new system and performing strategic planning. Management'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 Information Systems (IS) staff, the implementation of a new TCMIS is to occur in 2003.

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 organization, 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.

Recommendation

The Director of TennCare 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 system's internal control to prevent or recover erroneous payments. TennCare should ensure that an updated system is implemented timely that more effectively supports TennCare's operations.

Management's Comment

We partially concur with this audit finding. We agree that the current system is outdated. We have begun preparations for implementing a new TennCare Management Information System by Oct 1, 2003. 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.

TCMIS requirements analysis has been completed. A TCMIS Advanced Planning Document (APD) has been approved by the Center for Medicare and Medicaid Systems (CMS). The APD also includes a Data Warehouse/Decision Support System (DSS) which will also be implemented in conjunction with the replacement TCMIS.

The draft Request for Proposal (RFP) associated with the new TCMIS has been developed and is under review by CMS staff. The current work schedule calls for the RFP to be released on February 28, 2002. TennCare Information Systems management and Fox Systems are working aggressively to meet that deadline. 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.

We partially concur that the current system lacks sufficient controls. Some of the issues stated in the finding are related to policy directed by management and not a limitation of TCMIS. However, the current system has numerous internal controls which are continuously verified. For example:

- The TennCare Information staff receives periodic updates of recipient information from the TennCare Information Line, recipients, system generated reports, providers and MCO's on an ongoing basis. The information is manually validated by comparing the information on the system to information that is on the update and ensuring that the recipient is in the system, that the name is correct, that the social security number is correct for that person, and that the format and value of other identification numbers is correct before it is added to or modified in the TennCare system.
- Information received on newborns from both the TennCare Information Line and from the individual MCO's is verified from system generated reports before entry into the system. The information from the reports is compared to the original inputs to ensure that the data was entered and processed correctly. These verifications include infant date of birth, that a mother is assigned, and the mother's TennCare status.
- TennCare is responsible for changing addresses for the uninsured/uninsurable, inactive Department of Human Services (DHS), and inactive Supplemental Security Income (SSI) recipients. Inactive DHS and inactive SSI are enrollees who currently have TennCare coverage but are closed on the DHS and SSI systems. Recipient address changes come from many sources in both paper and electronic (tape) formats.

TennCare staff compares information that is in the system to that on the reports and makes or requests changes as necessary.

- Notification regarding enrollees who are no longer residents of Tennessee may be received by the various units within the Bureau of TennCare, TennCare affiliated agencies (e.g., DHS), a county health office (CHO), the CHO HelpDesk, the Program Integrity Unit, etc. Information System staff reviews the written request or report to determine the member(s) to be terminated and identify the member's Social Security Number. The staff member to researches eligibility, reviews the recipient eligibility history to determine whether or not the request includes an enrollee who is DHS/SSI eligible, and terminates the recipient if they do not meet eligibility criteria.

The TennCare Information Systems staff reviews the results of all operations at regular intervals. Furthermore, TennCare has documented policies and procedures in place to handle and correct any errors which are found in the information that is processed.

We concur that we focus heavily on ensuring that proper payments are made to the various providers throughout Tennessee. However, TennCare Information Systems also takes the accuracy of the system very seriously and keeps a careful watch on the internal controls present in the system. TennCare Information Systems management continuously monitors and modifies internal controls as necessary to ensure that all TennCare data is processed accurately.

Rebuttal

Numerous findings in this report indicate that the system does not have adequate internal control. For example, these findings indicate that the TennCare Bureau

- has weak system security internal control (finding 01-DFA-39);
- does not pay claims in accordance with the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (finding 01-DFA-20); and
- produces inconsistent premium reports (finding 01-DFA-31).

While some of the findings in this report relate to policy issues directed by management, the lack of policies or inadequate policies to require staff to implement needed controls as indicated in this audit report still result in inadequate internal control. As illustrated in this audit report ineffective system controls result in noncompliance and questioned costs.

Finding Number	01-DFA-38
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.	05-0005TN5028; 05-0105TN5028
Finding Type	Material Weakness
Questioned Costs	None

Controls over access to the TennCare Management Information System need improvement

Finding

As noted in the three previous 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 ensuring, 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.

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 access to data and transaction screens on 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

Management concurred with this portion of the prior audit finding and stated, "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." However, testwork revealed that justification forms have not been obtained for all existing users outside of the Bureau of TennCare. Access to TCMIS is controlled by Resource Access Control Facility (RACF) software, which prohibits unauthorized access to confidential information and system transactions. The TennCare security administrator in the Division of Information systems 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. RACF controls access by allowing each member of a user group to access a set of transaction screens.

On July 12, 1999, TennCare started requiring all users who are new to TennCare's system to fill out standardized justification forms requesting users to justify their reasons for

access to TennCare's system. When asked why existing users were not asked to complete the forms, the security administrator responded that she had not been told to obtain these forms for existing users. In response to the prior audit finding, the TennCare security administrator obtained forms for existing users inside the TennCare bureau. However, forms had not been obtained for all existing users outside the TennCare Bureau. The security administrator stated that she was not instructed to obtain these forms for these users. Testwork revealed that 12 of 45 users outside the Bureau tested (27%) did not have "Justification for TennCare Access" forms properly filled out and completed. Not requiring existing users outside the Bureau of TennCare to sign justification 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

Management concurred with this portion of the prior audit finding and stated that system maintenance requests have been initiated to the TennCare facilities manager concerning the access issues. However, as of November 13, 2001, the problem had not been resolved. User access testwork revealed, as it did in the prior audit, 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 one screen. This could be accomplished by typing over the "function" field and replacing INQ (inquiry) with CHG (change). Then users could make changes to the screen 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 but have not made correcting this issue a priority.

Security Administration Not Centralized

Management concurred with this portion of the prior audit finding and stated, "Centralization of TCMIS under TennCare Information Systems' security administrator was implemented as of November 3, 2000." However, testwork 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 through the Department of Health's default group. The Department of Health default group has access to 87 TCMIS screens and has approximately 3,000 users. During the audit period, in an attempt to correct the problem, management removed the TCMIS transactions from the Department of Health's default group. However, the removal of the transactions interrupted the ability of users in the Department of Health to perform their TennCare responsibilities. As a result, the transaction screens were added to the default group once again. According to the security administrator, management has not made another attempt to correct the problem. Consequently, the Department of Health's security administrator still has the ability to add users to TCMIS through the Department of Health's default group.

In addition, testwork revealed that the security administrator for the Department of Human Services (DHS) has the ability to add users to TennCare user groups without notifying TennCare's security administrator. Furthermore, justification forms were not obtained by the DHS security administrator for users added to these groups. In addition, TennCare did not monitor the activities of the DHS security administrator as they relate to TennCare. When access to TCMIS is decentralized, it is more difficult to monitor and control.

Recommendation

The Director of TennCare and the TennCare security administrator 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. Using the justification forms, the Director should determine which users employed by the Department of Health in the Department of Health default group need access to TCMIS and add the identified users to a TennCare user group that has access appropriate to the needs of the user. After access has been given to the identified Department of Health users, TCMIS transactions in the Department of Health default group should be removed. In addition, the ability of the DHS security administrator to add users to TennCare user groups should be removed, or at a minimum, TennCare should insist that DHS collects justification forms for all users. If the Director of TennCare elects to continue to permit the DHS security administrator to add users to TennCare user groups, formal monitoring procedures should be implemented. These monitoring procedures should be written and all monitoring activities should be documented.

Management's Comment

We partially concur with this audit finding. TennCare Information Systems has taken action on each of the previous audit findings. We have attempted to insure that adequate security measures are in place for all access to the TCMIS. However, due to the complexity of the existing TCMIS, some of the security processes put in place prevented users needing access to the system from performing functions that were needed. We have continued to review our security procedures to ensure that adequate security measures are in place to the TCMIS as well as adequate user accessibility.

TennCare Information Systems management reviewed security forms based on a previous audit finding and modified the form to include justification. As new users were granted access to the TCMIS, the new justification form was submitted. In addition, in cases where justification forms for existing users could not be located, justification was requested from section managers and the security forms were updated. We concur that there are external agencies who have access to the TCMIS. We have aggressively attempted to obtain signed justification for users in those agencies. We have obtained justification from all users in the Department of Health (DOH) and are currently obtaining justifications from users in the Department of Human Services (DHS).

We concur that previous audit findings identified that there were users who potentially had unnecessary access to the TCMIS. It was identified that the default group for the Department of Health (DOH) granted those users access to some transactions which may not be needed. In an effort to prevent this, TennCare Information Systems removed DOH access to this group in the latter half of 2001. However, by doing this, these users were prevented from performing other job related functions. We reinstated the default group and began the process of identifying how we could accomplish adequate security access as well as adequate user access.

We have established a group, which will be used to grant external users access to only those transactions, needed to perform their job responsibilities. This group will be implemented on February 6, 2002. In addition, it has been identified that there are TCMIS transactions that allow update capability by replacing INQ with CHG. As stated in the audit finding, TennCare Information Systems sent a work request to the contractor, EDS, to correct this situation. A portion of this work request was completed in October 1999. This work request was amended with the additional transactions that were identified by the previous audit. This amendment has been addressed with the contractor as a top priority and will be discussed in weekly status meetings until completed.

TennCare Information Systems management does not concur that the systems administrator at Department of Health (DOH) has the ability to grant access to the TCMIS. All access to the TCMIS is performed by TennCare's security administrator. A request is submitted from DOH security administrator to the TennCare security administrator with justification for TCMIS access. We do concur that if a request is made from the DOH security administrator to add a user to the default group, this may allow for access to unnecessary transactions. However, the new group created for external agencies/users will be in place on Wednesday, February 6, 2002 which will correct unnecessary access to the TCMIS.

The current TCMIS has many controls and edits included which allow for extensive internal access control and audit capabilities. However, TennCare Information Systems management will concede that external access control from other state agencies such as Department of Health (DOH) and Department of Human Services (DHS) could be improved. Therefore, Information Systems is currently in negotiations with DOH and DHS to develop a no-cost inter-departmental contract that will include enhanced procedures to control access to the TCMIS. The execution of these contracts will provide administrative procedures and controls over access to the MIS as well as provide for audits by the comptroller.

Rebuttal

Although management does not concur that the Department of Health security administrator has the ability to grant access to the TCMIS they do acknowledge that "if a request is made from the DOH security administrator to add a user to the default group, this may allow for access to unnecessary transactions." Having access to transactions in the default group results in unnecessary access to TCMIS. Furthermore, if there is not necessary access being given it is unclear why management says they will create a new group on "February 6, 2002 which will correct unnecessary access to the TCMIS."

Finding Number	01-DFA-39
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.	05-0005TN5028; 05-0105TN5028
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 preceding four 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). In response to the prior finding, the Director stated that "HCFA [Health Care Financing Administration] has documented that the BCCP [TennCare Business Contingency Continuity Plan] fulfills all federal requirements associated with infrastructure risk mitigation." On several occasions, we requested documentation to support this claim. In a meeting with the Director of Information Systems, the Director stated that he would get the information. However, no such documentation was provided. The Bureau has relied on the Department of Finance and Administration's Office of Information Resources (OIR) for security of TCMIS. According to OIR's policy number one, Agency Management is to "provide for an agency administrative review of security standards, procedures and guidelines in light of technical, environmental, procedural, or statutory changes which may occur." 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 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." Furthermore, "The State agency shall maintain reports of their biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site review."

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 A-133 requires the plan to include policies and procedures to address the following:

- Physical security
- 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
- Designation of an agency ADP security manager

We reviewed TennCare's BCCP, other TennCare policies and procedures, and OIR polices for compliance with the above requirements. These policies do not address all the requirements of the federal regulation. These policies do not address physical security, equipment security, telecommunications security, and personnel security. In addition, testwork also revealed that TennCare did not conduct the required system security reviews on a biennial basis.

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, and provide to us, 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 partially concur with this finding. TennCare representatives met with auditors and were presented with issues that the auditors felt were not sufficiently covered through the TennCare Business Continuity and Contingency Plan (BCCP). TennCare representatives informed the auditors that since TennCare computer resources fell under OIR jurisdiction that published OIR security documentation applied to TennCare. The auditors requested that TennCare provide such documentation for review. TennCare representatives obtained and provided the auditors with what they believed to be such information. The auditors then informed the TennCare representatives that the provided information did not meet the

requirements. The TennCare representatives then referred the auditors to OIR for further explanation of the OIR procedures.

The auditors also requested a copy of the TennCare Security Procedures manual. TennCare representatives informed the auditors that the procedures were contained in a variety of documents. The auditors requested that TennCare create a single document which covers all aspects of TennCare security. TennCare representatives agreed to create the document which is currently under development.

TennCare management has made a written request to CMS for written verification that the current TennCare Business Continuity and Contingency Plan (BCCP) meets all federal requirements and guidelines for security.

TennCare management is currently in the process of developing an ADP risk analysis document and matrix. This document and matrix will become a component of the existing TennCare Business Continuity and Contingency Plan (BCCP). This risk analysis will include coordinated input from both the Department of Health (DOH) and the Department of Human Services (DHS). This requirement will become a component of the contract discussed in the TennCare response to finding 01-DFA-38 of this report.

Rebuttal

It is not clear from management's comment with which part(s) of the finding management does not concur. Management's comments do not dispute any of the facts in the finding. During fieldwork we examined all the policies mentioned in the finding that were provided by management. As noted in the finding, these polices did not cover all the areas required by the regulation. In addition, compliance with this requirement is also dependent upon preparation of a biennual summary report. Management has never prepared such a report.

Finding Number	01-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 submitted to the controller's office on a timely basis

Finding

As reported in the previous audit, effort certification forms are not being submitted to the university-wide controller's office on a timely basis. 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. Campus business office personnel make any necessary adjustments to the distribution of payroll cost. From the university-wide controller's office, the forms are forwarded to data entry where the data from the forms is entered into the university's effort certification audit system. In this system, a record is kept of the forms received and those not received, and a record is kept of significant (greater than 5%) unresolved payroll distribution variances. As data is entered, the system automatically checks to make sure that any necessary payroll adjustments have been made. The forms are then filed in the controller's office. As of November 1, 2001, for the 1999 fiscal year (which ended on June 30, 1999), 3.38 % of effort certification reports (473) had not been processed in the controller's office, and there were 598 significant unresolved payroll distribution variances. For the 2000 fiscal year (which ended on June 30, 2000), 5.64 % of effort certification reports (824) had not been processed in the controller's office, and there were 799 significant unresolved payroll distribution variances. For the 2001 fiscal year (which ended on June 30, 2001), 32.38 % of effort certification reports (3,784) had not been processed in the controller's office, and there were 547 significant unresolved payroll variances. Five-hundred of the 2001 reports had been filed in the controller's office without being entered into the effort certification audit system. The remainder apparently had not been submitted to the controller's office by departmental or campus business office personnel or perhaps had never been prepared 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, 2000, and 2001 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 of those forms which have not been returned for fiscal year 1999, fiscal year 2000, and fiscal year 2001, and will make the appropriate changes to the related accounting records.

In addition, the university has developed a new effort certification system to work in concert with our SAP R/3 Human Resources module implementation. This new system will allow principal investigators to certify their effort each month. Also, if a variance exists, the system will create a transaction to move costs at the same time the effort is certified.

Finding Number	01-THDA-01
CFDA Numbers	14.182, 14.195, 14.856
Program Name	Section 8 Project-Based Cluster
Federal Agency	Department of Housing and Urban Development
State Agency	Tennessee Housing Development Agency
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

The Section 8 Contract Administration Division's policies and procedures need improvement

Finding

The Section 8 Contract Administration Division serves as the contract administrator for 402 Section 8 project-based Housing Assistance Payment (HAP) contracts. Project-based HAP contracts are associated with multi-family housing projects in which rent subsidies are paid to private for-profit and non-profit landlords. The agency has served as contract administrator for 38 of the 402 HAP contracts for over 20 years under the Department of Housing and Urban Development's (HUD's) Section 8 New Construction and Substantial Rehabilitation grant program. In December 2000, the agency was assigned the remaining HAP contracts under a performance-based contract with HUD. Under the terms of the contract, the agency assumed the duties of contract administrator from HUD in exchange for an administrative fee determined by the agency's performance of applicable performance standards.

A contract administrator oversees HAP contracts for Section 8 projects by monitoring and enforcing the compliance of Section 8 owners with the terms of the HAP contract in accordance with HUD regulations and requirements. Depending on the type of contract assignment, the agency accomplishes these objectives by conducting management and occupancy reviews; processing rental adjustments, expiring contracts, and terminated HAP contracts; verifying and certifying accuracy of monthly Section 8 vouchers; verifying and authorizing payment on valid Section 8 special claims; disbursing Section 8 payments to owners; responding to community/resident concerns; reporting contract administration activities to HUD; and following-up on HUD's physical inspections.

The Division of Contract Administration's policies and procedures did not address all necessary areas of operations. The absence of detailed policies and procedures contributed to the following deficiencies:

- Property files kept by the agency's project managers did not always contain the documents required by program regulations. Five of the 60 files tested (8%) did not contain a Fair Housing and Equal Opportunity (FHEO) form. The FHEO form is required by program regulations to report on the property owners' compliance with laws against discrimination.

- Documentation contained in property files was inconsistent between property managers. Four of the 60 files tested (7%) did not contain a letter notifying the owner of an upcoming management and occupancy review. The agency performs management and occupancy reviews to monitor the owners' compliance with Section 8 program regulations including, but not limited to, eligibility, selection of tenants from waiting lists, and determination of housing assistance payments.
- During 7 of the 60 management and occupancy reviews examined (12%), the project managers did not test 22 of 60 tenant files (37%) required by the contract with HUD.
- The agency did not test the reviews of tenant files performed by the property owners as required by the contract with HUD. The property owners are required to conduct a 100% review of their tenant files when deficiencies are found in the tenant files during a management and occupancy review.
- Nine of 60 monthly vouchers tested (15%) were processed by the Tenant Rental Assistance Certification System (TRACS) specialists with incorrect recertification dates.
- Resident complaints were not reported properly to HUD because of errors in the setup of the tracking software that prepared the monthly complaint reports. Monthly complaint reports were missing the resolved date for some complaints. In addition, two of the 60 complaints tested (3%) were not included on the report in the month the complaint was received.
- Dates related to processing expiring contracts and rent adjustments were entered into HUD's Real Estate Management System inconsistently among the contract renewal specialists, and the dates in the system did not always agree with those in the property files. As a result, it could not be determined if information needed by HUD to approve the renewal of expiring contracts and rent adjustments was entered in the system timely.
- Fourteen of 60 property files tested (23%) did not contain follow-up correspondence when required information was not received from the owner.

Detailed written policies and procedures, an element of a well-established system of internal control, are necessary to ensure the agency meets its duties as contract administrator. Without detailed written policies and procedures for all areas of operations, communication among management and other personnel may be impaired, and tasks may not be carried out consistently in accordance with management's goals.

Recommendation

The Director of Contract Administration should strengthen internal control by developing detailed written policies and procedures for all internal operations. The director should then ensure that all policies and procedures, including updates, are communicated to employees. The director should also monitor employees' compliance with established policies and procedures.

Management's Comment

We concur. The Division of Section 8 Contract Administration (S8CA) performs its duties under a federally funded contract that was initiated in December 2000. As an initial start-up program, every effort was made by management to insure compliance with HUD regulations. The program did initially develop written policies and procedures for the operations. However, as the program began to mature and develop, these existing policies became both insufficient and incomplete in relation to the actual work processes being adjusted. In August 2001, the division recognized the need to redevelop all of the written policies and procedures, including the development of policies for all work processes. This project was completed by November 2001 and as of this response date, all division staff have been fully trained on the policies and procedures. Every area of responsibility specific to the HUD performance-based contract has been addressed in the revised policy and procedures.

A vital component to the development of policies and procedures involves the incorporation of a quality control function within the division. At the time of the audit, this process was incomplete because the Quality Control Coordinator position was vacant. THDA filled the Quality Control Coordinator position on September 1, 2001, under the direction of our Internal Audit division, to coordinate the monitoring of compliance within the S8CA division. The Quality Control Coordinator is responsible for developing a work plan that details the compliance checks that are required to be performed on a monthly basis.

The S8CA division has incorporated a three-step check and balance system in order to ensure employees' compliance with established policies and procedures. This system is initiated by each Section Coordinator consistently reviewing work compliance for the different processes for which their employees are responsible. Enhancing this process, the Quality Control Coordinator both monitors all of the tracking systems designed to identify delinquent and incomplete work as well as conducts compliance checks as per the work plan on a scheduled basis. In addition, each month the division Reports Coordinator collects and analyzes the work performed by each section according to HUD requirements. If any area of noncompliance is identified, the Division Director and Section Coordinator are immediately informed as to the noncompliance status so that corrective changes can be made to the process.

Finding Number	01-DOT-01
CFDA Number	20.205
Program Name	Highway Planning and Construction Cluster
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	N/A
Finding Type	Reportable Condition, Allowable Costs/Cost Principles
Questioned Costs	$869,962.92

Department personnel did not always maintain adequate supporting documentation for contractor payments

Finding

On December 4, 2001, the Department of Transportation's Internal Audit Office issued the special report *Newbern Construction Office*. As described in their finding, the department's Newbern Construction Office personnel did not maintain adequate supporting documentation on a current basis for one contract. The construction work on the contract was completed as of January 4, 2000. However, the Department of Transportation project engineer's field books—the department's daily record of the continuing progress and quantities of materials used at the construction site, intended to support the monthly progress payments to the contractor—were not complete. Newbern Construction Office personnel began recording the majority of the information in the field books in September 2000. Although payments totaling $17,758,192.41 were made to the contractor as of February 12, 2001, the field books were still not complete as of November 29, 2001.

As noted in the special report, the Internal Audit staff sampled the documentation available as of March 1, 2001, for $9,607,583.81 of the contractor payments. The Internal Audit staff determined that payments of $869,962.92 had been made to the contractor although as of March 1, 2001, no documentation was available at the construction office to support those payments. In addition, it was unclear whether the support for the remaining payments in the sample ($8,737,620.89) was appropriately maintained during the execution of the contract, or whether the support was improperly created or obtained after the payments had been made. The Construction Division Circular Letter 109.02.04 states:

> The Engineer will keep a book in which the current quantities for each item in the contract is [are] shown. He is to show the calculations for each item in this book or if copied from other records he is to reference back by book and page of sheet to the original notes. All calculations either original or copied are to be signed and dated.

The project engineer's failure to comply with the requirements of the Circular Letter resulted in inadequate supporting documentation for the contractor payments. Furthermore, the project supervisor allowed payments to be made to the contractor even though the proper supporting documentation was incomplete.

The entire effect of this finding will not be determined until after the department's final records review process has been completed. Although the total amount of actual unsupported costs cannot be determined at this time, the payments of $869,962.92 that the Internal Audit staff determined were not adequately supported as of March 1, 2001, will be questioned.

Recommendation

When the department has completed the final records review process on this contract, Internal Audit should conduct a subsequent review of the contract. Any adjustments necessary should be reflected on the final estimate. The Finance Office should resolve questioned costs with the Federal Highway Administration. Management should ensure that all engineers involved in the construction process understand the necessity of maintaining accurate, up-to-date field books on every project. Furthermore, management should implement sufficient controls to ensure that all contractor payments are adequately supported as they are paid during the progress of the construction projects.

Management's Comment

Management concurs with the finding and recommendations. We have visited the office, reviewed the records, and found that proper documentation for the roadway items of the contract were not in accordance with our documentation procedures. However, we feel that the circumstances that occurred were isolated instances and should be treated as such.

It should be noted that Newbern Construction Office had four different Project Supervisors in a relatively short period of time. The lead inspector on the contract in question was promoted to the Project Supervisor during the course of the project. Apparently, it was communicated to the field personnel that the new Project Supervisor would continue to document project quantities. As a result of this communication, the field personnel did not document the quantities as required. Also the Project office was relocated during the construction of these contracts and during the move some field books were misplaced and subsequently found. Therefore, some of the items that could not be verified during the audit can now be validated with the field books.

Independent inspectors inspected the roadway items and bridge items. It should be noted that bridge quantities were properly documented as required by the respective bridge inspector. However, the documentation on several roadway items was not completed as noted in the audit. All items that can be field verified are being measured and documented.

We are not aware that this has happened on any other contract and we feel that appropriate guidelines and procedures are in place to direct the field office in proper documentation. Region 4 construction has reiterated the documentation procedures to their field offices during their staff meetings and the other Regions will be advised to do likewise.

When all documentation has been completed, Internal Audit will conduct a follow-up review and coordinate with Finance Office to resolve any questioned costs.

Finding Number	01-DOT-02
CFDA Number	20.205
Program Name	Highway Planning and Construction Cluster
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

Employees do not always follow departmental policies and procedures to ensure compliance with the Davis-Bacon Act

Finding

The Department of Transportation has established program policies and procedures to comply with the Davis-Bacon Act. However, as noted in 13 of the past 17 years (beginning with the year ending June 30, 1984), department personnel do not always adhere to these policies and procedures to monitor classifications and wage rates as required by the Davis-Bacon Act.

The Davis-Bacon Act requires laborers and mechanics employed by contractors or subcontractors on federal contracts to be paid no less than the prevailing wage rates established for that locale by the U.S. Department of Labor. To monitor compliance with this requirement, the department has established a system whereby designated personnel check contractor and subcontractor payrolls during each month of a project. Also, the project engineer or his representative is required to conduct a specific number of interviews with laborers and mechanics to verify the accuracy of payroll records examined. A separate interview form is completed and signed by the laborer or mechanic and the project engineer to document each interview. In response to the prior findings, the department issued Circular Letter 1273-03, which, as amended, requires that the project engineer conduct interviews at two-month intervals with a minimum of three interviews every two months, or a minimum of two interviews on contracts not anticipated to last two months. These interviews provide evidence of on-site visits to monitor classifications and wage rates.

For 7 of 40 closed construction contracts tested (18%), the project engineers had not always conducted a sufficient number of interviews. Of the seven, four contracts had no labor interviews conducted. The duration of these projects ranged from three weeks to nine months. The number of interviews required by the Circular Letter ranged from at least two interviews to nine interviews. Three contracts did not have a sufficient number of interviews conducted. Of the three, two contracts were each one interview short of the number required by the Circular Letter, and one contract was two interviews short.

In addition, for one of 40 closed construction contracts tested (3%), contractor payrolls were not submitted in accordance with contract requirements.

Without a sufficient number of labor interviews and the proper submission of contractor payrolls, management cannot have adequate assurance of compliance with the Davis-Bacon Act.

Recommendation

Management should always perform labor interviews as evidence of on-site visits to monitor classifications and wage rates for all projects. Contractor payrolls should be submitted in accordance with the contract requirements and reviewed by management. Procedures should be followed to ensure that the department complies with the Davis-Bacon Act.

Management's Comment

Management concurs with the finding and recommendations. The requirement to perform employee interviews has continued to be a problem. Contractor employees often work on more than one TDOT project; therefore, they continue to get interviewed numerous times during the course of the year and become reluctant to respond to our request. Also, most subcontractors are only on the project for a short duration of time and the window for interviewing them is difficult to manage. Based on past instances, nearly 100 percent of the discrepancies found in wage rates have been noted in the payroll review and not during the interview process. We feel that the time involved in the interview process is not justified by the results. However, we do understand that the interview process is required and we are exploring ways to make this more manageable. We have had discussions with the Federal Highway Administration concerning the interviews.

In addition, we are in the process of checking with other Departments of Transportation to evaluate their programs. Once that information is gathered and we have coordinated with FWHA, we will issue a revision to Circular Letter 1273-03.

Finding Number	01-ETSU-01
CFDA Number	84.007, 84.032, 84.038, 84.063
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	East Tennessee State University
Grant/Contract No.	Various
Finding Type	Reportable Condition, Special Tests and Provisions
Questioned Costs	None

The university did not identify unofficial withdrawals on a timely basis

Finding

The university did not identify Title IV financial aid recipients who unofficially withdrew during the spring 2001 and summer 2001 semesters until October of 2001. The 2000-2001 *Student Financial Aid Handbook*, volume 2, page 123, states:

> . . . to ensure that Title IV funds are returned within a reasonable period of time, a school must determine the withdrawal date (for a student who withdrew without providing notification) within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student's educational program.

The university changed its procedures for identifying unofficial withdrawals in the spring semester of 2001. This change and a resulting miscommunication between university employees led to the delay.

The failure to identify financial aid recipients who unofficially withdraw on a timely basis could result in funds not being returned to Title IV programs or lenders within the timeframe specified by federal regulations.

Recommendation

University personnel should ensure that financial aid recipients who unofficially withdraw are identified on a timely basis and that Title IV funds are returned as appropriate.

Management's Comment

We concur with the finding and recommendation. All unofficial withdrawals for Spring 2001 and Summer 2001 were identified and funds were returned to the federal government as required. This was done prior to the end of the audit. We have been assured by Academic Affairs that additional information was provided to faculty to ensure that reporting of grades for

students who quit attending is appropriate. Programs were written to evaluate the grades of all students who had financial aid to identify unofficial withdrawals. Using these new methods, unofficial withdrawals for Fall 2001 were identified and funds were returned within the required time period. These procedures will be used to ensure that the identification of all unofficial withdrawals and the return of funds are done on a timely basis in the future.

Finding Number	01-ETSU-02
CFDA Number	84.038
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	East Tennessee State University
Grant/Contract No.	Various
Finding Type	Reportable Condition, Special Tests and Provisions
Questioned Costs	None

The university did not follow proper acceleration procedures for Perkins Loans

Finding

The university did not follow proper acceleration procedures for Perkins Loans. According to the 2000-2001 *Student Financial Aid (SFA) Handbook*, volume 5, page 69,

> "…if the school plans to accelerate the loan, it must send the borrower a written acceleration notice at least 30 days in advance." The *SFA Handbook* defines loan acceleration as follows, "Acceleration means making payable immediately the entire outstanding balance, including interest and any applicable late charges or collection fees." Acceleration applies to students with loans that are in default.

For 13 of 25 borrowers in default who were tested, the university did not send the intent to accelerate notice at least 30 days in advance. The intent letters were dated from 8 to 28 days prior to the loan being accelerated. In addition, the loans of six of these students were accelerated before the date indicated on the intent letter.

According to university personnel, the software used to manage the Perkins Loans was not properly generating the intent to accelerate letters. Therefore, these letters were prepared later by university employees, and a full thirty day notice was not given.

Perkins Loan borrowers were not provided sufficient notice in accordance with federal regulations.

Recommendation

University personnel should ensure that Perkins Loan acceleration procedures are properly followed.

Management's Comment

We concur with the finding and recommendation. As noted in the finding, this issue was the result of software changes we received from our vendor. These issues have been resolved and acceleration letters are being produced on a timely basis.

Finding Number	01-ETSU-03
CFDA Number	84.007, 84.032, 84.033, 84.038, 84.063
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	East Tennessee State University
Grant/Contract No.	Various
Finding Type	Reportable Condition, Eligibility
Questioned Costs	$845

Financial aid recipient was overawarded

Finding

One student was overawarded a subsidized Stafford Loan during the 2000-2001 academic year. According to the *Student Financial Aid (SFA) Handbook*, volume 1, page 215, "A student must have financial need to receive all SFA funds except for unsubsidized loans under the Direct Loan and FFEL Programs." The *SFA Handbook* further states on page 215 that "financial need is simply defined as the difference between the student's cost of attendance and the family's ability to pay these costs, the EFC [Expected Family Contribution]."

Financial aid personnel failed to update the student's EFC on all student information system (SIS) screens after the EFC was adjusted during the verification process. This resulted in the $845 overaward.

Recommendation

Financial aid personnel should implement controls to ensure that all SIS screens are updated when changes are made as a result of the verification process.

Management's Comment

We concur with the finding and recommendation. When a student's expected family contribution (EFC) changes because of verification, there are six screens in SIS that must be updated with the new EFC. In response to the audit finding, the verification staff in the financial aid office has developed a "Recalculation Checklist" with a list of each screen that must be changed. The list is to be referred to when an EFC recalculation must be entered in SIS and should prevent any future screen omissions.

Finding Number	01-UTK-01
CFDA Number	84.007, 84.032, 84.038, 84.063
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	Various
Finding Type	Special Tests and Provisions
Questioned Costs	None

The university failed to promptly return Title IV funds

Finding

The University of Tennessee at Knoxville did not return unearned Title IV funds in a timely manner. The 2000-2001 *Student Financial Aid Handbook*, Volume 2, page 123, states "a school has 30 days from the date the institution determines that a student withdrew to return all unearned funds for which it is responsible." In 4 of 40 cases where a return of Title IV funds was tested, the unearned funds were not returned within the required time period. The funds were returned from six to one hundred seventy five days late.

The funds were returned late because of problems in implementing new Title IV refund regulations. An oversight led to the return of funds that was 175 days late.

Recommendation

The university should return unearned Title IV funds to the appropriate programs or lending institutions within the time frame required by federal regulations.

Management's Comment

The university concurs with the finding. The Knoxville bursar's office will change its methodology and process refunds by date to ensure federal regulations are met.

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, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		U.S. Department of Agriculture			
Direct Programs					
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research			$ 2,196,321.71
10.025	Agriculture	Plant and Animal Disease, Pest Control, and Animal Care		$ 259,661.91	
10.025	University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care		33,231.27	292,893.18
10.064	Agriculture	Forestry Incentives Program			2,297.00
10.153	Agriculture	Market News			18,000.00
10.163	Agriculture	Market Protection and Promotion			16,277.20
10.200	Tennessee State University	Grants for Agricultural Research, Special Research Grants		$ 5,558.99	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants		4,997.15	10,556.14
10.206	Tennessee State University	Grants for Agricultural Research_Competitive Research Grants		$ 25,058.95	
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants		1.58	25,060.53
10.216	Tennessee State University	1890 Institution Capacity Building Grants			115,278.55
10.217	University of Tennessee	Higher Education Challenge Grants			4,383.24
10.220	Tennessee State University	Higher Education Multicultural Scholars Program		$ 10,336.00	
10.220	University of Tennessee	Higher Education Multicultural Scholars Program		1,989.64	12,325.64
10.443	Tennessee State University	Small Farmer Outreach Training and Technical Assistance Program			127,253.88
10.500	Tennessee State University	Cooperative Extension Service		$ 2,086,481.97	
10.500	University of Tennessee	Cooperative Extension Service		8,408,503.01	10,494,984.98
10.550	Education	Food Donation (Noncash Award)			14,409.84
10.557	Health	Special Supplemental Nutrition Program for Women, Infants, and Children			89,891,161.42
10.558	Human Services	Child and Adult Care Food Program			33,828,273.88
10.560	Agriculture	State Administrative Expenses for Child Nutrition		$ 170,639.03	
10.560	Education	State Administrative Expenses for Child Nutrition		1,430,872.14	
10.560	Human Services	State Administrative Expenses for Child Nutrition		1,055,690.00	2,657,201.17
10.565	Health	Commodity Supplemental Food Program			1,131,457.27
10.565	Health	Commodity Supplemental Food Program (Noncash Award)			3,106,235.00
10.570	Commission on Aging	Nutrition Program for the Elderly (Commodities)			1,765,011.00
10.572	Health	WIC Farmers' Market Nutrition Program (FMNP)			3,865.74
10.574	Education	Team Nutrition Grants			141,248.49
10.652	Agriculture	Forestry Research			194,921.03
10.664	Agriculture	Cooperative Forestry Assistance		$ 1,852,110.00	
10.664	Tennessee Technological University	Cooperative Forestry Assistance		3,778.35	
10.664	University of Tennessee	Cooperative Forestry Assistance		26,055.99	1,881,944.34
10.766	Tennessee Technological University	Community Facilities Loans and Grants			9.28
10.769	University of Tennessee	Rural Business Enterprise Grants			5,085.10
10.773	Middle Tennessee State University	Rural Business Opportunity Grants			1,984.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
10.902	University of Tennessee	Soil and Water Conservation		4,974.84
10.950	Agriculture	Agricultural Statistics Reports		36,816.15
N/A	Tennessee State University	National Extension Leadership Development Program	OA-01-005	12,000.00
N/A	Tennessee State University	Programming Environment & Training Using Systems Engineering Prin.	RBS-0026	33,077.33
N/A	Tennessee State University	Promoting & Enhancing Entrepreneurship & Small Business Development	RBS-99-34	88,901.50
N/A	Tennessee State University	USDA/1890 National Scholars Program	16-12-5268	5,440.86
N/A	University of Tennessee	RURAL UTILITIES SV-REACH-GREER	R125310012	16,351.88
N/A	University of Tennessee	USDA FOREST SERV 23-9742RJVA	R112218042	4,404.70
N/A	University of Tennessee	USDA FS OOCR11330144189 SURVEY	R041076057	34,261.61
N/A	University of Tennessee	USDAG-ANEROBIC CHAMBER	R041011080	11,387.22
N/A	University of Tennessee	USDA-RURAL DEVELOP-BUONOCORE	R104025019	289,719.78
Subtotal Direct Programs				$ 148,475,775.48
Passed Through Mississippi State University				
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R125320021	$ 10,107.99
Passed Through Texas Agriculture Extension				
10.303	University of Tennessee	Integrated Programs	R124110023	10,443.99
Passed Through North Carolina State University				
10.500	University of Tennessee	Cooperative Extension Service	R122001043	5,565.50
Passed Through Alabama A&M University				
N/A	Tennessee State University	Southern Agbiotech Consortium for Underserved Communities	00-52100-9616	2,643.86
Passed Through Kentucky State University				
N/A	Tennessee State University	Safe Meat Production	43-3A94-0-8009	1,075.01
Subtotal Pass-Through Programs				$ 29,836.35
Total U.S. Department of Agriculture				$ 148,505,611.83
U.S. Department of Commerce				
Direct Programs				
11.550	University of Tennessee	Public Telecommunications Facilities_Planning and Construction		$ 23,826.30
11.552	University of Tennessee	Technology Opportunities		162,661.38
11.609	University of Tennessee	Measurement and Engineering Research and Standards		2,558,835.13
N/A	University of Tennessee	NTL INSTITUTE STANDARDS&TEC 96	R131030020	30,244.42
Total U.S. Department of Commerce				$ 2,775,567.23

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		U.S. Department of Defense			
Direct Programs					
12.002	University of Tennessee	Procurement Technical Assistance For Business Firms			$ 274,075.45
12.112	Finance and Administration	Payments to States in Lieu of Real Estate Taxes			373,512.99
12.113	Environment and Conservation	State Memorandum of Agreement Program for the Reimbursement of Technical Services			288,535.20
12.400	Military	Military Construction, National Guard			712,572.55
12.401	Military	National Guard Military Operations and Maintenance (O&M) Projects			14,849,541.76
N/A	Austin Peay State University	Intergovernmental Personnel Assignment for Malcolm Muir, Jr.	N/A		239.43
N/A	Dyersburg State Community College	Least Tern Study	DACW6600P0498	$ 7,632.57	
N/A	Dyersburg State Community College	Least Tern Study	DACW6698P0498	8,995.88	16,628.45
N/A	Education	Troops to Teachers Memorandum of Agreement	N/A		55,692.95
N/A	Tennessee State University	AFROTC	DET-790		45,115.10
N/A	University of Tennessee	ARMY MIPR-07 FAMILY EMPLY ASST	R125330008		128,078.54
N/A	University of Tennessee	ARMY MIPR-FMLY ASST COOR 2001	R125510003		231,536.30
N/A	University of Tennessee	ARMY-MIPR9BUTAHRB04 FINANCIAL	R125330002		281.37
N/A	University of Tennessee	IPA-AF/AEDC DAVIS	N029801009		179,746.73
N/A	University of Tennessee	IPA-AF/AFOSR HARWELL	N029801010		233,845.48
Subtotal Direct Programs					$ 17,389,402.30
Passed Through Academy of Applied Sciences					
12.431	University of Tennessee	Basic Scientific Research	R011845006	$ 286.37	
12.431	University of Tennessee	Basic Scientific Research	R011845008	12.70	$ 299.07
Passed Through GTE Foundation					
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011804052		20,826.61
Passed Through Logicon Information & Systems Services, Incorporated					
N/A	Tennessee State University	Programming Environment & Training Using Systems Engineering Prin.	DAHC94-96-C-0008		24,880.11
Passed Through San Diego State University Foundation					
N/A	University of Memphis	San Diego State University Foundation-Student Support Services Subcontract	522935/N6600196D004		6,549.87
N/A	University of Memphis	San Diego State University Foundation-Task Number 0317	51487D/P2839		8,971.05
N/A	University of Memphis	San Diego State University Foundation-Task Number 0318	51487E/P2105		13,891.58
N/A	University of Memphis	San Diego State University Foundation-Task Number 0319	51487D/P2841		3,804.67
N/A	University of Memphis	San Diego State University Foundation-Task Number 0334	51478E/P2842		6,317.86

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N/A	University of Memphis	San Diego State University Foundation-Task Number 0335	51487E/P2884		2,141.70
N/A	University of Memphis	San Diego State University Foundation-Task Number 0337	51478E/P2899		5,698.44
N/A	University of Memphis	San Diego State University Foundation-Task Number 0359	ADVANCE		2,531.10
N/A	University of Memphis	San Diego State University Foundation-Task Number 0367	N66001-96-D-0046		4,174.48
N/A	University of Memphis	San Diego State University Foundation-Task Number 0373	ADVANCE		2,725.80
Subtotal Pass-Through Programs					$ 102,812.34
Total U.S. Department of Defense					$ 17,492,214.64
		U.S. Department of Housing and Urban Development			
Direct Programs					
14.228	Economic and Community Development	Community Development Block Grants/State's Program		$ 29,626,661.19	
14.228	Military	Community Development Block Grants/State's Program		5,806.48	$ 29,632,467.67
14.231	Human Services	Emergency Shelter Grants Program			1,279,540.40
14.235	University of Tennessee	Supportive Housing Program			20,904.24
14.237	Tennessee State University	Historically Black Colleges and Universities Program			22,316.53
14.239	Tennessee Housing Development Agency	HOME Investment Partnerships Program			13,849,573.90
14.241	Health	Housing Opportunities for Persons with AIDS			530,830.32
14.400	Human Rights Commission	Equal Opportunity in Housing			296,160.00
14.511	East Tennessee State University	Community Outreach Partnership Center Program		$ 102,885.54	
14.511	University of Memphis	Community Outreach Partnership Center Program		16,269.93	
14.511	University of Tennessee	Community Outreach Partnership Center Program		38,356.65	157,512.12
14.512	University of Memphis	Community Development Work-Study Program		$ 3,481.00	
14.512	University of Tennessee	Community Development Work-Study Program		100,017.81	103,498.81
N/A	East Tennessee State University	Interest Subsidies	CH-TENN-132D	$ 49,526.00	
N/A	East Tennessee State University	Interest Subsidies	CH-TENN-144D	45,110.00	
N/A	Tennessee Technological University	Interest Subsidies	0-76104	34,586.00	129,222.00
N/A	University of Tennessee	SUTHERLAND VILLAGE APTS	K010006111		206,078.00
N/A	University of Tennessee	HUD-COMMUNITY OUTREACH CTR 00	R041078068		93,772.20
Subtotal Direct Programs					$ 46,321,876.19
Passed Through City of Knoxville					
14.244	Pellissippi State Technical Community College	Empowerment Zones Program	C-01-0032	$ 25,541.70	
14.244	Pellissippi State Technical Community College	Empowerment Zones Program	C-01-0061	57,045.28	
14.244	Pellissippi State Technical Community College	Empowerment Zones Program	C-01-0062	6,893.84	$ 89,480.82

State of Tennessee
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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Metropolitan Development and Housing Agency					
14.866	Tennessee State University	Demolition and Revitalization of Severely Distressed Public Housing	TN-43URD00SI199		14,827.54
Subtotal Pass-Through Programs					$ 104,308.36
Total U.S. Department of Housing and Urban Development					$ 46,426,184.55
U.S. Department of the Interior					
Direct Programs					
15.252	Environment and Conservation	Abandoned Mine Land Reclamation (AMLR) Program			$ 190,514.47
15.608	Environment and Conservation	Fish and Wildlife Management Assistance			14,186.38
15.615	Environment and Conservation	Cooperative Endangered Species Conservation Fund		$ 236,686.89	
15.615	Tennessee Wildlife Resources Agency	Cooperative Endangered Species Conservation Fund		233,477.50	470,164.39
15.616	Tennessee Wildlife Resources Agency	Clean Vessel Act			151,794.92
15.617	Tennessee Wildlife Resources Agency	Wildlife Conservation and Appreciation			43,771.85
15.808	Environment and Conservation	U.S. Geological Survey_Research and Data Acquisition			38,022.79
15.810	Environment and Conservation	National Cooperative Geologic Mapping Program			26,114.93
15.904	Environment and Conservation	Historic Preservation Fund Grants-In-Aid			625,455.58
15.914	Middle Tennessee State University	National Register of Historic Places			(1.98)
15.916	Middle Tennessee State University	Outdoor Recreation_Acquisition, Development and Planning			106,187.20
15.921	Environment and Conservation	Rivers, Trails and Conservation Assistance			283.66
N/A	Tennessee Wildlife Resources Agency	Propagation And Reintroduction Of Endangered Mussels	1448-40181-G-070		71,988.01
N/A	University of Tennessee	US GEO SUR-TN TEC WATRSHD-RV01	N019803007		606.19
N/A	University of Tennessee	FRESH-WATER MUSSEL HARVEST	R054017002		630.50
N/A	University of Tennessee	NTL FISH & WILD FDN FRESH WATER	R054017004		5,956.28
Total U.S. Department of the Interior					$ 1,745,675.17
U.S. Department of Justice					
Direct Programs					
16.007	Military	State Domestic Preparedness Equipment Support Program			$ 49,752.52
16.523	Children's Services	Juvenile Accountability Incentive Block Grants			8,077,225.94
16.540	Commission on Children and Youth	Juvenile Justice and Delinquency Prevention_Allocation to States			839,578.64
16.548	Commission on Children and Youth	Title V_Delinquency Prevention Program			178,855.20
16.549	Commission on Children and Youth	Part E_State Challenge Activities			132,642.36
16.550	Tennessee Bureau of Investigation	State Justice Statistics Program for Statistical Analysis Centers			2,885.36

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
16.554	Finance and Administration	National Criminal History Improvement Program (NCHIP)			275,871.13
16.575	Finance and Administration	Crime Victim Assistance			7,162,441.71
16.576	Treasury	Crime Victim Compensation			1,529,000.00
16.579	Correction	Byrne Formula Grant Program		$ 187,598.82	
16.579	Finance and Administration	Byrne Formula Grant Program		9,617,102.28	9,804,701.10
16.580	District Public Defenders Conference	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			2,194.84
16.588	Finance and Administration	Violence Against Women Formula Grants			2,857,859.38
16.589	Finance and Administration	Rural Domestic Violence and Child Victimization Enforcement Grant Program		$ 434,910.60	
16.589	University of Tennessee	Rural Domestic Violence and Child Victimization Enforcement Grant Program		40,964.23	475,874.83
16.592	Finance and Administration	Local Law Enforcement Block Grants Program			187,939.02
16.593	Finance and Administration	Residential Substance Abuse Treatment for State Prisoners			877,702.51
16.597	Safety	Motor Vehicle Theft Protection Act Program			21,222.27
16.598	Finance and Administration	State Identification Systems Grant Program			58,173.90
16.610	Tennessee Bureau of Investigation	Regional Information Sharing Systems			3,217,942.00
16.615	Tennessee State University	Public Safety Officers' Educational Assistance			93,128.85
16.710	East Tennessee State University	Public Safety Partnership and Community Policing Grants		$ 33,801.86	
16.710	Middle Tennessee State University	Public Safety Partnership and Community Policing Grants		62,830.61	
16.710	Safety	Public Safety Partnership and Community Policing Grants		114,462.43	
16.710	Walters State Community College	Public Safety Partnership and Community Policing Grants		20,119.15	231,214.05
16.727	Children's Services	Enforcing Underage Drinking Laws Program			374,910.18
16.729	University of Tennessee	Drug-Free Communities Support Program Grants			86,449.46
N/A	Southwest Tennessee Community College	Training for Prisoners-FCI Instruction Contract	J128C-165		14,406.91
N/A	Southwest Tennessee Community College	Training for Prisoners-Federal Prison Camp	J128C-190		21,885.05
N/A	Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	2000-86	$ 494,042.80	
N/A	Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	2001-92	193,599.23	687,642.03
N/A	University of Memphis	Police Training in Domestic Violence and Sexual Assault	N/A		3,500.00
N/A	University of Memphis	Training in Responding to Domestic Violence	N/A		3,019.52
N/A	University of Tennessee	US DEPT JUSTICE-LEIC2000-TAYLR	R131010036		601,185.54
N/A	University of Tennessee	US DEPT OF JUSTICE COPS	R047227001		45,857.06
N/A	University of Tennessee	US DEPT OF JUSTICE-JUMP START	R044060014		54,928.32
Subtotal Direct Programs					$ 37,969,989.68

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Rutherford County Government					
16.592	Middle Tennessee State University	Local Law Enforcement Block Grants Program	994901		$ 10,346.93
Passed Through American Association of Motor Vehicle Administration					
16.597	Safety	Motor Vehicle Theft Protection Act Program	NMVTIS-TN1		248,218.65
Passed Through City of Knoxville					
16.710	University of Tennessee	Public Safety Partnership and Community Policing Grants	R131010025	$ 133.83	
16.710	University of Tennessee	Public Safety Partnership and Community Policing Grants	R131010038	427,531.68	427,665.51
Passed Through La Vergne, TN Police Department					
N/A	District Attorneys General Conference	Domestic Violence	97WEVX0083		10,688.65
Passed Through State Justice Institute					
N/A	University of Memphis	Leadership Institute in Judicial Education-2000	SJI-91-N-021-C00-1	$ 68,957.48	
N/A	University of Memphis	Leadership Institute in Judicial Education-2001	SJI-91-N-021-000-1	109,777.39	178,734.87
Subtotal Pass-Through Programs					$ 875,654.61
Total U.S. Department of Justice					$ 38,845,644.29
U.S. Department of Labor					
Direct Programs					
17.002	Labor and Workforce Development	Labor Force Statistics			$ 949,495.64
17.005	Labor and Workforce Development	Compensation and Working Conditions			101,053.55
17.201	University of Tennessee	Registered Apprenticeship and Other Training			2.90
17.203	Labor and Workforce Development	Labor Certification for Alien Workers			227,836.11
17.225	Labor and Workforce Development	Unemployment Insurance			516,768,511.25
17.235	Commission on Aging	Senior Community Service Employment Program			1,747,320.00
17.245	Labor and Workforce Development	Trade Adjustment Assistance_Workers			20,388,954.74
17.253	Human Services	Welfare-to-Work Grants to States and Localities		$ 734,050.08	
17.253	Southwest Tennessee Community College	Welfare-to-Work Grants to States and Localities		1,203,651.90	1,937,701.98
17.255	Labor and Workforce Development	Workforce Investment Act			31,067,593.45
17.257	Labor and Workforce Development	One-Stop Career Center Initiative			3,709,379.11
17.261	Education	Employment and Training Administration Pilots, Demonstrations, and Research Projects			17,036.00
17.503	Labor and Workforce Development	Occupational Safety and Health_State Program			2,482,579.45
17.504	Labor and Workforce Development	Consultation Agreements			1,003,439.93

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
17.600	Labor and Workforce Development	Mine Health and Safety Grants			140,991.98
17.802	Labor and Workforce Development	Veterans' Employment Program			109,644.25
Subtotal Direct Programs					$ 580,651,540.34
Passed Through North Tennessee Private Industry Council					
17.253	Volunteer State Community College	Welfare-to-Work Grants to States and Localities	CO593		$ 11,247.23
Passed Through City of Memphis					
17.259	University of Memphis	WIA Youth Activities	N15157		82,127.93
Passed Through Southeast Tennessee Development District					
17.259	Chattanooga State Technical Community College	WIA Youth Activities	01-05-999-027-Youth		5,599.73
Passed Through Workforce Essentials					
17.263	Volunteer State Community College	Youth Opportunity Grants	C1357		120.00
Subtotal Pass-Through Programs					$ 99,094.89
Total U.S. Department of Labor					$ 580,750,635.23
U.S. Department of State					
Direct Programs					
19.404	Tennessee State University	Professional Development_International Educators/Administrators			$ 2,000.00
19.406	Tennessee State University	College and University Affiliations Program			3,621.00
Subtotal Direct Programs					$ 5,621.00
Passed Through United Negro College Fund					
N/A	Tennessee State University	Linkage Grant-Human Resources and Curriculum Development	TELP-031104		91,018.93
Subtotal Pass-Through Programs					$ 91,018.93
Total U.S. Department of State					$ 96,639.93
U.S. Department of Transportation					
Direct Programs					
20.001	Tennessee Wildlife Resources Agency	Boating Safety			$ 1,062,843.00
20.106	Transportation	Airport Improvement Program			2,596,020.47
20.215	Tennessee State University	Highway Training and Education			34,492.72
20.218	Revenue	National Motor Carrier Safety		$ 9,703.90	
20.218	Safety	National Motor Carrier Safety		2,261,931.15	2,271,635.05
20.219	Environment and Conservation	Recreational Trails Program			206,991.37
20.505	Transportation	Federal Transit_Metropolitan Planning Grants			558,734.65

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
20.509	Transportation	Formula Grants for Other Than Urbanized Areas		7,965,407.86
20.516	Transportation	Job Access_Reverse Commute		1,264,499.50
20.700	Tennessee Regulatory Authority	Pipeline Safety		348,982.10
20.703	Military	Interagency Hazardous Materials Public Sector Training and Planning Grants		174,377.66
N/A	University of Tennessee	FHA-DTFH61-98-T-56003-TRNG PRG	R012515048	115,237.47
N/A	University of Tennessee	FHA-DTFH61-98-T-56004-ZACHARIA	R012515055	6,958.41
N/A	University of Tennessee	FHA-DTFH61-99-T-56006-WRK ZONE	R012515080	22,542.76
N/A	University of Tennessee	FHA-DTFH61-99-T-56009-NHI	R012515081	23,183.17
N/A	University of Tennessee	FHA-DTFH61-99-T-56013 ITS	R012515088	27.09
N/A	University of Tennessee	FHA-DTFH61-99-T-56014 ITS	R012516003	31,258.63
Total U.S. Department of Transportation				$ 16,683,191.91
		Appalachian Regional Commission		
Direct Programs				
23.001	University of Tennessee	Appalachian Regional Development (See individual Appalachian Programs)		$ 45,586.78
23.002	Economic and Community Development	Appalachian Area Development		429,734.08
23.011	Economic and Community Development	Appalachian State Research, Technical Assistance, and Demonstration Projects		182,464.75
Subtotal Direct Programs				$ 657,785.61
Passed Through Mississippi State University				
N/A	Tennessee State University	Regional Conference on Entrepreneurial Education and Training	C013027B3	$ 1,473.75
Subtotal Pass-Through Programs				$ 1,473.75
Total Appalachian Regional Commission				$ 659,259.36
		Equal Employment Opportunity Commission		
Direct Programs				
30.001	Human Rights Commission	Employment Discrimination _Title VII of the Civil Rights Act of 1964		$ 320,250.00
Total Equal Employment Opportunity Commission				$ 320,250.00
		General Services Administration		
Direct Programs				
39.003	General Services	Donation of Federal Surplus Personal Property (Noncash Award)		$ 5,067,936.04
Total General Services Administration				$ 5,067,936.04

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		National Aeronautics and Space Administration			
Direct Programs					
43.001	Middle Tennessee State University	Aerospace Education Services Program		$ 1,161.96	
43.001	Tennessee Technological University	Aerospace Education Services Program		10,240.53	$ 11,402.49
43.002	Tennessee State University	Technology Transfer			48,924.49
N/A	University of Tennessee	IPA-NASA-ASKEW	N029801008		107,860.13
N/A	University of Tennessee	NASA NGT5-50206 SAYLER	R012580041		23,297.30
N/A	University of Tennessee	NASA PRESR TCHR ENHAN BENSON00	R041511003		68,813.21
Subtotal Direct Programs					$ 260,297.62
Passed Through University of Alabama					
43.001	Middle Tennessee State University	Aerospace Education Services Program	00-075	$ 488.39	
43.001	University of Tennessee	Aerospace Education Services Program	R041510098	16,130.92	$ 16,619.31
Passed Through Vanderbilt University					
43.002	Tennessee State University	Technology Transfer	NGT5-40054	$ 52,007.61	
43.002	Tennessee State University	Technology Transfer	NGT5-40074	19,334.92	71,342.53
Subtotal Pass-Through Programs					$ 87,961.84
Total National Aeronautics and Space Administration					$ 348,259.46
		National Foundation of Arts and the Humanities			
Direct Programs					
45.025	Arts Commission	Promotion of the Arts_Partnership Agreements			$ 513,700.00
45.026	Arts Commission	Promotion of the Arts_Leadership Initiatives			42,200.00
45.149	University of Tennessee	Promotion of the Humanities_Division of Preservation and Access			123,600.56
45.161	University of Tennessee	Promotion of the Humanities_Research			1,632.45
45.310	State	State Library Program			2,975,018.62
N/A	Tennessee Technological University	Rural Education Research & Service Consortium: Department of Music & Art	99-6200-3069		4,564.21
Total National Foundation of Arts and the Humanities					$ 3,660,715.84
		National Science Foundation			
Direct Programs					
47.049	Tennessee State University	Mathematical and Physical Sciences		$ 735,353.83	
47.049	University of Tennessee	Mathematical and Physical Sciences		10,300.00	$ 745,653.83
47.074	University of Tennessee	Biological Sciences			68,464.12
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences			(16,566.39)

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
47.076	Austin Peay State University	Education and Human Resources		$ 2,742.18	
47.076	East Tennessee State University	Education and Human Resources		10,184.00	
47.076	Jackson State Community College	Education and Human Resources		72,928.20	
47.076	Middle Tennessee State University	Education and Human Resources		199,347.97	
47.076	Nashville State Technical Institute	Education and Human Resources		427,422.68	
47.076	Pellissippi State Technical Community College	Education and Human Resources		53,162.08	
47.076	Tennessee Technological University	Education and Human Resources		78,644.60	
47.076	University of Tennessee	Education and Human Resources		249,074.08	1,093,505.79
47.078	University of Tennessee	Polar Programs			140,353.84
N/A	University of Tennessee	NSF LPA-0001391 GARRITANO	R170130008		98,865.58
Subtotal Direct Programs					$ 2,130,276.77
Passed Through LeMoyne-Owen College					
47.049	University of Memphis	Mathematical and Physical Sciences	HRD-9553315		$ 65,197.96
Passed Through Kentucky Science and Technology					
47.076	University of Tennessee	Education and Human Resources	R011804049	$ 98.64	
47.076	University of Tennessee	Education and Human Resources	R011804057	(6,461.40)	
47.076	University of Tennessee	Education and Human Resources	R011804064	103,426.90	97,064.14
Passed Through Lima Technical College					
47.076	Chattanooga State Technical Community College	Education and Human Resources	N/A		6,240.00
Passed Through Metropolitan Government Nashville and Davidson County					
47.076	Tennessee State University	Education and Human Resources	2-5001567-04		35.69
Passed Through San Diego State University					
47.076	Middle Tennessee State University	Education and Human Resources	5226858512		9,987.82
Subtotal Pass-Through Programs					$ 178,525.61
Total National Science Foundation					$ 2,308,802.38
Small Business Administration					
Direct Programs					
59.005	East Tennessee State University	Business Development Assistance to Small Business			$ 1,373.84
59.037	Tennessee Board of Regents	Small Business Development Center		$ 1,801,680.38	
59.037	University of Memphis	Small Business Development Center		227,176.17	2,028,856.55
Total Small Business Administration					$ 2,030,230.39
Tennessee Valley Authority					
Direct Programs					
62.004	Pellissippi State Technical Community College	Tennessee Valley Region--Community Development		$ 15,213.52	
62.004	Tennessee State University	Tennessee Valley Region--Community Development		229.91	$ 15,443.43
N/A	Environment and Conservation	TVA Ocoee Trust Fund	TV-63501A		148,651.67
N/A	Tennessee State University	Nashville Business Incubation	TV-64012A		1,028.69

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
N/A	Tennessee State University	Weekend Academy	99BB4-250691	41,365.84
N/A	Tennessee Technological University	Gift Investment Challenge	5-32038	489.92
N/A	Tennessee Technological University	Marketing CD-ROM for TVA Incubator Network	98BKY-234427	10,326.98
N/A	University of Tennessee	TVA REL# 1387498 BELL	R012540075	3,735.00
N/A	University of Tennessee	TVA REL# 1410554 CADOTTE	R011403013	23,600.93
N/A	University of Tennessee	TVA REL# 1411973 CHAPMAN	R011006010	998.64
N/A	University of Tennessee	TVA STUDENT PRG ENGINEERING 00	R041302019	77,887.62
N/A	University of Tennessee	TVA SUSTAINABLE LNDSCPE-ROGERS	R011145064	52,740.20
N/A	University of Tennessee	TVA TV77105A SUPP#12 BUNTING97	R011083070	45,714.08
N/A	University of Tennessee	TVA TV-96BKX-185335 DISTANCE97	R045710091	50,834.00
N/A	University of Tennessee	TVA-SAMAB	R012540065	272,109.89
N/A	University of Tennessee	TVA-WATERSHED IMPRV-GANGAWARE	R012550086	25,172.11
Total Tennessee Valley Authority				$ 770,099.00
		U.S. Department of Veterans' Affairs		
Direct Programs				
64.015	Tennessee State Veterans' Homes Board	Veterans State Nursing Home Care		$ 3,766,884.70
64.022	East Tennessee State University	Veterans Home Based Primary Care		954,809.94
64.101	Veterans Affairs	Burial Expenses Allowance for Veterans		179,100.00
64.124	Tennessee Higher Education Commission	All-Volunteer Force Educational Assistance		189,375.49
N/A	Tennessee State University	Localization of Ventricular Arrhythmogenic Foci	626/151	805.14
N/A	University of Tennessee	US VETERANS AFFAIRS-MCCULLOUGH	R011009001	5,899.13
Total U.S. Department of Veterans' Affairs				$ 5,096,874.40
		Environmental Protection Agency		
Direct Programs				
66.001	Environment and Conservation	Air Pollution Control Program Support		$ 1,132,163.23
66.032	Environment and Conservation	State Indoor Radon Grants		70,096.21
66.419	Environment and Conservation	Water Pollution Control_State and Interstate Program Support		1,933,281.65
66.432	Environment and Conservation	State Public Water System Supervision		819,998.66
66.454	Environment and Conservation	Water Quality Management Planning		480,175.90
66.458	Environment and Conservation	Capitalization Grants for State Revolving Funds		10,011,990.09
66.460	Agriculture	Nonpoint Source Implementation Grants		2,091,587.19
66.461	Environment and Conservation	Wetlands Grants		18,535.04
66.463	Environment and Conservation	Water Quality Cooperative Agreements		112,905.06
66.468	Environment and Conservation	Capitalization Grants for Drinking Water State Revolving Fund		5,625,976.75
66.600	University of Tennessee	Environmental Protection Consolidated Grants_Program Support		67,403.00

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
66.605	Agriculture	Performance Partnership Grants			611,221.44
66.606	Agriculture	Surveys, Studies, Investigations and Special Purpose Grants		$ 4,518.22	
66.606	Economic and Community Development	Surveys, Studies, Investigations and Special Purpose Grants		10,043.29	
66.606	Environment and Conservation	Surveys, Studies, Investigations and Special Purpose Grants		150,079.60	164,641.11
66.607	University of Tennessee	Training and Fellowships for the Environmental Protection Agency			144,219.37
66.707	Environment and Conservation	TSCA Title IV State Lead Grants_Certification of Lead- Based Paint Professionals			307,347.52
66.708	Environment and Conservation	Pollution Prevention Grants Program			80,601.38
66.711	University of Tennessee	Environmental Justice through Pollution Prevention Grants			7,334.41
66.713	Environment and Conservation	State and Tribal Environmental Justice			33,637.54
66.801	Environment and Conservation	Hazardous Waste Management State Program Support			2,017,156.58
66.802	Environment and Conservation	Superfund State Site_Specific Cooperative Agreements			454,758.93
66.804	Environment and Conservation	State and Tribal Underground Storage Tanks Program			254,202.97
66.805	Environment and Conservation	Leaking Underground Storage Tank Trust Fund Program			1,461,544.89
66.808	Environment and Conservation	Solid Waste Management Assistance			11,365.27
66.809	Environment and Conservation	Superfund State Core Program Cooperative Agreements			653,749.91
N/A	University of Tennessee	EPA SUSTAINABLE DEVELOP GRANT	R131030055		12,591.17
Subtotal Direct Programs					$ 28,578,485.27
Passed Through Project Learning Tree					
66.950	Middle Tennessee State University	Environmental Education and Training Program	00-0325		$ 3,600.95
Subtotal Pass-Through Programs					$ 3,600.95
Total Environmental Protection Agency					$ 28,582,086.22
		U.S. Department of Energy			
Direct Programs					
81.041	Economic and Community Development	State Energy Program			$ 872,200.79
81.042	Human Services	Weatherization Assistance for Low-Income Persons			2,409,769.68
81.049	University of Tennessee	Office of Science Financial Assistance Program			51,616.05
81.086	University of Tennessee	Conservation Research and Development			106,799.16
81.092	Environment and Conservation	Environmental Restoration			1,869,549.34
81.502	Environment and Conservation	Miscellaneous Federal Activities Actions		$ 1,685,982.14	
81.502	Military	Miscellaneous Federal Activities Actions		899,488.56	
81.502	Pellissippi State Technical Community College	Miscellaneous Federal Activities Actions		22,432.11	
81.502	Roane State Community College	Miscellaneous Federal Activities Actions		18,045.37	2,625,948.18

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
N/A	Economic and Community Development	Petroleum Violation Escrow-Exxon	N/A	187,121.14
N/A	Economic and Community Development	Petroleum Violation Escrow-Stripper	N/A	987,692.68
N/A	Tennessee State University	Department of Energy Chair of Excellence Professorship	DE-FG02-94EW11428	81,765.33
N/A	Tennessee Wildlife Resources Agency	Oak Ridge Wildlife Management Area	3-97-0702	51,733.37
N/A	University of Tennessee	DOE-ORNL TRANSITION-RIEDINGER	R011060011	5,831.75
N/A	University of Tennessee	TN REG SCI&MATH SUMMIT IV-FED	R011804075	85.65
Subtotal Direct Programs				$ 9,250,113.12
Passed Through American Chemical Society				
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011024030	$ 23,889.05
Passed Through National Renewable Energy Laboratory				
81.087	Tennessee State University	Renewable Energy Research and Development	DEAC36-83CH1009302	35,416.17
Passed Through Battelle Limited Liability Company				
N/A	University of Tennessee	UT-BATTELLE	B0199BTTL	11,959,864.32
Passed Through Lawrence Livermore National Laboratory				
N/A	University of Tennessee	JIEE-EC2 SECRETARIAT-FED LABS	R012540019	28,687.78
Passed Through Lockheed Martin Energy Systems, Incorporated				
N/A	University of Tennessee	LOCKHEED MARTIN	B0199LCMA	1,336,514.32
Passed Through Oak Ridge Institute for Science and Education				
N/A	Tennessee State University	HBCU Nuclear Energy Training	MI-NET01	9,856.33
Subtotal Pass-Through Programs				$ 13,394,227.97
Total U.S. Department of Energy				$ 22,644,341.09
Federal Emergency Management Agency				
Direct Programs				
83.105	Economic and Community Development	Community Assistance Program_State Support Services Element (CAP-SSSE)		$ 57,532.36
83.536	Military	Flood Mitigation Assistance		186,407.87
83.544	Military	Public Assistance Grants		19,009,036.02
83.548	Military	Hazard Mitigation Grant		850,052.22
83.551	Military	Project Impact_Building Disaster Resistant Communities		17,395.47
83.552	Military	Emergency Management Performance Grants		2,406,948.45

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N/A	University of Memphis	Companion Websites for Degrees at a Distance Program	EME-2000-CA-0319		10,233.00
Total Federal Emergency Management Agency					$ 22,537,605.39
		U.S. Department of Education			
Direct Programs					
84.002	Labor and Workforce Development	Adult Education_State Grant Program			$ 12,276,144.06
84.010	Education	Title I Grants to Local Educational Agencies			134,197,279.98
84.011	Education	Migrant Education_Basic State Grant Program			487,166.16
84.013	Education	Title I Program for Neglected and Delinquent Children			532,436.77
84.024	East Tennessee State University	Handicapped Early Childhood Assistance			123,237.89
84.025	Education	Handicapped Innovative Programs--Deaf-Blind Centers			13,758.10
84.029	Education	Handicapped Personnel Preparation			106,061.93
84.031	Columbia State Community College	Higher Education_Institutional Aid		$ 17,495.88	
84.031	Northeast State Technical Community College	Higher Education_Institutional Aid		5,685.81	
84.031	Tennessee State University	Higher Education_Institutional Aid		3,272,804.87	3,295,986.56
84.032	Tennessee Student Assistance Corporation	Federal Family Education Loans (FEEL) - (Guaranty Agencies)			51,837,302.94
84.048	Education	Vocational Education_Basic Grants to States			20,496,161.81
84.069	Tennessee Student Assistance Corporation	Leveraging Educational Assistance Partnership			684,766.00
84.116	East Tennessee State University	Fund for the Improvement of Postsecondary Education		$ 100,565.17	
84.116	Roane State Community College	Fund for the Improvement of Postsecondary Education		31,150.37	
84.116	University of Tennessee	Fund for the Improvement of Postsecondary Education		41,625.54	173,341.08
84.126	Human Services	Rehabilitation Services_Vocational Rehabilitation Grants to States			64,595,884.24
84.129	University of Memphis	Rehabilitation Long-Term Training		$ 124,074.14	
84.129	University of Tennessee	Rehabilitation Long-Term Training		169,379.65	293,453.79
84.141	University of Tennessee	Migrant Education_High School Equivalency Program			403,921.30
84.153	Tennessee State University	Business and International Education Projects			7,701.04
84.154	State	Library Services and Construction Act --Construction			19,759.00
84.158	Education	Secondary Education and Transitional Services for Handicapped Youth			342,535.35
84.160	University of Tennessee	Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind			112,545.17
84.162	Education	Immigrant Education			728,397.26
84.169	Human Services	Independent Living_State Grants			406,579.51
84.177	Human Services	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind			247,976.85
84.181	Education	Special Education_Grants for Infants and Families with Disabilities			5,267,708.90
84.184	University of Tennessee	Safe and Drug-Free Schools and Communities_National Programs			382,451.66
84.185	Education	Byrd Honors Scholarships			744,000.00

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.186	Education	Safe and Drug-Free Schools and Communities_State Grants			7,694,984.73
84.187	Human Services	Supported Employment Services for Individuals with Severe Disabilities			758,559.50
84.194	Education	Bilingual Education Support Services			105,165.05
84.196	Education	Education for Homeless Children and Youth			414,104.93
84.200	Middle Tennessee State University	Graduate Assistance in Areas of National Need			116,468.16
84.213	Education	Even Start_State Educational Agencies			1,905,542.50
84.215	Education	Fund for the Improvement of Education			61,056.88
84.216	Education	Capital Expenses			38,092.13
84.224	Mental Health and Developmental Disabilities	Assistive Technology			305,186.92
84.243	Education	Tech-Prep Education			2,214,577.25
84.257	University of Tennessee	National Institute for Literacy			275,921.48
84.264	University of Tennessee	Rehabilitation Training_Continuing Education			376,806.44
84.265	Human Services	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training			94,731.00
84.276	Education	Goals 2000_State and Local Education Systemic Improvement Grants			9,818,627.76
84.281	Education	Eisenhower Professional Development State Grants		$ 4,757,528.85	
84.281	Walters State Community College	Eisenhower Professional Development State Grants		18,631.11	4,776,159.96
84.298	Education	Innovative Education Program Strategies			6,553,864.27
84.314	Education	Even Start_Statewide Family Literacy Program			106,531.81
84.318	Education	Technology Literacy Challenge Fund Grants			5,331,578.00
84.325	Tennessee State University	Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities		$ 319,934.80	
84.325	University of Tennessee	Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities		381,775.71	701,710.51
84.326	Education	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities			270,663.63
84.330	Education	Advanced Placement Incentive Program			58,386.99
84.332	Education	Comprehensive School Reform Demonstration			2,731,917.98
84.334	Dyersburg State Community College	Gaining Early Awareness and Readiness for Undergraduate Programs		$ 355,392.37	
84.334	Southwest Tennessee Community College	Gaining Early Awareness and Readiness for Undergraduate Programs		55,777.01	
84.334	University of Tennessee	Gaining Early Awareness and Readiness for Undergraduate Programs		402,210.72	813,380.10

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.335	East Tennessee State University	Child Care Access Means Parents in School		$ 50,227.46	
84.335	University of Tennessee	Child Care Access Means Parents in School		84,109.95	134,337.41
84.336	Education	Teacher Quality Enhancement Grants		$ 232,616.65	
84.336	University of Tennessee	Teacher Quality Enhancement Grants		786,840.34	1,019,456.99
84.340	Education	Class Size Reduction			22,001,010.48
84.342	Tennessee Technological University	Preparing Tomorrow's Teachers to Use Technology		$ 314,263.36	
84.342	University of Tennessee	Preparing Tomorrow's Teachers to Use Technology		42,760.67	357,024.03
84.346	Education	Occupational and Employment Information State Grants			115,225.75
N/A	Education	School-to-Work Opportunities Act of 1994	V278E970003		6,829,613.55
N/A	Roane State Community College	Teacher Educators	331.450-033	$ 5.45	
N/A	Roane State Community College	Teacher Educators	ED-01-00315-00	2,902.52	2,907.97
N/A	Roane State Community College	Veterans Administration Reporting Fees	N/A		1,131.00
N/A	University of Tennessee	DEG H029G70041 PROJ PREPARE 98	R011860013		141,861.11
N/A	University of Tennessee	DEG H029A70028 INTRNSHP-WARDEN	R011880028		21,560.00
N/A	University of Tennessee	DEG H078A60007 POST&SEC WOODRK	R011880035		1,035,922.95
Subtotal Direct Programs					$ 374,960,626.57
Passed Through Kankee Community College					
84.116	Tennessee State University	Fund for the Improvement of Postsecondary Education	N/A		$ 117.97
Passed Through Council of Chief State School Officers					
84.215	Education	Fund for the Improvement of Education	R215U960011-99	$ 668.05	
84.215	Education	Fund for the Improvement of Education	R215U960011-00	27,393.47	28,061.52
Passed Through Clarksville-Montgomery County School System					
84.276	Austin Peay State University	Goals 2000_State and Local Education Systemic Improvement Grants	N/A		845.12
Passed Through Vanderbilt University					
84.325	Tennessee State University	Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities	H325A000097		9,049.90
84.334	Middle Tennessee State University	Gaining Early Awareness and Readiness for Undergraduate Programs	15564-S2		7,703.44
84.342	Middle Tennessee State University	Preparing Tomorrow's Teachers to Use Technology	P342A990348		46,837.34
Passed Through Memphis City Schools					
84.334	University of Memphis	Gaining Early Awareness and Readiness for Undergraduate Programs	N/A		129,272.18

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through University of Western Kentucky					
84.336	Middle Tennessee State University	Teacher Quality Enhancement Grants	01-0654	$ 13,033.88	
84.336	Middle Tennessee State University	Teacher Quality Enhancement Grants	WKU523362000	37,308.61	50,342.49
Subtotal Pass-Through Programs					$ 272,229.96
Total U.S. Department of Education					$ 375,232,856.53
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			$ 88,765.45
93.041	Commission on Aging	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation			144,046.00
93.042	Commission on Aging	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals			179,624.00
93.043	Commission on Aging	Special Programs for the Aging_Title III, Part F_Disease Prevention and Health Promotion Services			438,744.00
93.048	Commission on Aging	Special Programs for the Aging_Title IV_Training, Research and Discretionary Projects and Programs			34,389.00
93.052	Commission on Aging	Nation Family Caregiver Support Program			734,518.00
93.104	Mental Health and Developmental Disabilities	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)			965,640.00
93.110	Health	Maternal and Child Health Federal Consolidated Programs		$ 427,681.72	
93.110	Mental Health and Developmental Disabilities	Maternal and Child Health Federal Consolidated Programs		25,141.08	
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs		49,599.35	502,422.15
93.116	Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs			1,882,513.66
93.121	University of Tennessee	Oral Diseases and Disorders Research			60,599.14
93.124	University of Tennessee	Nurse Anesthetist Traineeships			31,444.00
93.127	Health	Emergency Medical Services for Children			123,009.57
93.130	Health	Primary Care Services_Resource Coordination and Development_Primary Care Offices			61,924.19
93.150	Mental Health and Developmental Disabilities	Projects for Assistance in Transition from Homelessness (PATH)			346,409.00
93.178	East Tennessee State University	Nursing Workforce Diversity			238,347.03
93.211	University of Tennessee	Rural Telemedicine Grants			24,206.62
93.217	Health	Family Planning_Services			5,355,595.44
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes			210,209.12

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.230	Mental Health and Developmental Disabilities	Consolidated Knowledge Development and Application (KD&A) Program		$ 884,257.49	
93.230	University of Tennessee	Consolidated Knowledge Development and Application (KD&A) Program		343,983.29	1,228,240.78
93.234	Health	Traumatic Brain Injury_State Demonstration Grant Program			105,071.28
93.235	Health	Abstinence Education			692,437.87
93.238	Health	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement			196,514.74
93.241	Health	State Rural Hospital Flexibility Program			530,295.46
93.268	Health	Immunization Grants		$ 2,968,625.91	
93.268	Health	Immunization Grants (Noncash Award)		17,322,790.64	20,291,416.55
93.279	University of Tennessee	Drug Abuse Research Programs			10,708.85
93.282	University of Tennessee	Mental Health National Research Service Awards for Research Training			20,314.01
93.283	Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance			3,085,671.26
93.358	Tennessee State University	Advanced Education Nursing Traineeships		$ 19,190.00	
93.358	University of Tennessee	Advanced Education Nursing Traineeships		160,109.72	179,299.72
93.359	East Tennessee State University	Basic Nurse Education and Practice Grants			232,899.36
93.551	University of Tennessee	Abandoned Infants			167,713.39
93.556	Children's Services	Promoting Safe and Stable Families			5,979,155.87
93.558	Human Services	Temporary Assistance for Needy Families			182,377,379.56
93.563	Human Services	Child Support Enforcement			30,133,797.02
93.566	Human Services	Refugee and Entrant Assistance_State Administered Programs			1,370,273.93
93.568	Human Services	Low-Income Home Energy Assistance			26,490,528.79
93.569	Human Services	Community Services Block Grant			10,361,301.51
93.571	Human Services	Community Services Block Grant Discretionary Awards_Community Food and Nutrition			63,381.38
93.576	Human Services	Refugee and Entrant Assistance_Discretionary Grants			159,854.30
93.584	Human Services	Refugee and Entrant Assistance_Targeted Assistance			157,146.36
93.585	Human Services	Empowerment Zones Program			1,024,037.51
93.586	Court System	State Court Improvement Program			122,045.31
93.590	Children's Services	Community-Based Family Resource and Support Grants			720,757.98
93.597	Human Services	Grants to States for Access and Visitation Programs			164,356.71
93.600	Education	Head Start		$ 82,303.28	
93.600	Tennessee State University	Head Start		1,372,102.71	1,454,405.99
93.603	Children's Services	Adoption Incentive Payments			160,170.00
93.630	Mental Health and Developmental Disabilities	Developmental Disabilities Basic Support and Advocacy Grants			1,273,705.81
93.631	Mental Health and Developmental Disabilities	Developmental Disabilities Projects of National Significance			44,973.00
93.632	University of Tennessee	Developmental Disabilities University Affiliated Programs			120,595.28
93.643	Children's Services	Children's Justice Grants to States			239,196.27
93.645	Children's Services	Child Welfare Services_State Grants			5,933,433.41

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.647	Human Services	Social Services Research and Demonstration			82,929.68
93.648	University of Tennessee	Child Welfare Services Training Grants			934,380.10
93.652	Children's Services	Adoption Opportunities			134,503.35
93.656	Mental Health and Developmental Disabilities	Temporary Child Care and Crisis Nurseries			36,367.00
93.658	Children's Services	Foster Care_Title IV-E			28,471,366.94
93.659	Children's Services	Adoption Assistance			8,963,360.77
93.667	Human Services	Social Services Block Grant			36,985,981.26
93.669	Children's Services	Child Abuse and Neglect State Grants			424,738.69
93.671	Finance and Administration	Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes			1,260,772.64
93.674	Children's Services	Independent Living			1,101,998.21
93.779	Commission on Aging	Health Care Financing Research, Demonstrations and Evaluations			280,535.00
93.822	East Tennessee State University	Health Careers Opportunity Program		$ 116,899.92	
93.822	Tennessee State University	Health Careers Opportunity Program		78,037.98	
93.822	University of Tennessee	Health Careers Opportunity Program		239,326.87	434,264.77
93.837	University of Tennessee	Heart and Vascular Diseases Research			275,647.03
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research			105,551.90
93.856	University of Tennessee	Microbiology and Infectious Diseases Research			125,090.12
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training			69,416.49
93.867	University of Tennessee	Vision Research			32,385.26
93.879	East Tennessee State University	Medical Library Assistance			24,551.54
93.880	Tennessee State University	Minority Access to Research Careers			356,290.27
93.884	East Tennessee State University	Grants for Residency Training in General Internal Medicine and/or General Pediatrics			353,459.68
93.895	East Tennessee State University	Grants for Faculty Development in Family Medicine			99,636.02
93.896	East Tennessee State University	Predoctoral Training in Primary Care (Family Medicine, General Internal Medicine/General Pediatrics)		$ 118,380.75	
93.896	University of Tennessee	Predoctoral Training in Primary Care (Family Medicine, General Internal Medicine/General Pediatrics)		569.42	118,950.17
93.913	Health	Grants to States for Operation of Offices of Rural Health			(61,601.14)
93.917	Health	HIV Care Formula Grants			5,932,021.68
93.919	Health	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs			470,508.94
93.938	Education	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems			265,940.28
93.940	Health	HIV Prevention Activities_Health Department Based			3,593,286.99
93.944	Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			709,605.19
93.945	Health	Assistance Programs for Chronic Disease Prevention and Control			42,904.80
93.958	Mental Health and Developmental Disabilities	Block Grants for Community Mental Health Services			6,110,820.57

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.959	Health	Block Grants for Prevention and Treatment of Substance Abuse			25,775,360.26
93.977	Health	Preventive Health Services_Sexually Transmitted Diseases Control Grants			1,940,882.19
93.984	East Tennessee State University	Academic Administrative Units in Primary Care		$ 161,170.41	
93.984	University of Tennessee	Academic Administrative Units in Primary Care		95,862.09	257,032.50
93.988	Health	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems			152,024.68
93.991	Health	Preventive Health and Health Services Block Grant			2,577,298.55
93.994	Health	Maternal and Child Health Services Block Grant to the States			8,541,098.47
N/A	Agriculture	Food Sanitation Inspection	223-00-4105		40,634.00
N/A	Agriculture	Tobacco Investigations	223-98-4845		83,005.98
N/A	Tennessee State University	Grants Writing Workshop for Historically Black Colleges and Universities	HCFA-00-0205	$ 25,000.00	
N/A	Tennessee State University	Grants Writing Workshop for Historically Black Colleges and Universities	HCFA-01-0245	74.80	25,074.80
N/A	University of Tennessee	DHHS SDS5607839-00 WERTEN	R044050051		34,763.28
Subtotal Direct Programs					$ 443,676,324.54
Passed Through University of North Carolina					
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	R011216028		$ 143,048.27
Passed Through Vanderbilt University					
93.110	Tennessee State University	Maternal and Child Health Federal Consolidated Programs	5T773MC00050-02	$ 30,745.00	
93.110	Tennessee State University	Maternal and Child Health Federal Consolidated Programs	5T83MC00008-47	31,491.34	
93.110	Tennessee State University	Maternal and Child Health Federal Consolidated Programs	2T83MC008-43	(705.24)	61,531.10
Passed Through Meharry Medical College					
93.145	Middle Tennessee State University	AIDS Education and Training Centers	00-061		20,851.87
Passed Through Signal Centers, Incorporated					
93.558	Chattanooga State Technical Community College	Temporary Assistance for Needy Families	N/A		15.21
Passed Through National Collegiate Athletic Association					
93.570	Tennessee State University	Community Services Block Grant_Discretionary Awards	00-759	$ 38,815.07	
93.570	Tennessee State University	Community Services Block Grant_Discretionary Awards	93-150	1,811.62	
93.570	University of Memphis	Community Services Block Grant_Discretionary Awards	NCAA 00-1247	41,113.29	
93.570	Tennessee State University	Community Services Block Grant_Discretionary Awards	N/A	64,533.25	146,273.23
N/A	Tennessee State University	National Youth Sports Program	00-691		5,444.61

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through National Youth Sports Program Fund					
93.570	University of Memphis	Community Services Block Grant_Discretionary Awards	NYSPF 189		16,654.12
Passed Through University of South Florida					
93.630	University of Tennessee	Developmental Disabilities Basic Support and Advocacy Grants	R011202002	$ 357.26	
93.630	University of Tennessee	Developmental Disabilities Basic Support and Advocacy Grants	R011202010	1,264.12	1,621.38
Passed Through Wake Forest University					
93.648	University of Tennessee	Child Welfare Services Training Grants	R073365073		(2,567.88)
Passed Through Meharry Medical College					
93.960	Tennessee State University	Special Minority Initiatives	2R25GM5179-03		50,046.47
93.969	Tennessee State University	Grants for Geriatric Education Centers	5D31AH70061-04		13,524.98
Subtotal Pass-Through Programs					$ 456,443.36
Total U.S. Department of Health and Human Services					$ 444,132,767.90
Corporation for National and Community Service					
Direct Programs					
94.003	Finance and Administration	State Commissions			$ 205,945.66
94.004	Education	Learn and Serve America_School and Community Based Programs		$ 233,972.20	
94.004	Finance and Administration	Learn and Serve America_School and Community Based Programs		61,768.97	295,741.17
94.005	East Tennessee State University	Learn and Serve America_Higher Education			91,739.85
94.006	East Tennessee State University	AmeriCorps		$ 3,496.93	
94.006	Finance and Administration	AmeriCorps		2,435,078.48	
94.006	Roane State Community College	AmeriCorps		10,710.83	
94.006	Southwest Tennessee Community College	AmeriCorps		60,911.78	2,510,198.02
94.007	East Tennessee State University	Planning and Program Development Grants		$ 1,878.15	
94.007	Finance and Administration	Planning and Program Development Grants		66,225.61	68,103.76
94.009	Finance and Administration	Training and Technical Assistance			115,722.38
94.013	Education	Volunteers in Service to America			511,899.18
Total Corporation for National and Community Service					$ 3,799,350.02
Other Federal Assistance					
Corporation for Public Broadcasting					
Direct Programs					
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 00	R131020027		$ 20,921.72
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 01	R045815040		90,151.97

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 02	R045815041		718.20
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 2001	R131020031		118,409.57
Subtotal Corporation for Public Broadcasting					$ 230,201.46
		U.S. Postal Service			
Direct Programs					
N/A	University of Tennessee	US POSTAL SVC-01-03612-KRESS	R011361013		$ 2,575.53
Subtotal U.S. Postal Service					$ 2,575.53
		Federal Reserve Bank of St. Louis			
Direct Programs					
N/A	University of Memphis	Federal Reserve Bank Project	N/A		$ 48,806.97
Subtotal Federal Reserve Bank of St. Louis					$ 48,806.97
		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	$ 106,798.38	
N/A	District Attorneys General Conference	Appalachia High Intensity Drug Trafficking Area	I0PAPP501	94,391.20	
N/A	Safety	Appalachia High Intensity Drug Trafficking Area	I0PAPP501	128,936.12	
N/A	Safety	Appalachia High Intensity Drug Trafficking Area	I0PAPP501-CVE	52,122.18	
N/A	Safety	Appalachia High Intensity Drug Trafficking Area	11PAPP501	47,131.68	
N/A	Safety	Appalachia High Intensity Drug Trafficking Area	11PAPP501-CVE	36,775.95	
N/A	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I8-PAPP501	1,220.85	
N/A	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I9-PAPP501	29,220.98	
N/A	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I0-PAPP501	370,387.54	
N/A	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I1-PAPP501	119,873.87	$ 986,858.75
Subtotal Office of National Drug Control Policy					$ 986,858.75
		U.S. Agency for International Development			
Passed Through American Council on Education					
N/A	Tennessee State University	Developing Business Management Capacities for 1890 Institution Building Grants Private Sector Development in L'viv Ukraine	HNE-A-97-00059-00		$ 20,684.68
Subtotal U.S. Agency for International Development					$ 20,684.68
Total Other Federal Assistance					$ 1,289,127.39

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		Research and Development Cluster			
		U.S. Department of Agriculture			
Direct Programs					
10.001	University of Memphis	Agricultural Research_Basic and Applied Research	58-6408-6-029	$ 62,646.11	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R111016093	13,300.24	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R111415072	159,948.00	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R112817098	95,040.23	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R112818011	94,831.18	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R118315007	44,184.91	$ 469,950.67
10.025	University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care	R111016081		(86.15)
10.055	University of Tennessee	Production Flexibility Payments for Contract Commodities	R112817034		4,682.52
10.156	University of Tennessee	Federal-State Marketing Improvement Program	R111216003		10,497.81
10.200	Tennessee State University	Grants for Agricultural Research, Special Research Grants	95-38818-1354	$ 6,173.47	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R111016073	40.47	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R111016082	52,947.80	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112015063	78,631.30	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112015075	32,367.43	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112218054	264,290.46	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112218095	97,133.86	531,584.79
10.202	East Tennessee State University	Cooperative Forestry Research	96-0067	$ 5.63	
10.202	University of Tennessee	Cooperative Forestry Research	E111008	574,805.84	
10.202	University of Tennessee	Cooperative Forestry Research	R011084020	74,173.71	
10.202	University of Tennessee	Cooperative Forestry Research	R011084022	112,168.04	
10.202	University of Tennessee	Cooperative Forestry Research	R041078067	27,576.63	
10.202	University of Tennessee	Cooperative Forestry Research	R112218069	66,522.48	
10.202	University of Tennessee	Cooperative Forestry Research	R112218071	38,324.06	893,576.39
10.203	University of Tennessee	Payments to Agricultural Experiment Stations Under the Hatch Act	E110105		4,848,520.02
10.205	Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	99-CREN-08915	$ 66,522.14	
10.205	Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	00-CREN-08915	674,162.87	
10.205	Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	2001-33100-08915	1,117,101.62	1,857,786.63
10.206	East Tennessee State University	Grants for Agricultural Research_Competitive Research Grants	98-35204-6636	$ 39,391.79	
10.206	East Tennessee State University	Grants for Agricultural Research_Competitive Research Grants	98-35301-6514	18,745.48	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
10.206	Tennessee State University	Grants for Agricultural Research_Competitive Research Grants	99-35208-8326	28,376.56
10.206	Tennessee Technological University	Grants for Agricultural Research_Competitive Research Grants	99-35102-8523	39,282.63
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R011013097	31,088.85
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R011013098	46,819.17
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R011018043	18,218.66
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R011018059	54,297.34
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R011022020	38,431.86
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R011025021	57,929.11
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R011086014	100,767.01
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R012813062	32,434.65
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R041011058	981.98
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R073017079	5,819.42
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R073018028	46,757.47
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R111216004	82,953.26
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R111415091	76,114.30
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R111415092	120,286.38
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R111616008	20,938.64
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R111616013	3,423.11
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R112015061	5,470.50
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R112415050	16,347.42
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R112415054	26,082.03

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R112415071	43,342.93	
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R112615073	863.09	
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R112817025	(9.54)	
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R112817092	49,668.59	
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R112818024	5,606.57	
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R181730080	40,157.87	
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	R181736070	33,971.49	1,084,558.62
10.207	University of Tennessee	Animal Health and Disease Research	E111610		80,694.20
10.216	Tennessee State University	1890 Institution Capacity Building Grants	94-38814-0640	$ 189.95	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	95-38814-1718	324.98	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	95-38814-1719	86,886.45	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	96-38820-2864	16,779.95	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	98-38814-6236	60,243.84	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	98-38814-6238	81,756.27	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	98-38814-6239	87,861.87	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	99-38814-8201	48,231.06	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	99-38814-8362	28,104.62	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	00-38814-9505	7,049.00	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	00-38820-9523	14,065.95	431,493.94
10.217	University of Tennessee	Higher Education Challenge Grants	R011115010	$ 28,728.68	
10.217	University of Tennessee	Higher Education Challenge Grants	R181741001	27,431.68	56,160.36
10.224	University of Tennessee	Fund for Rural America_Research, Education, and Extension Activities	R124110013		47,721.00
10.250	University of Tennessee	Agricultural and Rural Economic Research	R111215072		10,709.01
10.302	University of Tennessee	Initiative for Future Agriculture and Food Systems	R111216013	$ 264.79	
10.302	University of Tennessee	Initiative for Future Agriculture and Food Systems	R111216015	15,027.47	15,292.26
10.443	Tennessee State University	Small Farmer Outreach Training and Technical Assistance Program	43-3AEL-9-80096		15,000.00
10.652	Tennessee Technological University	Forestry Research	SRS 00-CA-11330138-072	$ 3,117.97	
10.652	Tennessee Technological University	Forestry Research	08-99-10-CCS-012	902.18	
10.652	Tennessee Technological University	Forestry Research	00-CS-11081001-120	1,901.70	
10.652	University of Tennessee	Forestry Research	R011007057	5,269.36	
10.652	University of Tennessee	Forestry Research	R011032086	(373.77)	
10.652	University of Tennessee	Forestry Research	R011080011	89,380.13	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
10.652	University of Tennessee	Forestry Research	R011080020	21,906.75	
10.652	University of Tennessee	Forestry Research	R011083090	45,760.93	
10.652	University of Tennessee	Forestry Research	R024030021	(4,073.17)	
10.652	University of Tennessee	Forestry Research	R112218044	(48.27)	
10.652	University of Tennessee	Forestry Research	R112218051	611.69	
10.652	University of Tennessee	Forestry Research	R112218064	(33,877.69)	
10.652	University of Tennessee	Forestry Research	R112218066	5,841.55	
10.652	University of Tennessee	Forestry Research	R112218070	853.13	
10.652	University of Tennessee	Forestry Research	R112218073	43,819.33	
10.652	University of Tennessee	Forestry Research	R112218075	3,432.10	
10.652	University of Tennessee	Forestry Research	R112218084	4,755.11	
10.652	University of Tennessee	Forestry Research	R112218085	34,044.16	
10.652	University of Tennessee	Forestry Research	R112218088	4,996.60	
10.652	University of Tennessee	Forestry Research	R112218089	3,993.82	
10.652	University of Tennessee	Forestry Research	R112218091	149,104.05	
10.652	University of Tennessee	Forestry Research	R112818034	2,056.21	383,373.87
10.664	University of Tennessee	Cooperative Forestry Assistance	R111216012	$ 7,419.98	
10.664	University of Tennessee	Cooperative Forestry Assistance	R112218090	38,740.59	46,160.57
10.902	University of Tennessee	Soil and Water Conservation	R117015005		1,673.45
10.962	University of Tennessee	International Training_Foreign Participant	R073252050	$ 5,203.35	
10.962	University of Tennessee	International Training_Foreign Participant	R073621070	4,856.70	
10.962	University of Tennessee	International Training_Foreign Participant	R111815010	13,445.10	23,505.15
N/A	University of Tennessee	USDA 00-CS-11080000-003 ETNIER	R011086016		692.16
Subtotal Direct Programs					$ 10,813,547.27
Passed Through North Carolina State University					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112817090	$ 3,943.80	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112818002	4,410.67	$ 8,354.47
Passed Through Southern Regional Aquaculture Center					
10.200	University of Memphis	Grants for Agricultural Research, Special Research Grants	97-38500-4124		9,247.66
10.206	University of Memphis	Grants for Agricultural Research_Competitive Research Grants	N/A		965.80
Passed Through University of Arkansas					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112818009		35,404.74
Passed Through University of Florida					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R111016083		31,110.37
Passed Through University of Georgia					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112818023		4,639.69

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Texas Tech University					
10.206	University of Memphis	Grants for Agricultural Research_Competitive Research Grants	1300/4527-01		6,925.60
Passed Through Mississippi State University					
10.250	Tennessee State University	Agricultural and Rural Economic Research	43-3AEM-8-80044		11,215.50
Passed Through University of Missouri					
10.302	University of Tennessee	Initiative for Future Agriculture and Food Systems	R112219008		15,530.15
Subtotal Pass-Through Programs					$ 123,393.98
Subtotal U.S. Department of Agriculture					$ 10,936,941.25
U.S. Department of Commerce					
Direct Programs					
11.303	University of Memphis	Economic Development_Technical Assistance	04-66-01002	$ 375.25	
11.303	University of Memphis	Economic Development_Technical Assistance	04-66-04660	100,961.08	
11.303	University of Memphis	Economic Development_Technical Assistance	04-66-04863	5,122.09	$ 106,458.42
11.609	University of Tennessee	Measurement and Engineering Research and Standards	R011024033	$ 10.12	
11.609	University of Tennessee	Measurement and Engineering Research and Standards	R011025014	1,928.50	
11.609	University of Tennessee	Measurement and Engineering Research and Standards	R011317017	78,652.66	80,591.28
N/A	University of Tennessee	NIST 43NANB010680-BARTMESS	R011025029		7,058.35
Subtotal Direct Programs					$ 194,108.05
Passed Through University of Alaska					
11.430	University of Tennessee	Undersea Research	R011083096		$ 35,890.42
Subtotal Pass-Through Programs					$ 35,890.42
Subtotal U.S. Department of Commerce					$ 229,998.47
U.S. Department of Defense					
Direct Programs					
12.104	University of Memphis	Flood Plain Management Services	DACW39-98-K-0052		$ 6,717.87
12.300	Tennessee State University	Basic and Applied Scientific Research	DAAE07-98-C-0029	$ 84,544.48	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-96-1-0307	15,712.66	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-98-1-0754	542,710.15	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-99-1-0753	112,024.55	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-99-1-0968	109,845.03	
12.300	Tennessee Technological University	Basic and Applied Scientific Research	N00014-01-1-0909	6,650.97	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0331	10,525.04	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0332	85,871.38	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0350	15,018.28	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-99-1-0721	47,141.12	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-99-1-0730	34,710.13	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-00-1-0559	46,384.92	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-00-1-0667	54,726.97	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011030019	20,372.90	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011033034	14,896.11	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011063093	18,579.83	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011065032	10,800.02	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011334040	(1,209.11)	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011334054	30,832.31	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011343080	39,260.48	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011344032	45,172.16	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011373011	(1,910.27)	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011373072	81,834.68	
12.300	University of Tennessee	Basic and Applied Scientific Research	R073035059	203,775.80	1,628,270.59
12.301	Tennessee Technological University	Basic and Applied Scientific Research	DACW42-00-P-0640		17,784.45
12.420	Southwest Tennessee Community College	Military Medical Research and Development	DAAD19-99-1-0357	$ 16,793.83	
12.420	University of Tennessee	Military Medical Research and Development	R073014030	26,108.90	
12.420	University of Tennessee	Military Medical Research and Development	R073256037	77,593.79	
12.420	University of Tennessee	Military Medical Research and Development	R073256051	82,855.42	
12.420	University of Tennessee	Military Medical Research and Development	R181741009	27,032.25	230,384.19
12.431	University of Memphis	Basic Scientific Research	DAAD19-01-1-0584	$ 4,236.70	
12.431	University of Tennessee	Basic Scientific Research	R011309036	6,749.40	
12.431	University of Tennessee	Basic Scientific Research	R024351017	82,432.09	
12.431	University of Tennessee	Basic Scientific Research	R024354034	4,805.75	98,223.94
12.630	University of Tennessee	Basic, Applied, and Advanced Research in Science and Engineering	R011343089		26,752.45
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011025034	$ 18,423.70	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011343096	366,186.09	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011344063	15,111.65	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024351019	(159.79)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024351021	25,329.35	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024351026	96,687.58	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024351030	24,479.38	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024352009	54,054.14	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024352010	29,404.37	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024354037	100,117.37	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024354044	24,581.89	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024356018	3,217.08	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024356026	56,760.00	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024356027	53,928.29	

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12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024357072	537,127.08	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024357090	52,999.80	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024357094	264,472.91	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024357096	3,663.14	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024361001	23,457.47	1,749,841.50
12.910	University of Memphis	Research and Technology Development	F33615-01-C-1900	$ 5,195.69	
12.910	University of Tennessee	Research and Technology Development	R011063037	(25.78)	5,169.91
N/A	Tennessee State University	D5 Umbilical Retract Mechanism Study	N00030-99-M-0617		34,078.87
N/A	Tennessee State University	Effects of Natural Attention in Remediating Jet Fuel Contamination	DACW62-00-H0001		68,592.80
N/A	Tennessee Technological University	Development of Regional Guidebook for Evaluating the Functions of Wetlands	F40650-00-C-0042		28,935.35
N/A	University of Memphis	Immunity-Based Intrusion Detection System	F30602-00-2-0514		135,304.14
N/A	University of Memphis	Intergovernmental Personnel Assignment for Roger Smith	N/A		81,362.60
N/A	University of Tennessee	DOD-WILLIAMS-TUCKALEECHEE SEIS	R011042046		38,734.92
N/A	University of Tennessee	ARMY DAAH01-00-C-0185 BRADLEY	R011344054		38,449.17
N/A	University of Tennessee	DEF LOG-SPO410-99-D-0006 DICER	R012516002		727,434.28
N/A	University of Tennessee	ARMY DAAH04-95-1-0258 STEINHFF	R024351002		5,311.51
N/A	University of Tennessee	ARMY-MIPROJTENRS118-LEWIS	R024354038		22,875.04
N/A	University of Tennessee	ARMY-MIPROJTENRS119-LEWIS	R024354039		22,225.29
N/A	University of Tennessee	ARMY-DAAH10-00-M-0308 LEWIS	R024354040		38,947.12
N/A	University of Tennessee	AF-INTRO FLGHT TSTNG-KIMBERLIN	R024354041		41,010.91
N/A	University of Tennessee	ARMY-HELICPTR ORIENT-STELLAR	R024354042		23,443.09
N/A	University of Tennessee	ARMY CORPS-GRASSLAND BIRDS	R112218076		75,317.85
Subtotal Direct Programs					$ 5,145,167.84
Passed Through American Super Conductor Corporation					
12.300	University of Tennessee	Basic and Applied Scientific Research	R011344045		$ 15,706.94
Passed Through North Carolina A&T State University					
12.300	University of Tennessee	Basic and Applied Scientific Research	R011373029		10,218.81
Passed Through Pennsylvania State University					
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-99-1-0648	$ 74,413.47	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011064043	95,408.89	
12.300	University of Tennessee	Basic and Applied Scientific Research	R024351028	3,905.81	173,728.17
N/A	Tennessee State University	Design Uncertainty Module Development	N00039-97-D-0042		(1,224.03)

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Passed Through University of Mississippi					
12.300	University of Memphis	Basic and Applied Scientific Research	UM #99-06-036	$ 292.30	
12.300	University of Memphis	Basic and Applied Scientific Research	00-06-071	195,699.15	195,991.45
Passed Through University of Pittsburg					
12.300	University of Memphis	Basic and Applied Scientific Research	400428-1	$ 318,381.83	
12.300	University of Memphis	Basic and Applied Scientific Research	400428ADDENDUM#1	13,907.94	332,289.77
Passed Through Meharry Medical College					
12.420	East Tennessee State University	Military Medical Research and Development	980717FJ136		109,200.95
Passed Through Battelle					
12.431	University of Memphis	Basic Scientific Research	DAAHO4-96-C-0086	$ 134,859.19	
12.431	University of Tennessee	Basic Scientific Research	R011373035	(7.94)	134,851.25
Passed Through Nichols Research Corporation					
12.431	University of Tennessee	Basic Scientific Research	R011031056	$ 314,812.16	
12.431	University of Tennessee	Basic Scientific Research	R011031057	205,558.32	520,370.48
Passed Through University of Missouri-Columbia					
12.431	University of Memphis	Basic Scientific Research	01111141-1		7,065.76
Passed Through Milan Army Ammunition Plant					
12.630	Middle Tennessee State University	Basic, Applied, and Advanced Research in Science and Engineering	DAAA09-98-G		4,833.81
Passed Through Environmental Elements Corporation					
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011344016	$ (6,253.80)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011344029	(9,744.96)	(15,998.76)
Passed Through Research and Development Laboratories					
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011025011		(0.01)
Passed Through Duke University					
12.910	University of Tennessee	Research and Technology Development	R011344050		55,547.31
Passed Through Academy of Applied Science					
N/A	Tennessee State University	Research and Engineering Apprentice Program	DAAH04-93-G-0163		5,120.27
Passed Through CH2MHill					
N/A	Tennessee Technological University	Provide Services for Habitat Utilization Study: Avifauna Survey and Habitat Study	30110		8,324.75
N/A	University of Memphis	Deer Browsing Impact	PO# 34260		32,812.15

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Cognitive Technologies, Incorporated					
N/A	University of Tennessee	COGNITIVE TECH 1022-08 BERRY	R011033015		28,171.14
Passed Through Dynamac Corporation					
N/A	University of Tennessee	DYNAMAC-PRODUCT DEV-SANSEVERIN	R012580074		116,787.54
Passed Through Dynamic Structures and Materials, Limited Liability Company					
N/A	Tennessee Technological University	Miniature Compliant Spatial Parallel Manipulators	TTU050100		14,994.49
Passed Through Northeastern University					
N/A	University of Tennessee	NORTHEASTERN UN-593930 VO-DINH	R012813070		1,335.15
Passed Through Raytheon					
N/A	University of Tennessee	RAYTHEON E-SYSMS#AA23 YR3 DNGR	R011031081		0.01
Subtotal Pass-Through Programs					$ 1,750,127.40
Subtotal U.S. Department of Defense					$ 6,895,295.24
U.S. Department of Housing and Urban Development					
Direct Programs					
14.512	University of Memphis	Community Development Work-Study Program	CDWS-TN-00-026		$ 16,024.82
Subtotal U.S. Department of Housing and Urban Development					$ 16,024.82
U.S. Department of the Interior					
Direct Programs					
15.608	Tennessee Technological University	Fish and Wildlife Management Assistance	1448-40181-99-G-055	$ 1,929.64	
15.608	University of Tennessee	Fish and Wildlife Management Assistance	R112218039	(2.04)	
15.608	University of Tennessee	Fish and Wildlife Management Assistance	R112218067	3,006.26	
15.608	University of Tennessee	Fish and Wildlife Management Assistance	R112218078	66,547.13	$ 71,480.99
15.807	University of Memphis	Earthquake Hazards Reduction Program	HQ98AG01929	$ 55,156.65	
15.807	University of Memphis	Earthquake Hazards Reduction Program	HQ98AG01932	66,507.06	
15.807	University of Memphis	Earthquake Hazards Reduction Program	HQ98AG01936	24,047.34	
15.807	University of Memphis	Earthquake Hazards Reduction Program	99HQGR0053	42,546.96	
15.807	University of Memphis	Earthquake Hazards Reduction Program	99HQGR0059	3,847.76	
15.807	University of Memphis	Earthquake Hazards Reduction Program	99HQGR0229	3,426.63	

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15.807	University of Memphis	Earthquake Hazards Reduction Program	00HQGR0008	10,984.69	
15.807	University of Memphis	Earthquake Hazards Reduction Program	00HQGR0031	40,180.62	
15.807	University of Memphis	Earthquake Hazards Reduction Program	00HQGR0077	32,498.13	
15.807	University of Memphis	Earthquake Hazards Reduction Program	01HQAG0010	195,160.35	
15.807	University of Memphis	Earthquake Hazards Reduction Program	01HQGR0024	21,304.98	
15.807	University of Memphis	Earthquake Hazards Reduction Program	01HQGR0052	687.18	
15.807	University of Memphis	Earthquake Hazards Reduction Program	01HQGR0063	5,202.90	501,551.25
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#31	$ 9,554.47	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#32	31,534.58	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#34	28,087.58	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#36	8,814.68	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#37	9,397.71	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#38	15,354.98	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#39	8,947.23	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#40	21,975.36	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#41	213.60	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#42	71.99	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#45	756.84	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#46	1,918.96	
15.808	University of Memphis	U.S. Geological Survey_Research and Data Acquisition	00HQAG0100	116,506.81	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R011042056	11,140.57	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R011053068	406,295.90	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R011086003	88,339.37	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R012550069	(36,874.53)	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R012550079	35,429.90	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R012550088	11,832.83	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R012580079	354.23	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R111016092	45,823.21	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R111415088	(5,301.49)	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112217081	16,898.24	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112217091	259.27	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112218003	58,202.45	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112218052	1,952.88	887,487.62
15.809	University of Tennessee	National Spatial Data Infrastructure Cooperative Agreements Program	R016011056		2,909.55
15.810	University of Tennessee	National Cooperative Geologic Mapping Program	R011040086	$ 6,598.25	
15.810	University of Tennessee	National Cooperative Geologic Mapping Program	R011042083	8,411.29	15,009.54
15.904	East Tennessee State University	Historic Preservation Fund Grants-In-Aid	1443CA514098007	$ 14,313.60	
15.904	East Tennessee State University	Historic Preservation Fund Grants-In-Aid	1443CA514098008	3,509.99	17,823.59
15.915	University of Memphis	Technical Preservation Services	H5580000463		5,529.79
15.916	East Tennessee State University	Outdoor Recreation_Acquisition, Development and Planning	1443CA5230AO001	$ 23,146.81	
15.916	Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	1443-CA-5460-98-012	11,904.59	
15.916	Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	1443-CA-5460-99-006	8,146.37	
15.916	Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	1443-CA-5460-99-013	2,842.83	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011005023	6,697.03	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011005029	678.58	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011086020	1,021.01	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011334036	88,466.06	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R111016091	37,308.20	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R112218065	6,482.87	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R112218087	9,069.29	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R112218093	20,499.31	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R112218098	3,370.20	219,633.15
15.921	University of Tennessee	Rivers, Trails and Conservation Assistance	R011083085		129,509.38
15.926	Austin Peay State University	American Battlefield Protection	P5530000065		1,268.27
N/A	University of Memphis	Archaeological Survey at Fort Polk, LA	C5890990140		1,724.11
N/A	University of Tennessee	USDI F&W14484018100G197 CRUZAN	R011086017		1,000.06
N/A	University of Tennessee	USDI-SURFACE MINING-YODER	R111416001		2,050.00
N/A	University of Tennessee	NCWRC-HWY/BLACK BEARS	R112218079		166,514.99
N/A	University of Tennessee	NPS LNG TERM BLK BEAR RESEARCH	R112218083		13,189.78
Subtotal Direct Programs					$ 2,036,682.07
Passed Through Indiana University					
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011241050		$ 10,148.71

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Shiloh National Park Service					
N/A	University of Memphis	Long-term Monitoring of Aquatic Resource at Shiloh National Military Park	P5570000020		7,018.09
Subtotal Pass-Through Programs					$ 17,166.80
Subtotal U.S. Department of the Interior					$ 2,053,848.87
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	$ 59,699.47	
16.560	University of Memphis	National Institute of Justice Research, Evaluation, and Development Project Grants	1999-WT-VX-0007	159,618.36	
16.560	University of Tennessee	National Institute of Justice Research, Evaluation, and Development Project Grants	R011076047	(0.01)	
16.560	University of Tennessee	National Institute of Justice Research, Evaluation, and Development Project Grants	R011076050	52,106.30	$ 271,424.12
N/A	University of Memphis	Memphis Strategic Team Against Rape and Sexual Assault	2000-JN-FX-0002		7,117.19
N/A	University of Tennessee	FBI J-FBI-98-083 BIRDWELL	R011344013		346,377.19
Subtotal Direct Programs					$ 624,918.50
Passed Through Memphis Area Legal Services					
16.588	University of Memphis	Violence Against Women Formula Grants	N/A		$ 16,148.97
Passed Through Clark Atlanta University					
N/A	University of Tennessee	CLARK ATLANTA UNIV #9710437001	R024353003		35,889.99
Subtotal Pass-Through Programs					$ 52,038.96
Subtotal U.S. Department of Justice					$ 676,957.46
U.S. Department of Labor					
Direct Programs					
17.503	University of Tennessee	Occupational Safety and Health_State Program	R011404024		$ 202,854.57
N/A	University of Tennessee	US DOL #J-9-E-1-0030 CON RS 97	R011404023		762,205.75
Subtotal U.S. Department of Labor					$ 965,060.32

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		U.S. Department of Transportation			
Direct Programs					
20.701	University of Tennessee	University Transportation Centers Program	R012514021	$ 247,087.29	
20.701	University of Tennessee	University Transportation Centers Program	R012515096	871,202.70	$ 1,118,289.99
N/A	Tennessee Technological University	Conduct Water Quality Monitoring Services for FHWA Project Foot	DTFH71-00-P-00162		18,148.73
N/A	University of Tennessee	FAA DTFA0200V14830 WINOWICH	R011373079		24,241.51
N/A	University of Tennessee	FHWA-DTFH61-00-P-00390 EVERETT	R012516055		31,779.25
N/A	University of Tennessee	FHWA-DTFH61-00-T-56023 ZACH	R012516062		52,180.13
Subtotal Direct Programs					$ 1,244,639.61
Passed Through City of Memphis					
20.215	University of Memphis	Highway Training and Education	N-11150		$ 14,427.20
Subtotal Pass-Through Programs					$ 14,427.20
Subtotal U.S. Department of Transportation					$ 1,259,066.81
		Appalachian Regional Commission			
Direct Programs					
23.001	East Tennessee State University	Appalachian Regional Development (See individual Appalachian Programs)	CO12600CA	$ 50,406.80	
23.001	University of Tennessee	Appalachian Regional Development (See individual Appalachian Programs)	R012516006	(2,106.79)	$ 48,300.01
Subtotal Direct Programs					$ 48,300.01
Passed Through Appalachia Educational Laboratory					
N/A	University of Memphis	Formative Evaluation of School Reform Programs	N/A		$ 157,134.58
Subtotal Pass-Through Programs					$ 157,134.58
Subtotal Appalachian Regional Commission					$ 205,434.59
		National Aeronautics and Space Administration			
Direct Programs					
43.001	Austin Peay State University	Aerospace Education Services Program	H-32218D	$ 6,069.00	
43.001	Middle Tennessee State University	Aerospace Education Services Program	NAG8-1486	52,773.76	
43.001	Tennessee Technological University	Aerospace Education Services Program	58404	8,449.96	
43.001	Tennessee Technological University	Aerospace Education Services Program	NAG8-1631	19,100.26	
43.001	Tennessee Technological University	Aerospace Education Services Program	NAG8-1749	20,919.88	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
43.001	Tennessee Technological University	Aerospace Education Services Program	NAG8-1793	11,181.13	
43.001	Tennessee Technological University	Aerospace Education Services Program	NAG8-1794	29,038.20	
43.001	Tennessee Technological University	Aerospace Education Services Program	NGT8-52883	22,492.65	
43.001	University of Memphis	Aerospace Education Services Program	NAG5-9783	20,740.86	
43.001	University of Memphis	Aerospace Education Services Program	NCC 2-1244	18,137.02	$ 208,902.72
43.002	East Tennessee State University	Technology Transfer	NAG510344	$ 11,566.05	
43.002	East Tennessee State University	Technology Transfer	NAG8-1375	616.00	
43.002	East Tennessee State University	Technology Transfer	NCC2-5361	5,933.89	
43.002	Tennessee State University	Technology Transfer	NAG 2-1419	62,450.50	
43.002	Tennessee State University	Technology Transfer	NAG10-0217	116,928.04	
43.002	Tennessee State University	Technology Transfer	NAG3-1797	37,134.69	
43.002	Tennessee State University	Technology Transfer	NAG3-2244	404.94	
43.002	Tennessee State University	Technology Transfer	NAG3-2266	304.06	
43.002	Tennessee State University	Technology Transfer	NAG3-2272	31,507.00	
43.002	Tennessee State University	Technology Transfer	NAG3-2471	91,249.35	
43.002	Tennessee State University	Technology Transfer	NAG3-2577	561,001.75	
43.002	Tennessee State University	Technology Transfer	NAG5-10896	2,628.50	
43.002	Tennessee State University	Technology Transfer	NCC5-228	320,074.23	
43.002	Tennessee State University	Technology Transfer	NCC5-511	833,800.81	
43.002	Tennessee State University	Technology Transfer	NCC5-531	32,317.30	
43.002	Tennessee State University	Technology Transfer	NCC5-96	322,457.95	
43.002	University of Tennessee	Technology Transfer	R011041088	29.91	2,430,404.97
N/A	Tennessee State University	A Partnership Between the TSU Center of Excellence and the New Mexico Supercomputing Challenge	NCC2-1205		57,000.00
N/A	Tennessee State University	Embodiment of Intelligent Behavior on Mobile Robots	NAG2-1473		8,037.55
N/A	University of Memphis	New Diagnostic Constraints for Coronal Heating and Loop Dynamic Models	NAG5-7197		0.30
N/A	University of Memphis	Landscape Hazard in Response to Short-term Climate Change	NAG5-7617		38,064.30
N/A	University of Tennessee	NASA NAG5-8773 NHSE-DONGARRA	R011030006		223,428.30
N/A	University of Tennessee	NASA NCC2-5310 DONGARRA	R011031092		0.01
N/A	University of Tennessee	JET PROP LAB BRITT	R011041096		20,956.83
N/A	University of Tennessee	NASA NAGW OSSP PROGRAM-MCSWEEN	R011042019		47,367.06
N/A	University of Tennessee	NASA NAG5-4541 METEORITE-MCSWN	R011042023		102,078.67
N/A	University of Tennessee	NASA-MINERALOGY & SPECTRAL-TAYLR	R011042027		6,165.24
N/A	University of Tennessee	NASA NAG5-8726 TAYLOR 99-00	R011042045		19,477.76
N/A	University of Tennessee	NASA NAG5-8926 BRITT	R011042051		40,700.39
N/A	University of Tennessee	NASA NAG5-9061 BRITT	R011042053		69,337.37
N/A	University of Tennessee	NASA NAG5-9158 TAYLOR 00-01	R011042055		120,920.47
N/A	University of Tennessee	NASA NCC2-1187 MOERSCH-MAR GEO	R011042059		30,600.63
N/A	University of Tennessee	NASA NGT5-50286 MCSWEEN-TRNG	R011042060		19,723.47
N/A	University of Tennessee	NASA NAG5-10525 MCSWEEN	R011042068		6,967.84
N/A	University of Tennessee	NASA NAG5-10788 MOERSCH	R011042071		5,240.66
N/A	University of Tennessee	NASA NAG5-10414 TAYLOR 01-02	R011042072		19,043.19
N/A	University of Tennessee	NASA NAG5-10635 MOERSCH 02	R011042080		68.64
N/A	University of Tennessee	NASA NAG5-10666	R011042081		6,914.56
N/A	University of Tennessee	NASA NAG5-8405 MEZZACAPPA	R011060009		59,152.40
N/A	University of Tennessee	NASA NAG8-1442 SANDERS SEE	R011063092		95,387.47

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N/A	University of Tennessee	NASA NAG1-2163 LYNE	R011373052		5,386.82
N/A	University of Tennessee	NASA H-30962D KEYHANI	R011373053		698.28
N/A	University of Tennessee	NASA NAG-1-2292 RIGGINS	R011373073		32,562.34
N/A	University of Tennessee	NASA NAG9-1121 BYSN MTHD-TWNSD	R011382042		21,123.53
N/A	University of Tennessee	NASA NAG9-1123 NTRN/SPCTA TWNS	R011382043		23,899.25
N/A	University of Tennessee	NASA NAG8-1669 TOWNSEND	R011382054		61,184.31
N/A	University of Tennessee	NASA NAG9-1269 BYSN MTHD-TWNSD	R011382056		332.35
N/A	University of Tennessee	NASA NAG9-1080 SAYLER	R012580052		149,230.31
N/A	University of Tennessee	NASA NAG5-8760 SAYLER	R012580057		169,015.87
N/A	University of Tennessee	NASA NAG 8-1568 BUNICK	R012813076		157,691.55
N/A	University of Tennessee	12/28/AS8-97301	R024351009		54,427.79
N/A	University of Tennessee	NASA-AMES NCC2-5265 STEINHOFF	R024351016		11,705.89
N/A	University of Tennessee	NASA-LANGLEY-GSRP-ENGELS	R024351022		3,023.53
N/A	University of Tennessee	NASA NCC2-5413 VENKATESWARAN	R024351027		23,274.13
N/A	University of Tennessee	NASA PO#L12529 - VAKILI	R024356028		16,207.06
N/A	University of Tennessee	NASA NAG10-0221 CONGER	R112817051		39,118.52
Subtotal Direct Programs					$ 4,404,822.33
Passed Through Arizona State University					
43.001	University of Tennessee	Aerospace Education Services Program	R011042063	$ 22,772.21	
43.001	University of Tennessee	Aerospace Education Services Program	R011042064	16,819.53	$ 39,591.74
Passed Through Universities Space Research Association					
43.001	Austin Peay State University	Aerospace Education Services Program	03482-02		9,376.72
Passed Through Vanderbilt University					
43.001	Austin Peay State University	Aerospace Education Services Program	14031-A4-S1	$ 3,645.13	
43.001	Austin Peay State University	Aerospace Education Services Program	15766-S1	2,375.08	
43.001	Middle Tennessee State University	Aerospace Education Services Program	14031-A1-S10	5,107.80	11,128.01
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		19,323.97
Passed Through California Institute for Technology Jet Propulsion					
N/A	University of Tennessee	JET PROPULSION LAB-CAL TECH 98	R012580043		10,331.88
Passed Through Marshall Space Flight Center					
N/A	University of Memphis	Intergovernmental Personnel Assignment for Steve Hunter	N/A		49,164.85

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Passed Through Mississippi State University					
N/A	Tennessee State University	Physics-Based Maneuvering Prediction of Commuter Aircraft	NAG2-1232		89,776.18
Passed Through National Opinion Research Center					
N/A	University of Tennessee	NTL OPN RES 5572-UTK-01 GROER	R011382045		58,377.84
Passed Through Quality Education for Minorities (QEM) Network					
N/A	Tennessee State University	2001 NASA Sharp Plus Research Apprenticeship Program	NAG5-8886		16,256.27
Subtotal Pass-Through Programs					$ 303,327.46
Subtotal National Aeronautics and Space Administration					$ 4,708,149.79
National Foundation of Arts and the Humanities					
Direct Programs					
45.149	East Tennessee State University	Promotion of the Humanities_Division of Preservation and Access	PA2383300		$ 28,375.75
45.161	University of Memphis	Promotion of the Humanities_Research	RZ-20380-99	$ 3,724.58	
45.161	University of Tennessee	Promotion of the Humanities_Research	R011003058	13,469.33	17,193.91
Subtotal Direct Programs					$ 45,569.66
Passed Through Arkansas Humanities Council					
45.129	University of Memphis	Promotion of the Humanities_Federal/State Partnership	AHC-98-008		$ 17,259.95
Subtotal Pass-Through Programs					$ 17,259.95
Subtotal National Foundation of Arts and the Humanities					$ 62,829.61
National Science Foundation					
Direct Programs					
47.041	Middle Tennessee State University	Engineering Grants	ECS9988797	$ 2,081.17	
47.041	Tennessee Technological University	Engineering Grants	DMI-9713913	39,689.38	
47.041	University of Memphis	Engineering Grants	BES-9973638	30,365.29	
47.041	University of Tennessee	Engineering Grants	R011005037	23,006.44	
47.041	University of Tennessee	Engineering Grants	R011063097	165,946.51	
47.041	University of Tennessee	Engineering Grants	R011305035	176,980.15	
47.041	University of Tennessee	Engineering Grants	R011309001	12,097.88	
47.041	University of Tennessee	Engineering Grants	R011309018	177,628.49	
47.041	University of Tennessee	Engineering Grants	R011309027	2,209.29	
47.041	University of Tennessee	Engineering Grants	R011311017	99,632.77	
47.041	University of Tennessee	Engineering Grants	R011311025	132,049.10	
47.041	University of Tennessee	Engineering Grants	R011317002	34,404.08	
47.041	University of Tennessee	Engineering Grants	R011317035	2,600.06	
47.041	University of Tennessee	Engineering Grants	R011317036	26,238.95	
47.041	University of Tennessee	Engineering Grants	R011322047	10.07	
47.041	University of Tennessee	Engineering Grants	R011322055	37,717.80	
47.041	University of Tennessee	Engineering Grants	R011322060	18,332.76	

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47.041	University of Tennessee	Engineering Grants	R011322066	192,748.05	
47.041	University of Tennessee	Engineering Grants	R011334009	7,522.43	
47.041	University of Tennessee	Engineering Grants	R011344059	11,550.55	
47.041	University of Tennessee	Engineering Grants	R011373034	12,878.61	
47.041	University of Tennessee	Engineering Grants	R011373055	11,213.40	
47.041	University of Tennessee	Engineering Grants	R011373060	21.00	
47.041	University of Tennessee	Engineering Grants	R012813071	5,239.71	
47.041	University of Tennessee	Engineering Grants	R041302003	13,662.22	
47.041	University of Tennessee	Engineering Grants	R073036049	60,326.71	$ 1,296,152.87
47.049	East Tennessee State University	Mathematical and Physical Sciences	CHE-9982500	$ 147,865.00	
47.049	East Tennessee State University	Mathematical and Physical Sciences	AST-0073853	9,908.29	
47.049	East Tennessee State University	Mathematical and Physical Sciences	DMS-0049015	51,857.87	
47.049	Middle Tennessee State University	Mathematical and Physical Sciences	DMS-0070430	9,117.71	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-9614346	209.00	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-9801602	21,467.49	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-9896286	19,571.11	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-9983664	4,149.21	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-9983665	41,622.00	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-9987775	35,221.76	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-9970404	29,940.81	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-9971212	16,131.73	
47.049	University of Memphis	Mathematical and Physical Sciences	DMR-0076497	95,590.00	
47.049	University of Memphis	Mathematical and Physical Sciences	DMR-0079546	28,255.50	
47.049	University of Tennessee	Mathematical and Physical Sciences	R010151001	1,158,392.83	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024002	24,020.24	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024021	26,101.73	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024026	(12,058.58)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024027	124,144.04	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024031	62,094.12	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024036	(10,000.00)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024085	85,013.28	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025018	86,572.57	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025022	149,405.11	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025024	36,216.25	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025027	304,958.74	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025044	40,334.75	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011027038	27,357.59	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011027039	(79,604.83)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011052002	12,860.58	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053004	8,276.21	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053077	(5,067.56)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053080	20,763.87	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053082	2,023.49	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053086	7,230.29	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053087	3,035.98	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053088	3,905.58	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053089	2,834.30	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053093	19,984.02	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053094	55,241.55	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053096	30,702.86	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053097	47,164.37	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053099	76,420.15	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011060014	78,235.71	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011062096	131,274.77	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063034	(63,352.59)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063049	10,241.60	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063064	4,038.64	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063072	3,829.16	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063073	76,397.88	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063096	11,433.16	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063099	257,575.95	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065003	47,404.94	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065004	63,174.69	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065009	55,291.82	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065011	281,172.79	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065024	77,231.24	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065025	98,536.62	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065027	63,376.89	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011075006	20,619.70	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011315005	25,431.43	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011317033	20,962.55	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011317059	70,036.15	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011317089	39,138.13	
47.049	University of Tennessee	Mathematical and Physical Sciences	R041025035	3,394.20	4,194,676.44
47.050	Tennessee Technological University	Geosciences	OCE-9813542	$ 43,045.99	
47.050	University of Memphis	Geosciences	EAR-9614651	17,015.33	
47.050	University of Memphis	Geosciences	EAR-9803484	58,147.46	
47.050	University of Memphis	Geosciences	EAR-0001118	22,455.32	
47.050	University of Memphis	Geosciences	EAR-003438	10,891.03	
47.050	University of Memphis	Geosciences	EAR-0121140	1,382.39	
47.050	University of Tennessee	Geosciences	R011002007	2,242.60	
47.050	University of Tennessee	Geosciences	R011015077	92,924.75	
47.050	University of Tennessee	Geosciences	R011035078	(4,065.59)	
47.050	University of Tennessee	Geosciences	R011038065	107.86	
47.050	University of Tennessee	Geosciences	R011040079	45,208.85	
47.050	University of Tennessee	Geosciences	R011042040	32,850.98	
47.050	University of Tennessee	Geosciences	R011042049	56,882.32	
47.050	University of Tennessee	Geosciences	R011042065	105,041.84	
47.050	University of Tennessee	Geosciences	R011042077	12,805.72	
47.050	University of Tennessee	Geosciences	R011083056	29,204.95	
47.050	University of Tennessee	Geosciences	R012580028	14,749.83	
47.050	University of Tennessee	Geosciences	R012580069	24,981.12	565,872.75
47.070	University of Memphis	Computer and Information Science and Engineering	SBR-9720314	$ 48,780.13	
47.070	University of Memphis	Computer and Information Science and Engineering	EIA-9818323	3,292.30	
47.070	University of Memphis	Computer and Information Science and Engineering	IIS-9907299	4,677.23	
47.070	University of Memphis	Computer and Information Science and Engineering	IIS-0104251	8,560.54	
47.070	University of Tennessee	Computer and Information Science and Engineering	R010156002	846,938.62	
47.070	University of Tennessee	Computer and Information Science and Engineering	R010169002	156,773.37	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011030002	366,517.95	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011030007	48,867.02	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011030013	254,453.57	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031065	7,185.60	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031074	15,300.52	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031075	168,978.86	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031090	408.52	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031094	132,671.66	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033018	63,797.08	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033027	76,886.06	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033030	7,835.42	2,211,924.45
47.074	East Tennessee State University	Biological Sciences	DEB-0080921	$ 29,848.75	
47.074	Tennessee Technological University	Biological Sciences	DBI-9970016	194.81	
47.074	Tennessee Technological University	Biological Sciences	DBI-0070139	54,500.00	
47.074	University of Memphis	Biological Sciences	49026	35,949.13	
47.074	University of Memphis	Biological Sciences	DEB-9996016	16,255.21	
47.074	University of Tennessee	Biological Sciences	R011012013	59,308.44	
47.074	University of Tennessee	Biological Sciences	R011012017	79,151.57	
47.074	University of Tennessee	Biological Sciences	R011015080	32,320.34	
47.074	University of Tennessee	Biological Sciences	R011018038	60,685.56	
47.074	University of Tennessee	Biological Sciences	R011018047	45,322.10	
47.074	University of Tennessee	Biological Sciences	R011018053	94,735.71	
47.074	University of Tennessee	Biological Sciences	R011018058	89,299.48	
47.074	University of Tennessee	Biological Sciences	R011022003	31,585.55	
47.074	University of Tennessee	Biological Sciences	R011022013	(7,133.41)	
47.074	University of Tennessee	Biological Sciences	R011022016	72,237.68	
47.074	University of Tennessee	Biological Sciences	R011022017	1,243.79	
47.074	University of Tennessee	Biological Sciences	R011022022	20,299.09	
47.074	University of Tennessee	Biological Sciences	R011022024	44,969.97	
47.074	University of Tennessee	Biological Sciences	R011083062	2,517.94	
47.074	University of Tennessee	Biological Sciences	R011086009	60,070.72	
47.074	University of Tennessee	Biological Sciences	R011145058	640.84	
47.074	University of Tennessee	Biological Sciences	R012580045	107,723.71	
47.074	University of Tennessee	Biological Sciences	R073004019	93,057.16	
47.074	University of Tennessee	Biological Sciences	R073004031	57,727.18	
47.074	University of Tennessee	Biological Sciences	R073017084	22,231.92	
47.074	University of Tennessee	Biological Sciences	R073036010	103,284.61	
47.074	University of Tennessee	Biological Sciences	R073036064	23,239.44	1,231,267.29
47.075	East Tennessee State University	Social, Behavioral, and Economic Sciences	INT-9908542	$ 4,910.65	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	INT-9703926	2,391.29	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	SBR-9808989	1,579.70	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	SES-9977969	80,346.87	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	INT-0077531	1,610.00	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011005024	49,931.13	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011005027	8,030.00	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011025046	9,075.78	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011038063	25,251.03	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011038072	3,119.36	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011063045	31.25	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011063094	2,132.67	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011065014	74,123.70	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011080019	1,795.36	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011322049	3,231.62	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011373050	20,273.34	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011373057	(294.01)	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011382009	4,683.78	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R012540046	60,687.62	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R105210044	13,710.51	366,621.65
47.076	Middle Tennessee State University	Education and Human Resources	DUE-9851230	$ 255.00	
47.076	Tennessee State University	Education and Human Resources	HRD-9706268	1,289,093.27	
47.076	Tennessee Technological University	Education and Human Resources	DUE-9950762	37,956.89	
47.076	Tennessee Technological University	Education and Human Resources	EHR-0091632	22,539.16	
47.076	University of Memphis	Education and Human Resources	EEC-9912439	137,887.04	
47.076	University of Tennessee	Education and Human Resources	R011018052	3,467.14	
47.076	University of Tennessee	Education and Human Resources	R011022011	(1,231.66)	
47.076	University of Tennessee	Education and Human Resources	R011022021	78,047.19	
47.076	University of Tennessee	Education and Human Resources	R011083099	27,972.82	
47.076	University of Tennessee	Education and Human Resources	R011303002	72.70	
47.076	University of Tennessee	Education and Human Resources	R011317080	283,119.77	
47.076	University of Tennessee	Education and Human Resources	R073921035	178,794.00	2,057,973.32
47.078	University of Tennessee	Polar Programs	R011080007	$ 104,500.29	
47.078	University of Tennessee	Polar Programs	R011080013	92,018.58	
47.078	University of Tennessee	Polar Programs	R011080014	38,936.66	
47.078	University of Tennessee	Polar Programs	R011080022	19,740.84	
47.078	University of Tennessee	Polar Programs	R011086005	396,577.10	
47.078	University of Tennessee	Polar Programs	R011086013	1,840.72	653,614.19
Subtotal Direct Programs					$ 12,578,102.96
Passed Through Cornell University					
47.041	East Tennessee State University	Engineering Grants	36194-6589		$ 17,142.73
Passed Through Duke University					
47.041	University of Memphis	Engineering Grants	BES 9520526		21,118.85
Passed Through State University of New York-Buffalo					
47.041	University of Memphis	Engineering Grants	150-7145E MOD 4		30,706.65
Passed Through University of Illinois					
47.041	University of Memphis	Engineering Grants	98-268/20-4	$ 27,891.98	
47.041	University of Memphis	Engineering Grants	98-268/2ED-2	2.46	
47.041	University of Memphis	Engineering Grants	98-268/2RR-4	10,892.00	
47.041	University of Memphis	Engineering Grants	98-268/2SG-1	36,717.96	
47.041	University of Memphis	Engineering Grants	98-268/2SG-2	27,872.99	
47.041	University of Memphis	Engineering Grants	98-268/2SG-3A	7,298.98	110,676.37
47.050	University of Memphis	Geosciences	98-268/2RC-2	$ 6,311.58	
47.050	University of Memphis	Geosciences	98-268/2ST-17	6,803.47	
47.050	University of Memphis	Geosciences	98-268/3GT-8B	11,120.92	
47.050	University of Memphis	Geosciences	98-268/3SG-6A	4,763.63	
47.050	University of Memphis	Geosciences	98-268/3SG-7	16,303.54	
47.050	University of Memphis	Geosciences	98-268/3SG-9	9,305.60	
47.050	University of Memphis	Geosciences	98-268/3SG-10	1,676.87	
47.050	University of Memphis	Geosciences	98-268/4SG-11	8,704.86	
47.050	University of Memphis	Geosciences	98-268/4SG-12	3,765.82	68,756.29

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031071		240,845.81
Passed Through Vanderbilt University					
47.049	Middle Tennessee State University	Mathematical and Physical Sciences	OMS9622780		81.03
Passed Through University of California					
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031089	$ 114,659.42	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033007	45,668.93	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033032	125,923.01	286,251.36
Passed Through Lemoyne-Owen College					
47.076	Tennessee State University	Education and Human Resources	HRD9553315-03		70,236.04
Passed Through University of Nevada					
47.076	University of Memphis	Education and Human Resources	UNR-01-67		2,287.50
Passed Through University of South Carolina					
47.076	University of Tennessee	Education and Human Resources	R010169004		42,521.78
Subtotal Pass-Through Programs					$ 890,624.41
Subtotal National Science Foundation					$ 13,468,727.37
Small Business Administration					
Direct Programs					
59.037	University of Memphis	Small Business Development Center	9-7620-0045-16		$ 38.42
Subtotal Small Business Administration					$ 38.42
Tennessee Valley Authority					
Direct Programs					
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	98R2A-235952-1311474	$ 12,521.44	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	98R2A-235952-1313734	444.45	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	98R2A-235952-1369027	14,725.99	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	98R2A-235952-1455543	16,924.10	$ 44,615.98
N/A	University of Tennessee	TVA REL# 1411974 SIMEK	R011005042		52.00
N/A	University of Tennessee	TVA TV-80103V ACD ENRCH-HARDEN	R011038036		37,768.75
N/A	University of Tennessee	TVA REL# 1356987 HARDEN	R011038068		28,710.40
N/A	University of Tennessee	TVA TV-80101V FIELD PRAC 90-91	R011082095		26,110.15
N/A	University of Tennessee	TVA REL# 1387517 MORAN	R011266002		4,895.72
N/A	University of Tennessee	TVA-REL #1351543-LUNDIN	R011317066		12,192.91
N/A	University of Tennessee	TVA REL# 1408197 BENNETT	R011334059		3,978.27
N/A	University of Tennessee	TVA TV-73564A-BOSE PEAC	R011341098		10,538.08
N/A	University of Tennessee	TVA REL# 1375538 BIRDWELL	R011344036		6,374.39

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N/A	University of Tennessee	TVA REL# 1380873 BIRDWELL	R011344037		2,954.38
N/A	University of Tennessee	TVA REL# 1437856 MILLER	R011382055		23,703.79
N/A	University of Tennessee	TVA 99R2A-242850-LADD 2000	R011436012		44,896.53
N/A	University of Tennessee	TVA-1438166 FORUM-MCCARTHY	R012531003		22,417.78
N/A	University of Tennessee	TVA REL# 1390409 BELL	R012540074		10,000.00
N/A	University of Tennessee	TVA REL# 1417090 BELL	R012540078		5,670.00
N/A	University of Tennessee	TVA REL# 1466302 BELL	R012540085		34,494.12
N/A	University of Tennessee	TVA TV-93594V-SECOND CRK-GNGWR	R012550085		2,113.83
N/A	University of Tennessee	TVA REL# 1412129 VAKILI	R024356024		145,108.77
N/A	University of Tennessee	TVA WATER CENTER BURHENN 00	R041001014		1,434.46
N/A	University of Tennessee	TVA LIGHTING ARREST MCCULLOUGH	R041302024		8,639.54
N/A	University of Tennessee	TVA TV-73891A-WATER QUAL MONIT	R041505024		0.34
N/A	University of Tennessee	TVA 97RKW-215456 GERHARDT	R111016057		21,228.10
N/A	University of Tennessee	TVA-INTANGIBLE ASSETS-JAKUS	R111216018		21,092.81
N/A	University of Tennessee	TVA-C02-RAY	R111216019		11,970.70
N/A	University of Tennessee	TVA 98RE5-233779 ULTRAFILTRAT	R112015071		4,129.14
N/A	University of Tennessee	TVA LANDSCAPE #2-ROGERS	R112615075		40,251.06
Subtotal Direct Programs					$ 575,342.00
Passed Through University of Kentucky					
N/A	Tennessee State University	Estimating the Demand for Welfare Recipient Labor	TV-00619V		$ 2,991.99
Subtotal Pass-Through Programs					$ 2,991.99
Subtotal Tennessee Valley Authority					$ 578,333.99
U.S. Department of Veterans' Affairs					
Direct Programs					
64.022	East Tennessee State University	Veterans Home Based Primary Care	5USC-3371-3376	$ 26,766.19	
64.022	East Tennessee State University	Veterans Home Based Primary Care	V621P-3780	27,202.47	$ 53,968.66
N/A	University of Memphis	Intergovernmental Personnel Assignment for Lawrence Brainerd	N/A		8,136.01
N/A	University of Memphis	Intergovernmental Personnel Assignment for Robyn Cox	N/A		50,319.73
N/A	University of Memphis	Measurement and Prediction Outcomes of Amplification	N/A		56,252.53
N/A	University of Tennessee	VETERANS ADMIN-MARKS 00	R011007055		5,620.82
N/A	University of Tennessee	VA ADMIN-MCCULLOUGH 2000	R011010027		26,155.24
Subtotal U.S. Department of Veterans' Affairs					$ 200,452.99
Environmental Protection Agency					
Direct Programs					
66.500	Tennessee Technological University	Environmental Protection_Consolidated Research	R825352-01	$ 10,245.46	
66.500	Tennessee Technological University	Environmental Protection_Consolidated Research	R827111-01-0	111,995.37	
66.500	University of Memphis	Environmental Protection_Consolidated Research	CR-827884-01-0	57,855.83	

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66.500	University of Tennessee	Environmental Protection_Consolidated Research	R011083078	244,316.59	
66.500	University of Tennessee	Environmental Protection_Consolidated Research	R012536067	(116.44)	
66.500	University of Tennessee	Environmental Protection_Consolidated Research	R012537036	0.01	
66.500	University of Tennessee	Environmental Protection_Consolidated Research	R012540069	54,742.86	$ 479,039.68
66.600	University of Tennessee	Environmental Protection Consolidated Grants_Program Support	R012535092	$ 2,569.80	
66.600	University of Tennessee	Environmental Protection Consolidated Grants_Program Support	R012540010	(2,171.52)	398.28
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012537074	$ 120,731.92	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012537075	37,322.53	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012537083	88,525.03	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012538009	4,522.78	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012538022	19,025.80	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012538057	24,799.27	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012538089	6,388.59	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R112817052	29,511.47	330,827.39
66.701	University of Tennessee	Toxic Substances Compliance Monitoring Cooperative Agreements	R012537029		3,413.92
66.807	University of Tennessee	Superfund Innovative Technology Evaluation Program	R013515066		235,018.49
Subtotal Direct Programs					$ 1,048,697.76
Passed Through University of New Hampshire					
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R011334050		$ 45,968.71
Passed Through Atmospheric Glow Technologies					
N/A	University of Tennessee	ATMOS GLOW SBIR PH2 ROTH	R011344039		73,733.51
Subtotal Pass-Through Programs					$ 119,702.22
Subtotal Environmental Protection Agency					$ 1,168,399.98
Nuclear Regulatory Commission					
Direct Programs					
N/A	University of Tennessee	NRC DR-01-0124 STEWART	R013515075		$ 17,751.56
Subtotal Nuclear Regulatory Commission					$ 17,751.56

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
		U. S. Department of Energy		
Direct Programs				
81.049	East Tennessee State University	Office of Science Financial Assistance Program	DEFG0299ER20333	$ 117,144.67
81.049	Middle Tennessee State University	Office of Science Financial Assistance Program	01-026	11,197.28
81.049	Middle Tennessee State University	Office of Science Financial Assistance Program	DE-FG02-86ER40293	12,283.31
81.049	Tennessee State University	Office of Science Financial Assistance Program	DE-FG02-98ER25368	41,034.65
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DEFG02-89ER40530	35,961.21
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DEFG02-92ER40694	2,765.94
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DEFG02-96ER40955	50,884.99
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DEFG02-96ER40990	36,826.89
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DEFG02-97ER41024	12,731.48
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DEFG02-99CH10975	165,264.96
81.049	University of Memphis	Office of Science Financial Assistance Program	DE-FG02-97ER14811	85,217.84
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011012012	81,834.15
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011018060	67,113.01
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011022010	27,277.57
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011024039	88,389.99
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011024068	156,687.82
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011026035	44,845.05
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011026053	105,121.83
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011026066	(0.05)
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011026072	153,280.13
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011026075	36,773.72
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011026078	(0.02)
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011030000	175,791.61
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011031088	164,935.34
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011042014	28,702.11
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011062032	429,545.15
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011062078	(10,691.75)
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063044	154,404.43
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063055	283,628.60

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063056	214,326.65	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063061	11,815.02	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063063	91,825.00	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063078	64,324.15	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063080	21,842.75	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011065013	13,540.16	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011322024	81,108.87	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011322068	61,162.49	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R012580019	324,602.61	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R012580025	(47,556.36)	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R024390011	(10,419.58)	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R105210006	203,037.29	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R112218068	14,276.63	$ 3,602,837.59
81.086	University of Tennessee	Conservation Research and Development	R011317054	$ 80,214.41	
81.086	University of Tennessee	Conservation Research and Development	R011317084	15,053.68	
81.086	University of Tennessee	Conservation Research and Development	R012540082	30,167.00	125,435.09
81.104	University of Tennessee	Office of Science and Technology for Environmental Management	R011343043		602,592.48
81.114	University of Tennessee	University Nuclear Science and Reactor Support	R011381011		79,926.23
81.121	University of Tennessee	Nuclear Energy Research Initiative	R011382044		104,936.79
N/A	Tennessee Technological University	Establish a Quantitative Structure/Property Relationahip	15573		9,563.63
N/A	Tennessee Technological University	Long Term Excavatability of Flowable Fill Containing Coal Combustion Byproducts	98-166-TTU		15,641.08
N/A	University of Tennessee	LBNL 6505209-DONGARRA	R011033029		39,567.28
N/A	University of Tennessee	DOE DE-FG05-91ER40627 BUGG TA1	R011065036		242,329.02
N/A	University of Tennessee	CMP-MBRSHP-FED-MCHARGUE-ADMIN	R011310024		33,170.67
N/A	University of Tennessee	DOE-TELEROBOTIC AUTO-PH I HAML	R011373031		980.57
N/A	University of Tennessee	DOE-HUMAN MACHINE COOP-HAMEL98	R011373032		117,672.98
N/A	University of Tennessee	DOE DE-FG03-00SF22168-MYNATT	R011382053		118,064.52
N/A	University of Tennessee	BECHTEL CA021FREL0019 SHRIEVES	R011425089		2,948.45
N/A	University of Tennessee	DOE DE-AP05-01OR43461 MURRAY	R011493041		12,226.13
N/A	University of Tennessee	BECHTEL JACOBS 63K-FYT71C	R012537032		39,285.51
N/A	University of Tennessee	BECHTEL JACOBS 63K-FYT70C	R012537039		7,884.56
N/A	University of Tennessee	BECHTEL CA021FREL0012 WEBSTER	R012538097		36,637.97

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
N/A	University of Tennessee	BECHTEL CA021FREL0016 WEBSTER	R012539018	33,994.23
N/A	University of Tennessee	BECHTEL CA021FREL0018 WEBSTER	R012539070	57,796.17
N/A	University of Tennessee	BECHTEL CA021FREL0015 TURNER	R012540076	4,850.15
N/A	University of Tennessee	DOE-DEFC3601GO10618-MOSCHLER	R112219009	16,807.48
Subtotal Direct Programs				$ 5,305,148.58
Passed Through University of California				
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011031072	$ 88,488.16
Passed Through National Renewable Energy Laboratory				
81.087	Tennessee State University	Renewable Energy Research and Development	DEAC02-83CH10093	53,624.00
Passed Through Bechtel Jacobs Company Limited Liability Company				
N/A	University of Tennessee	BECHTEL JACOBS AVERSA OFF SITE	R013515061	15,481.04
N/A	University of Tennessee	BECHTEL JACOBS AVERSA ON SITE	R013515062	57,104.89
N/A	University of Tennessee	BECHTEL JACOBS CO LLC-PORTS	R013515063	1,283.61
N/A	University of Tennessee	BECHTEL CA021FREL0014 DOLISLAG	R013515072	10,063.58
N/A	University of Tennessee	BECHTEL CA021FREL0017 DOLISLAG	R013515073	12,586.64
N/A	University of Tennessee	BECHTEL CA021FREL0020 DOLISLAG	R013515074	138,784.71
Passed Through Community Reuse Organization of East Tennessee				
N/A	University of Tennessee	COMMUNITY REUSE OF E TN-HODGSN	R011373041	39,511.80
Passed Through FluoreScience, Incorporated				
N/A	Tennessee Technological University	A Development of On-Line Temperature Measurement Instrumentation for Gasification Process Control	5-36319	23,399.92
Passed Through Lawrence Berkeley National Laboratory				
N/A	University of Tennessee	LAWRENCE BERKELEY NTL LAB	R011382037	34,550.32
Passed Through Lockheed Martin Energy Research Corporation				
N/A	Roane State Community College	Oak Ridge National Lab	19X-SS900V	4,584.44
N/A	Tennessee State University	Heat Pump Test Facility	19X-ST226	19,930.26
N/A	Tennessee Technological University	Technical Support for Engine Diagnostics	4500004554	0.60
Passed Through Lockheed Martin Energy Systems, Incorporated				
N/A	Tennessee State University	Facilities Planning Design and Management Systems	DE-AC05-96R0R22464	4,592.39

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N/A	University of Tennessee	LOCKHEED MAR IDAHO-#1 KABALKA	R011024043		38,295.48
N/A	University of Tennessee	LOCKHEED MARTIN IDAHO-UHRIG 98	R011382031		43,147.92
N/A	University of Tennessee	LOCKHEED ID K98-178597 MILLER	R011382051		37,832.09
Passed Through Los Alamos National Laboratory					
N/A	University of Tennessee	LANA 12187-001-00 4R DONGARRA	R011030017		69,338.07
N/A	University of Tennessee	LANL 12183-001-00 4T BROWNE	R011033016		15,668.05
Passed Through Sandia National Laboratory					
N/A	University of Tennessee	SANDIA NTL LAB-FRANKEL 98	R011373038		8,613.50
Passed Through Southern Company Services, Incorporated					
N/A	Tennessee Technological University	Real-Time Heat Rate Monitoring	5-37327		1,297.88
Passed Through UT-Battelle Limited Liability Company					
N/A	Tennessee Technological University	Development of Software Tools for Engine Diagnostics	4000002177		34,963.82
N/A	Tennessee Technological University	Stoichiometric Effects in AB2 Laves Phases	4000005119		16,483.78
N/A	Tennessee Technological University	Aluminide Coatings for Power-Generation Applications	4000007035		38,994.81
N/A	Tennessee Technological University	Engine Exhaust Characterization	4000008764		16,277.55
N/A	University of Memphis	Tennessee Mouse Consortium	4000001327		4,867.60
Subtotal Pass-Through Programs					$ 829,766.91
Subtotal U.S. Department of Energy					$ 6,134,915.49
U. S. Department of Education					
Direct Programs					
84.195	University of Tennessee	Bilingual Education_Professional Development	R041501044		$ 108,724.29
84.220	University of Memphis	Centers for International Business Education	P220A990018	$ 72,178.44	
84.220	University of Memphis	Centers for International Business Education	P220A990018-00	223,675.43	295,853.87
84.306	University of Memphis	National Institute on the Education of At-Risk Students	R306F70099		79,040.92
84.325	University of Memphis	Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities	HO29D60041		94,154.81
84.339	University of Tennessee	Learning Anytime Anywhere Partnerships	R015701004		212,780.86
84.342	East Tennessee State University	Preparing Tomorrow's Teachers to Use Technology	P342A990245		17,430.42
84.346	Southwest Tennessee Community College	Occupational and Employment Information State Grants	479114		243.74
Subtotal Direct Programs					$ 808,228.91

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Auburn University					
84.010	University of Memphis	Title I Grants to Local Educational Agencies	01-ED-423108-UM		$ 11,999.10
Passed Through Regents of the University of Minnesota					
84.024	East Tennessee State University	Handicapped Early Childhood Assistance	H024D970015		19,337.62
Passed Through American String Teachers Association					
84.116	University of Memphis	Fund for the Improvement of Postsecondary Education	NA		10,000.00
Passed Through Lemoyne-Owen College					
84.120	Southwest Tennessee Community College	Minority Science and Engineering Improvement	0002-8707	$ 33,346.57	
84.120	Southwest Tennessee Community College	Minority Science and Engineering Improvement	2-8705	35,161.61	68,508.18
Passed Through Modern Red Schoolhouse Institute Incorporated					
84.215	Tennessee State University	Fund for the Improvement of Education	N/A		1,550.94
Passed Through University of Maine					
84.257	University of Tennessee	National Institute for Literacy	R011804084		232,103.79
Passed Through CNA Corporation					
84.302	University of Memphis	Regional Technical Support and Professional Development Consortia	00-UOFM-1-0050		82,397.05
Passed Through University of California-Santa Cruz					
84.306	University of Memphis	National Institute on the Education of At-Risk Students	SC 96243-V		10,733.90
Passed Through Harvard University					
84.309	University of Tennessee	National Institute on Postsecondary Education, Libraries, and Lifelong Learning	R011804023		119,964.99
Passed Through Virginia Commonwealth University					
84.324	East Tennessee State University	Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities	521686/PO P364549		19,169.59
Passed Through The University of Utah					
84.324	East Tennessee State University	Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities	9912011		11,848.85
Passed Through Pennsylvania State University					
84.342	Austin Peay State University	Preparing Tomorrow's Teachers to Use Technology	1914-APU-USDE-0014		7,856.89

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through University of North Carolina-Greensboro					
N/A	University of Memphis	Southeastern Regional Vision for Education Research Case Studies	SRV99FXL-649		39,546.00
Subtotal Pass-Through Programs					$ 635,016.90
Subtotal U.S. Department of Education					$ 1,443,245.81
National Archives and Records Administration					
Direct Programs					
89.003	University of Tennessee	National Historical Publications and Records Grants	R011002000	$ 66,526.99	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003064	3,020.04	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003066	8,500.18	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003067	224.28	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003073	60,969.56	$ 139,241.05
Subtotal National Archives and Records Administration					$ 139,241.05
United States Institute of Peace					
Direct Programs					
91.001	University of Tennessee	Unsolicited Grant Program	R073252020		$ 3,270.07
Subtotal for United States Institute of Peace					$ 3,270.07
U. S. Department of Health and Human Services					
Direct Programs					
93.103	Tennessee State University	Food and Drug Administration_Research	FD-U-001950-01	$ 42,392.30	
93.103	University of Tennessee	Food and Drug Administration_Research	R112015064	180,733.29	$ 223,125.59
93.113	University of Memphis	Biological Response to Environmental Health Hazards	7 R01 ES08148-03		191,087.03
93.121	University of Tennessee	Oral Diseases and Disorders Research	R012580058	$ 125,661.28	
93.121	University of Tennessee	Oral Diseases and Disorders Research	R073445047	17,970.55	
93.121	University of Tennessee	Oral Diseases and Disorders Research	R073445053	47,480.43	
93.121	University of Tennessee	Oral Diseases and Disorders Research	R073445054	135,520.00	
93.121	University of Tennessee	Oral Diseases and Disorders Research	R073475039	8,899.86	
93.121	University of Tennessee	Oral Diseases and Disorders Research	R073480002	(293.68)	335,238.44
93.173	East Tennessee State University	Research Related to Deafness and Communication Disorders	2R15DC02301	$ 32,174.48	
93.173	East Tennessee State University	Research Related to Deafness and Communication Disorders	5R03DC03493	7,483.24	
93.173	Tennessee State University	Research Related to Deafness and Communication Disorders	1K02 DC00180-01Al	43,576.28	
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	1R03 DC03651-01	300.00	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	5R01DC00154-20	84,621.19	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R011010024	42,709.09	210,864.28
93.178	East Tennessee State University	Nursing Workforce Diversity	5D19NU40285		18,042.86
93.211	University of Tennessee	Rural Telemedicine Grants	R106903058	$ 68,943.28	
93.211	University of Tennessee	Rural Telemedicine Grants	R106903061	291,146.47	360,089.75
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R073013069	$ (451.42)	
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R073013091	98,036.20	
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R073017097	267,614.73	365,199.51
93.230	University of Tennessee	Consolidated Knowledge Development and Application (KD&A) Program	R013010094		47,028.02
93.242	Tennessee State University	Mental Health Research Grants	1R24MH59748-01	$ 44,026.10	
93.242	Tennessee State University	Mental Health Research Grants	1R24MH59748-02	288,921.79	
93.242	University of Tennessee	Mental Health Research Grants	R011016011	199,228.00	
93.242	University of Tennessee	Mental Health Research Grants	R011018034	68,906.30	
93.242	University of Tennessee	Mental Health Research Grants	R011210091	21,567.90	
93.242	University of Tennessee	Mental Health Research Grants	R012813090	96,754.59	
93.242	University of Tennessee	Mental Health Research Grants	R014030007	119,695.97	
93.242	University of Tennessee	Mental Health Research Grants	R014030009	10,757.20	
93.242	University of Tennessee	Mental Health Research Grants	R014030010	32,867.13	
93.242	University of Tennessee	Mental Health Research Grants	R014030011	824,996.29	
93.242	University of Tennessee	Mental Health Research Grants	R073279012	(0.23)	1,707,721.04
93.273	University of Tennessee	Alcohol Research Programs	R073003005	$ 39,710.41	
93.273	University of Tennessee	Alcohol Research Programs	R073004055	74,096.95	
93.273	University of Tennessee	Alcohol Research Programs	R073004067	45,435.67	
93.273	University of Tennessee	Alcohol Research Programs	R073004077	85,708.65	
93.273	University of Tennessee	Alcohol Research Programs	R073024063	90,025.50	
93.273	University of Tennessee	Alcohol Research Programs	R073036089	62,990.12	
93.273	University of Tennessee	Alcohol Research Programs	R073632015	11,040.46	409,007.76
93.279	University of Memphis	Drug Abuse Research Programs	1R01 DA12532	$ 346,509.52	
93.279	University of Tennessee	Drug Abuse Research Programs	R073004066	358.73	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024027	455,334.34	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024035	409,766.81	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024042	679,573.31	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024066	98,916.20	
93.279	University of Tennessee	Drug Abuse Research Programs	R073237004	111,375.08	
93.279	University of Tennessee	Drug Abuse Research Programs	R073281032	72,320.67	
93.279	University of Tennessee	Drug Abuse Research Programs	R073281033	424,908.05	2,599,062.71
93.281	University of Tennessee	Mental Health Research Career/Scientist Development Awards	R073003009	$ 1,062,206.43	
93.281	University of Tennessee	Mental Health Research Career/Scientist Development Awards	R073003012	452,822.19	
93.281	University of Tennessee	Mental Health Research Career/Scientist Development Awards	R073004083	132,415.03	
93.281	University of Tennessee	Mental Health Research Career/Scientist Development Awards	R073024061	55,787.89	
93.281	University of Tennessee	Mental Health Research Career/Scientist Development Awards	R073024062	19,096.34	
93.281	University of Tennessee	Mental Health Research Career/Scientist Development Awards	R073024064	211,828.45	1,934,156.33
93.333	University of Tennessee	Clinical Research	R073223034		84,118.05
93.358	East Tennessee State University	Advanced Education Nursing Traineeships	1A10HP00140		69,550.83

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.359	East Tennessee State University	Basic Nurse Education and Practice Grants	5D10NU30187		1,128.56
93.361	East Tennessee State University	Nursing Research	1R15NR05249	$ 46,497.24	
93.361	University of Tennessee	Nursing Research	R013010093	81,029.69	
93.361	University of Tennessee	Nursing Research	R073850020	(240.82)	
93.361	University of Tennessee	Nursing Research	R073850022	560,772.44	
93.361	University of Tennessee	Nursing Research	R073850023	218,915.48	
93.361	University of Tennessee	Nursing Research	R073860038	288,548.13	1,195,522.16
93.371	East Tennessee State University	Biomedical Technology	1S10RR14697	$ 259,668.55	
93.371	University of Tennessee	Biomedical Technology	R012580046	80,967.75	
93.371	University of Tennessee	Biomedical Technology	R073260033	947,224.55	
93.371	University of Tennessee	Biomedical Technology	R073281035	237,405.53	
93.371	University of Tennessee	Biomedical Technology	R181741008	150,646.38	1,675,912.76
93.375	Southwest Tennessee Community College	Minority Biomedical Research Support	1R25 GM60180.01A1	$ 47,447.71	
93.375	Tennessee State University	Minority Biomedical Research Support	2S06 GM08092-24	(74,471.57)	
93.375	Tennessee State University	Minority Biomedical Research Support	5S06 GM08092-25	218,253.67	
93.375	Tennessee State University	Minority Biomedical Research Support	5S06 GM08092-26	915,930.50	
93.375	Tennessee State University	Minority Biomedical Research Support	5S06 GM08092-27	30,435.35	1,137,595.66
93.389	Tennessee State University	Research Infrastructure	5 P20 RR11808-03	$ 356.73	
93.389	Tennessee State University	Research Infrastructure	5 P20 RR11808-04	242,856.75	
93.389	Tennessee State University	Research Infrastructure	5 P20 RR11808-05	444,345.60	687,559.08
93.390	East Tennessee State University	Academic Research Enhancement Award	1R15CA80769	$ 45,924.42	
93.390	East Tennessee State University	Academic Research Enhancement Award	1R15GM57779	33,379.00	
93.390	East Tennessee State University	Academic Research Enhancement Award	1R15MH59158	34,195.80	
93.390	East Tennessee State University	Academic Research Enhancement Award	5R15EY11783	6,618.14	
93.390	Tennessee State University	Academic Research Enhancement Award	7 R15 CA74354-02	26,699.10	
93.390	University of Memphis	Academic Research Enhancement Award	1 R15 HL/OD56369-01	72,186.45	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 AR45297-01	19,430.67	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 CA74362-01A1	18,917.61	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 DK54235-01	20,652.08	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 GM57653-01	20,469.43	
93.390	University of Memphis	Academic Research Enhancement Award	1R15 HL60589-01	26,005.98	
93.390	University of Memphis	Academic Research Enhancement Award	1R15-AG16594-01	26,932.45	
93.390	University of Tennessee	Academic Research Enhancement Award	R073631081	18,182.20	369,593.33
93.393	University of Tennessee	Cancer Cause and Prevention Research	R073018024	$ 89,681.91	
93.393	University of Tennessee	Cancer Cause and Prevention Research	R073921066	81,629.86	
93.393	University of Tennessee	Cancer Cause and Prevention Research	R181730081	86,085.26	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.393	University of Tennessee	Cancer Cause and Prevention Research	R181740094	100,580.01	
93.393	University of Tennessee	Cancer Cause and Prevention Research	R181741007	142,830.07	500,807.11
93.395	University of Tennessee	Cancer Treatment Research	R011024040	$ 89,948.51	
93.395	University of Tennessee	Cancer Treatment Research	R073024016	49,224.41	
93.395	University of Tennessee	Cancer Treatment Research	R073256047	197,476.59	
93.395	University of Tennessee	Cancer Treatment Research	R073295054	43,659.21	
93.395	University of Tennessee	Cancer Treatment Research	R073621040	23,275.52	
93.395	University of Tennessee	Cancer Treatment Research	R073621067	20,012.53	
93.395	University of Tennessee	Cancer Treatment Research	R073921067	(26,614.67)	
93.395	University of Tennessee	Cancer Treatment Research	R105210018	403,601.69	
93.395	University of Tennessee	Cancer Treatment Research	R105210024	1,139.28	
93.395	University of Tennessee	Cancer Treatment Research	R105210030	151,696.71	
93.395	University of Tennessee	Cancer Treatment Research	R105210034	262,066.09	1,215,485.87
93.396	University of Tennessee	Cancer Biology Research	R073024072	$ 124,238.06	
93.396	University of Tennessee	Cancer Biology Research	R073298094	14.11	
93.396	University of Tennessee	Cancer Biology Research	R073298098	241,725.35	365,977.52
93.397	University of Tennessee	Cancer Centers Support Grants	R073226057	$ 40,901.28	
93.397	University of Tennessee	Cancer Centers Support Grants	R073921062	83,694.74	
93.397	University of Tennessee	Cancer Centers Support Grants	R073955027	374.71	
93.397	University of Tennessee	Cancer Centers Support Grants	R073955048	56,950.24	181,920.97
93.399	University of Memphis	Cancer Control	1RO1-CA71348	$ 226,713.45	
93.399	University of Memphis	Cancer Control	7R03 CA80641	6,250.46	
93.399	University of Tennessee	Cancer Control	R073237024	489,713.97	722,677.88
93.779	Tennessee State University	Health Care Financing Research, Demonstrations and Evaluations	20-P-90889/4-01	$ (470.47)	
93.779	Tennessee State University	Health Care Financing Research, Demonstrations and Evaluations	20-P-90889/4-02	87,436.85	86,966.38
93.821	East Tennessee State University	Cell Biology and Biophysics Research	5R15GM54337	$ 34,708.96	
93.821	University of Tennessee	Cell Biology and Biophysics Research	R011015075	298,452.53	
93.821	University of Tennessee	Cell Biology and Biophysics Research	R012813069	35,172.50	
93.821	University of Tennessee	Cell Biology and Biophysics Research	R073018004	112,222.83	
93.821	University of Tennessee	Cell Biology and Biophysics Research	R073036081	60,552.86	
93.821	University of Tennessee	Cell Biology and Biophysics Research	R073281028	43,150.07	
93.821	University of Tennessee	Cell Biology and Biophysics Research	R105210022	91,984.44	676,244.19
93.837	East Tennessee State University	Heart and Vascular Diseases Research	2R01HL51314	$ 156,638.97	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL51859	179,013.31	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL54633	49,993.45	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL58140	223,570.79	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5R01HL63070	136,532.52	
93.837	University of Memphis	Heart and Vascular Diseases Research	1R01HL53261-01A1	17,541.40	
93.837	University of Memphis	Heart and Vascular Diseases Research	1R01HL63216-01A2	33,297.75	
93.837	University of Memphis	Heart and Vascular Diseases Research	1R01HL64050	125,865.51	
93.837	University of Memphis	Heart and Vascular Diseases Research	1R18HL56626	485,502.86	
93.837	University of Memphis	Heart and Vascular Diseases Research	1R29-HL55531	54,696.70	
93.837	University of Memphis	Heart and Vascular Diseases Research	1UO1 HL62662	681.17	
93.837	University of Memphis	Heart and Vascular Diseases Research	2R01HL50723	88,714.22	
93.837	University of Memphis	Heart and Vascular Diseases Research	2R01HL50723-09	78,673.39	
93.837	University of Memphis	Heart and Vascular Diseases Research	3R18HL-5347804A1S1	55,249.53	
93.837	University of Memphis	Heart and Vascular Diseases Research	5R01HL53478	701,503.78	
93.837	University of Memphis	Heart and Vascular Diseases Research	5U01HL62662-02	359,332.27	
93.837	University of Memphis	Heart and Vascular Diseases Research	5U01HL62662-03	378,854.47	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073018007	107,658.59	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073024026	521,483.97	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073024028	140,905.34	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073024033	327,172.91	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073024065	118,524.09	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073035057	(2,216.67)	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036013	265,439.26	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036022	(2,757.10)	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036027	69,894.26	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036029	254,910.30	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036033	331,206.76	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036046	117,550.20	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036053	110,797.89	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036078	154,703.51	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036085	193,715.73	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073222039	68,691.29	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073252025	116,975.91	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073311034	47,443.29	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073621050	91,634.20	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073621063	119,436.46	6,278,832.28
93.838	University of Tennessee	Lung Diseases Research	R073036052	$ 250,659.19	
93.838	University of Tennessee	Lung Diseases Research	R073222044	137,203.12	387,862.31
93.839	University of Tennessee	Blood Diseases and Resources Research	R011018055	$ 217,490.88	
93.839	University of Tennessee	Blood Diseases and Resources Research	R073036004	283,616.07	
93.839	University of Tennessee	Blood Diseases and Resources Research	R073036037	(2,126.45)	
93.839	University of Tennessee	Blood Diseases and Resources Research	R073366079	46,375.31	545,355.81
93.846	University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	1R29-AR44809-01	$ 124,035.82	
93.846	University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	3R29-AR44809-04S1	23,977.95	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073003008	85,117.28	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073013081	162,302.13	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073220097	241,146.43	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073223032	21,350.45	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332022	579.70	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332034	156,810.50	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332045	208,733.60	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332047	122,863.20	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332050	327,545.51	1,474,462.57
93.847	East Tennessee State University	Diabetes, Endocrinology and Metabolism Research	1R15DK52570	$ 34,557.99	
93.847	East Tennessee State University	Diabetes, Endocrinology and Metabolism Research	5R21DK57115	123,345.43	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073024018	11,440.76	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073252056	98,141.47	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073316053	792,694.66	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073321009	205,086.17	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073332048	259,493.54	1,524,760.02
93.848	University of Memphis	Digestive Diseases and Nutrition Research	7R01DK53952-03	$ 215,477.18	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073035092	259,086.91	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073036034	361,774.39	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073036087	62,692.33	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073316066	215,803.43	1,114,834.24
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R073256042	$ 237,587.97	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R073316057	516,326.79	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R073316065	51,429.91	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R181740097	109,933.60	915,278.27
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	1R15NS39272	$ 48,368.78	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	1R15NS40265	25,953.33	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS18710	197,836.21	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS39646	169,436.69	
93.853	University of Memphis	Extramural Research Programs in the Neurosciences and Neurological Disorders	1 R15 NS35293-01	24,932.25	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R011015078	206,703.35	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073003026	100,183.95	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073003028	13,458.20	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004012	180,710.78	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004013	176,809.49	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004016	870.69	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004028	171,044.06	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004056	158,455.15	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004057	104,783.47	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004058	36,706.82	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004064	(5,428.70)	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004065	169,194.92	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004068	(34,662.44)	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004069	36.57	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004080	142,896.06	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004082	301,341.26	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073009094	784,409.19	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073009095	216,664.02	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073014003	210,132.88	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073036015	147,532.70	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073036048	(11,046.35)	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073036080	127,848.87	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073279020	151.75	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073279042	225,993.12	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073279047	185,326.15	4,076,643.22
93.855	East Tennessee State University	Allergy, Immunology and Transplantation Research	1R15AI43310	$ 13,399.56	
93.855	East Tennessee State University	Allergy, Immunology and Transplantation Research	1R15AI45549	8,274.66	
93.855	East Tennessee State University	Allergy, Immunology and Transplantation Research	7K08AI01478	32,423.45	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.855	University of Tennessee	Allergy, Immunology and Transplantation Research	R011015085	21,377.54	
93.855	University of Tennessee	Allergy, Immunology and Transplantation Research	R073018027	113,187.32	188,662.53
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	1R15AI339101	$ 13,333.05	
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	2R01AI13446	223,014.24	
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	7R29AI40915	87,696.16	
93.856	University of Memphis	Microbiology and Infectious Diseases Research	1R15 AI45984-01	41,455.64	
93.856	University of Memphis	Microbiology and Infectious Diseases Research	1R15 AI45984-01S1	6,925.66	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R011015084	3,356.61	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R011018056	182,047.34	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073004050	139,784.20	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073017093	21,197.80	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073017098	183,824.10	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073018008	211,222.24	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073252022	(5,378.68)	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073321031	463,333.91	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073371033	108,167.15	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073621025	(1,002.55)	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073621068	73,138.95	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R181736071	3,798.66	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R181736072	119,527.41	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R181736082	332,886.94	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R181736083	58,677.41	2,267,006.24
93.859	East Tennessee State University	Pharmacology, Physiology, and Biological Chemistry Research	1R01GM62121	$ 11,377.77	
93.859	East Tennessee State University	Pharmacology, Physiology, and Biological Chemistry Research	2R01GM53522	102,469.43	
93.859	East Tennessee State University	Pharmacology, Physiology, and Biological Chemistry Research	5R01GM59578	69,027.36	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073252023	94,525.34	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073252031	274,491.21	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073621029	2,594.57	554,485.68
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	R011015071	$ 18,555.59	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	R011018039	250,711.97	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	R011018061	140,925.96	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	R011080023	47,343.76	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	R011083089	49,682.76	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	R073014008	169,595.62	
93.862	University of Tennessee	Genetics and Developmental Biology Research and Research Training	R073014022	149,262.43	826,078.09
93.864	Tennessee State University	Population Research	8 G11HD34944-03	$ 98,730.60	
93.864	University of Tennessee	Population Research	R011018033	54,944.46	
93.864	University of Tennessee	Population Research	R011018037	12,509.50	166,184.56
93.865	Austin Peay State University	Center for Research for Mothers and Children	1 R15 HD35349-01A1	$ 5,536.14	
93.865	University of Memphis	Center for Research for Mothers and Children	7U10 HD34625-03	68,999.33	
93.865	University of Tennessee	Center for Research for Mothers and Children	R011069059	119,755.91	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073004060	76,367.37	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073024013	19.55	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073024021	(2,063.82)	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073036005	6,673.84	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073036063	(2,574.47)	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073221001	931,578.37	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073221087	381,803.74	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073222054	188,218.96	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073227031	(64.13)	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073227088	446,180.01	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073228020	12,004.30	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073237023	46,760.83	
93.865	University of Tennessee	Center for Research for Mothers and Children	R105210029	12,239.94	2,291,435.87
93.866	University of Memphis	Aging Research	1R01AG14738-01A2	$ 351,672.66	
93.866	University of Memphis	Aging Research	5R01AG11230-07	273,304.19	
93.866	University of Tennessee	Aging Research	R073004097	171,015.52	
93.866	University of Tennessee	Aging Research	R073236076	234,581.19	
93.866	University of Tennessee	Aging Research	R073237060	138,250.43	
93.866	University of Tennessee	Aging Research	R105210031	30,149.30	1,198,973.29
93.867	University of Tennessee	Vision Research	R073003010	$ 299,084.68	
93.867	University of Tennessee	Vision Research	R073004023	24,194.33	
93.867	University of Tennessee	Vision Research	R073004034	16,754.50	
93.867	University of Tennessee	Vision Research	R073004048	(29,567.14)	
93.867	University of Tennessee	Vision Research	R073004074	166,938.04	
93.867	University of Tennessee	Vision Research	R073004081	112,719.73	
93.867	University of Tennessee	Vision Research	R073004088	247,663.26	
93.867	University of Tennessee	Vision Research	R073013083	(2,880.46)	

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93.867	University of Tennessee	Vision Research	R073035079	(539.54)	
93.867	University of Tennessee	Vision Research	R073036062	175,427.01	
93.867	University of Tennessee	Vision Research	R073228011	224,969.80	
93.867	University of Tennessee	Vision Research	R073279063	117,135.29	
93.867	University of Tennessee	Vision Research	R073285054	194,988.48	
93.867	University of Tennessee	Vision Research	R073285067	(1,055.93)	
93.867	University of Tennessee	Vision Research	R073285079	209,058.02	
93.867	University of Tennessee	Vision Research	R073285085	152,128.60	
93.867	University of Tennessee	Vision Research	R073285096	3,266.65	
93.867	University of Tennessee	Vision Research	R181736078	271,277.49	2,181,562.81
93.990	University of Tennessee	National Health Promotion	R073236031		1,051,006.06
N/A	Tennessee State University	Healthcare Services and Expenditures for Adults with Psychiatric Disorders	00R305007		3,327.00
N/A	University of Tennessee	NTL LIB MED N01-LM-0-3503	R011344031		29,797.41
N/A	University of Tennessee	DHHS/PHS/CDC NIOSH-WASSERMAN	R011373054		3,402.84
N/A	University of Tennessee	DHHS PO36921 WASSERMAN	R011373083		8,580.00
N/A	University of Tennessee	NIH N01-DE-62611 PALMER 97	R012580018		29.87
N/A	University of Tennessee	USPHS GRANT NS-36860	R073004030		141,118.70
N/A	University of Tennessee	USPHS CONT NO1-HC-45137	R073236046		57,012.46
N/A	University of Tennessee	USPHS CONT N01-AG-6-2103	R073236061		927,278.66
N/A	University of Tennessee	USPHS CONT FDA-223-95-3006	R073621010		43,479.58
Subtotal Direct Programs					$ 45,629,134.04
Passed Through Meharry Medical College					
93.004	Middle Tennessee State University	Cooperative Agreements to Improve the Health Status of Minority Populations	990728STS114		$ 7,848.05
93.226	Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	1-U18-HS11131-01		132,610.55
Passed Through Ohio State University Research Foundation					
93.121	University of Tennessee	Oral Diseases and Disorders Research	R181730090		66,277.97
Passed Through Kirkwood Community College					
93.142	University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	R012539076		17,285.92
Passed Through University of Utah					
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	99-N-09/9805093-01		42,297.25
Passed Through Northwestern University					
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R070106004		14,040.33
Passed Through University of California					
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R073227075		90,509.46
Passed Through Cornell University					
93.279	University of Tennessee	Drug Abuse Research Programs	R073281025		52,728.01

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Passed Through University of Kentucky				
93.279	University of Tennessee	Drug Abuse Research Programs	R011084014	126,232.87
Passed Through University of North Carolina				
93.283	University of Tennessee	Centers for Disease Control and Prevention_Investigations and Technical Assistance	R073366092	35,319.99
Passed Through Southwest Oncology Group				
93.399	East Tennessee State University	Cancer Control	CA37429	652.00
Passed Through University Of Minnesota				
93.399	University of Memphis	Cancer Control	H6636246204	20,040.85
93.837	University of Memphis	Heart and Vascular Diseases Research	H6636358101	2,735.03
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R011015081	56,101.19
Passed Through Science & Engineering Services, Incorporated				
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R105210039	18,644.44
Passed Through Johns Hopkins University				
93.856	University of Memphis	Microbiology and Infectious Diseases Research	NA	11,800.17
Passed Through Pennsylvania State University				
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	5P01AI37829	40,125.05
Passed Through University of Michigan				
93.866	University of Tennessee	Aging Research	R073003020	37,962.39
Subtotal Pass-Through Programs				$ 773,211.52
Subtotal U.S. Department of Health and Human Services				$ 46,402,345.56
Corporation for National and Community Service				
Direct Programs				
94.006	University of Tennessee	AmeriCorps	R012595022	$ 2,159.38
Subtotal Corporation for National and Community Service				$ 2,159.38
Other Federal Assistance				
U.S. Agency for International Development				
Passed Through American Council on Education				
N/A	Middle Tennessee State University	Sustainable Environment	HNEA00970005900	$ 53,179.01

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through United Negro College Fund					
N/A	Tennessee State University	United Negro College Fund-Amazonas Project	IDP-2000-G-2003		58,307.61
Subtotal U.S. Agency for International Development					$ 111,486.62
Subtotal Other Federal Assistance					$ 111,486.62
Total Research and Development Cluster					$ 97,679,975.52
Student Financial Assistance Cluster					
U.S. Department of Education					
Direct Programs					
84.007	Austin Peay State University	Federal Supplemental Educational Opportunity Grants		$ 273,953.36	
84.007	Chattanooga State Technical Community College	Federal Supplemental Educational Opportunity Grants		116,528.00	
84.007	Cleveland State Community College	Federal Supplemental Educational Opportunity Grants		34,392.00	
84.007	Columbia State Community College	Federal Supplemental Educational Opportunity Grants		81,445.00	
84.007	Dyersburg State Community College	Federal Supplemental Educational Opportunity Grants		61,433.75	
84.007	East Tennessee State University	Federal Supplemental Educational Opportunity Grants		562,552.25	
84.007	Jackson State Community College	Federal Supplemental Educational Opportunity Grants		97,464.00	
84.007	Middle Tennessee State University	Federal Supplemental Educational Opportunity Grants		406,723.00	
84.007	Motlow State Community College	Federal Supplemental Educational Opportunity Grants		73,726.00	
84.007	Nashville State Technical Institute	Federal Supplemental Educational Opportunity Grants		102,121.75	
84.007	Northeast State Technical Community College	Federal Supplemental Educational Opportunity Grants		77,930.94	
84.007	Pellissippi State Technical Community College	Federal Supplemental Educational Opportunity Grants		216,376.00	
84.007	Roane State Community College	Federal Supplemental Educational Opportunity Grants		123,363.57	
84.007	Southwest Tennessee Community College	Federal Supplemental Educational Opportunity Grants		241,674.87	
84.007	Tennessee State University	Federal Supplemental Educational Opportunity Grants		1,210,566.75	
84.007	Tennessee Technological University	Federal Supplemental Educational Opportunity Grants		230,067.75	
84.007	University of Memphis	Federal Supplemental Educational Opportunity Grants		417,461.25	
84.007	University of Tennessee	Federal Supplemental Educational Opportunity Grants		612,536.90	
84.007	Volunteer State Community College	Federal Supplemental Educational Opportunity Grants		114,049.40	
84.007	Walters State Community College	Federal Supplemental Educational Opportunity Grants		113,147.20	$ 5,167,513.74
84.032	Austin Peay State University	Federal Family Education Loans		$ 14,586,556.67	
84.032	Chattanooga State Technical Community College	Federal Family Education Loans		3,382,770.90	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.032	Cleveland State Community College	Federal Family Education Loans		521,441.00	
84.032	Dyersburg State Community College	Federal Family Education Loans		406,771.08	
84.032	East Tennessee State University	Federal Family Education Loans		26,522,957.00	
84.032	Middle Tennessee State University	Federal Family Education Loans		36,623,554.60	
84.032	Northeast State Technical Community College	Federal Family Education Loans		954,053.00	
84.032	Pellissippi State Technical Community College	Federal Family Education Loans		2,371,999.22	
84.032	Roane State Community College	Federal Family Education Loans		1,165,422.06	
84.032	Tennessee Technological University	Federal Family Education Loans		474,062.00	
84.032	University of Tennessee	Federal Family Education Loans		112,589,044.86	
84.032	Volunteer State Community College	Federal Family Education Loans		1,671,761.00	
84.032	Walters State Community College	Federal Family Education Loans		1,155,167.00	202,425,560.39
84.033	Austin Peay State University	Federal Work-Study Program		$ 293,351.44	
84.033	Chattanooga State Technical Community College	Federal Work-Study Program		250,918.65	
84.033	Cleveland State Community College	Federal Work-Study Program		55,762.22	
84.033	Columbia State Community College	Federal Work-Study Program		66,001.68	
84.033	Dyersburg State Community College	Federal Work-Study Program		86,256.47	
84.033	East Tennessee State University	Federal Work-Study Program		583,624.61	
84.033	Jackson State Community College	Federal Work-Study Program		100,987.96	
84.033	Middle Tennessee State University	Federal Work-Study Program		704,567.76	
84.033	Motlow State Community College	Federal Work-Study Program		93,875.77	
84.033	Nashville State Technical Institute	Federal Work-Study Program		75,937.91	
84.033	Northeast State Technical Community College	Federal Work-Study Program		132,737.15	
84.033	Pellissippi State Technical Community College	Federal Work-Study Program		110,479.73	
84.033	Roane State Community College	Federal Work-Study Program		172,660.90	
84.033	Southwest Tennessee Community College	Federal Work-Study Program		237,064.41	
84.033	Tennessee State University	Federal Work-Study Program		773,436.90	
84.033	Tennessee Technological University	Federal Work-Study Program		367,017.71	
84.033	University of Memphis	Federal Work-Study Program		478,538.20	
84.033	University of Tennessee	Federal Work-Study Program		1,573,709.18	
84.033	Volunteer State Community College	Federal Work-Study Program		35,487.89	
84.033	Walters State Community College	Federal Work-Study Program		120,348.72	6,312,765.26
84.038	Austin Peay State University	Federal Perkins Loan Program_Federal Capital Contributions		$ 12,717.75	
84.038	East Tennessee State University	Federal Perkins Loan Program_Federal Capital Contributions		240,435.00	
84.038	Jackson State Community College	Federal Perkins Loan Program_Federal Capital Contributions		7,961.00	
84.038	Middle Tennessee State University	Federal Perkins Loan Program_Federal Capital Contributions		22,783.10	
84.038	Tennessee Technological University	Federal Perkins Loan Program_Federal Capital Contributions		96,174.00	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.038	University of Memphis	Federal Perkins Loan Program_Federal Capital Contributions		51,944.00	
84.038	University of Tennessee	Federal Perkins Loan Program_Federal Capital Contributions		451,749.05	883,763.90
84.063	Austin Peay State University	Federal Pell Grant Program		$ 4,532,820.79	
84.063	Chattanooga State Technical Community College	Federal Pell Grant Program		4,433,207.42	
84.063	Cleveland State Community College	Federal Pell Grant Program		1,626,508.00	
84.063	Columbia State Community College	Federal Pell Grant Program		2,482,505.41	
84.063	Dyersburg State Community College	Federal Pell Grant Program		1,901,991.08	
84.063	East Tennessee State University	Federal Pell Grant Program		6,909,372.37	
84.063	Jackson State Community College	Federal Pell Grant Program		3,466,586.98	
84.063	Middle Tennessee State University	Federal Pell Grant Program		8,331,876.00	
84.063	Motlow State Community College	Federal Pell Grant Program		2,684,247.53	
84.063	Nashville State Technical Institute	Federal Pell Grant Program		2,702,727.48	
84.063	Northeast State Technical Community College	Federal Pell Grant Program		3,026,772.18	
84.063	Pellissippi State Technical Community College	Federal Pell Grant Program		4,443,881.47	
84.063	Roane State Community College	Federal Pell Grant Program		4,183,795.54	
84.063	Southwest Tennessee Community College	Federal Pell Grant Program		7,096,408.22	
84.063	Tennessee State University	Federal Pell Grant Program		7,642,908.50	
84.063	Tennessee Technological University	Federal Pell Grant Program		4,039,643.00	
84.063	University of Memphis	Federal Pell Grant Program		9,833,722.00	
84.063	University of Tennessee	Federal Pell Grant Program		15,644,087.74	
84.063	Volunteer State Community College	Federal Pell Grant Program		2,613,846.50	
84.063	Walters State Community College	Federal Pell Grant Program		4,165,234.67	101,762,142.88
84.268	Motlow State Community College	Federal Direct Loan		$ 1,525,290.00	
84.268	Tennessee State University	Federal Direct Loan		24,589,123.00	
84.268	Tennessee Technological University	Federal Direct Loan		10,277,162.00	
84.268	University of Memphis	Federal Direct Loan		47,349,334.00	83,740,909.00
Subtotal U.S. Department of Education					$ 400,292,655.17
U.S. Department of Health and Human Services					
Direct Programs					
93.925	East Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds		$ 139,285.00	
93.925	University of Memphis	Scholarships for Health Professions Students from Disadvantaged Backgrounds		30,591.00	
93.925	University of Tennessee	Scholarships for Health Professions Students from Disadvantaged Backgrounds		49,608.00	$ 219,484.00
Subtotal U.S. Department of Health and Human Services					$ 219,484.00
Total Student Financial Assistance Cluster					$ 400,512,139.17

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Food Stamp Cluster					
U.S. Department of Agriculture					
Direct Programs					
10.551	Human Services	Food Stamps (Noncash Award)			$ 440,154,737.39
10.561	Human Services	State Administrative Matching Grants for Food Stamp Program		$ 27,654,270.71	
10.561	Labor and Workforce Development	State Administrative Matching Grants for Food Stamp Program		2,738,245.15	30,392,515.86
Subtotal U.S. Department of Agriculture					$ 470,547,253.25
Total Food Stamp Cluster					$ 470,547,253.25
Child Nutrition Cluster					
U.S. Department of Agriculture					
Direct Programs					
10.553	Agriculture	School Breakfast Program		$ 772,802.76	
10.553	Education	School Breakfast Program		30,270,160.61	$ 31,042,963.37
10.555	Agriculture	National School Lunch Program		$ 1,366,220.47	
10.555	Education	National School Lunch Program		110,955,779.98	
10.555	Agriculture	National School Lunch Program (Noncash Award)		17,865,037.00	130,187,037.45
10.556	Agriculture	Special Milk Program for Children			25,582.51
10.559	Human Services	Summer Food Service Program for Children			5,439,924.00
Subtotal U.S. Department of Agriculture					$ 166,695,507.33
Total Child Nutrition Cluster					$ 166,695,507.33
Emergency Food Assistance Cluster					
U.S. Department of Agriculture					
Direct Programs					
10.568	Agriculture	Emergency Food Assistance Program (Administrative Costs)			$ 910,754.33
10.569	Agriculture	Emergency Food Assistance Program (Food Commodities) (Noncash Award)			5,671,171.00
Subtotal U.S. Department of Agriculture					$ 6,581,925.33
Total Emergency Food Assistance Cluster					$ 6,581,925.33

State of Tennessee
Schedule of Expenditures of Federal Awards
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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Schools and Roads Cluster					
U.S. Department of Agriculture					
Direct Programs					
10.665	Finance and Administration	Schools and Roads_Grants to States			$ 404,108.88
Subtotal U.S. Department of Agriculture					$ 404,108.88
Total Schools and Roads Cluster					$ 404,108.88
Section 8 Project-Based Cluster					
U.S. Department of Housing and Urban Development					
Direct Programs					
14.195	Tennessee Housing Development Agency	Section 8 Housing Assistance Payments Program_Special Allocations			$ 33,689,501.25
14.856	Tennessee Housing Development Agency	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation			103,009.89
Subtotal U.S. Department of Housing and Urban Development					$ 33,792,511.14
Total Section 8 Project-Based Cluster					$ 33,792,511.14
CDBG-Entitlement and (HUD-Administered) Small Cities Cluster					
U.S. Department of Housing and Urban Development					
Passed Through City of Jackson					
14.218	Jackson State Community College	Community Development Block Grants/Entitlement Grants	B-97-MC-47-0011		$ 43.52
Passed Through City of Memphis					
14.218	Tennessee State University	Community Development Block Grants/Entitlement Grants	N/A	$ 37,878.27	
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N14822	14,349.91	
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N14825	10,447.97	62,676.15
Passed Through Memphis Public Service & Neighborhoods					
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N15558		3,814.43
Subtotal U.S. Department of Housing and Urban Development					$ 66,534.10
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster					$ 66,534.10

State of Tennessee
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For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
		Section 8 Cluster		
		U.S. Department of Housing and Urban Development		
Direct Programs				
14.857	Tennessee Housing Development Agency	Section 8 Rental Certificate Program		$ 2,773,562.26
14.871	Tennessee Housing Development Agency	Section 8 Housing Choice Vouchers		19,099,511.30
Subtotal U.S. Department of Housing and Urban Development				$ 21,873,073.56
Total Section 8 Cluster				$ 21,873,073.56
		Fish and Wildlife Cluster		
		U.S. Department of the Interior		
Direct Programs				
15.605	Tennessee Wildlife Resources Agency	Sport Fish Restoration		$ 5,531,803.21
15.611	Tennessee Wildlife Resources Agency	Wildlife Restoration		4,708,961.26
15.611	University of Memphis	Wildlife Restoration		8,100.00
15.611	University of Tennessee	Wildlife Restoration		30,104.01
Subtotal U.S. Department of the Interior				$ 10,278,968.48
Total Fish and Wildlife Cluster				$ 10,278,968.48
		Employment Services Cluster		
		U.S. Department of Labor		
Direct Programs				
17.207	Labor and Workforce Development	Employment Service		$ 14,521,438.56
17.801	Labor and Workforce Development	Disabled Veterans' Outreach Program (DVOP)		1,179,071.44
17.804	Labor and Workforce Development	Local Veterans' Employment Representative Program		1,382,097.20
Subtotal U.S. Department of Labor				$ 17,082,607.20
Total Employment Services Cluster				$ 17,082,607.20
		JTPA Cluster		
		U.S. Department of Labor		
Direct Programs				
17.246	Labor and Workforce Development	Employment and Training Assistance--Dislocated Workers		$ 839,210.45
17.250	Labor and Workforce Development	Job Training Partnership Act		1,781,561.68
Subtotal Direct Programs				$ 2,620,772.13

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
Passed Through North Tennessee Private Industry Council				
17.246	Austin Peay State University	Employment and Training Assistance--Dislocated Workers	C-99-0014	$ 840.22
Passed Through Knoxville Private Industry Council				
17.250	Pellissippi State Technical Community College	Job Training Partnership Act	99-STO-1-800/810	125,586.30
Passed Through North Tennessee Private Industry Council				
17.250	Volunteer State Community College	Job Training Partnership Act	CO540	777.77
Subtotal Pass-Through Programs				$ 127,204.29
Subtotal U.S. Department of Labor				$ 2,747,976.42
Total JTPA Cluster				$ 2,747,976.42
Highway Planning and Construction Cluster				
U.S. Department of Transportation				
Direct Programs				
20.205	Transportation	Highway Planning and Construction		$ 483,152,908.52
Subtotal Direct Programs				$ 483,152,908.52
Passed Through South Carolina University				
20.205	Tennessee State University	Highway Planning and Construction	N/A	$ 68,996.42
Subtotal Pass-Through Programs				$ 68,996.42
Subtotal U.S. Department of Transportation				$ 483,221,904.94
Total Highway Planning and Construction Cluster				$ 483,221,904.94
Federal Transit Cluster				
U.S. Department of Transportation				
Direct Programs				
20.500	Transportation	Federal Transit_Capital Investment Grants		$ 1,499,839.59
Subtotal U.S. Department of Transportation				$ 1,499,839.59
Total Federal Transit Cluster				$ 1,499,839.59

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Highway Safety Cluster					
U.S. Department of Transportation					
Direct Programs					
20.600	Transportation	State and Community Highway Safety			$ 3,732,239.28
20.604	Southwest Tennessee Community College	Safety Incentive Grants for Use of Seatbelts			33,353.70
Subtotal U.S. Department of Transportation					$ 3,765,592.98
Total Highway Safety Cluster					$ 3,765,592.98
Special Education Cluster					
U.S. Department of Education					
Direct Programs					
84.027	Education	Special Education_Grants to States			$ 98,213,508.86
84.173	Education	Special Education_Preschool Grants			7,314,007.71
Subtotal Direct Programs					$ 105,527,516.57
Passed Through Murfreesboro City Schools					
84.027	Middle Tennessee State University	Special Education_Grants to States	01-0143		$ 19,094.96
Subtotal Pass-Through Programs					$ 19,094.96
Subtotal U.S. Department of Education					$ 105,546,611.53
Total Special Education Cluster					$ 105,546,611.53
TRIO Cluster					
U.S. Department of Education					
Direct Programs					
84.042	Austin Peay State University	TRIO_Student Support Services		$ 176,283.20	
84.042	Dyersburg State Community College	TRIO_Student Support Services		214,693.26	
84.042	East Tennessee State University	TRIO_Student Support Services		184,636.39	
84.042	Northeast State Technical Community College	TRIO_Student Support Services		207,258.27	
84.042	Tennessee State University	TRIO_Student Support Services		209,740.47	
84.042	University of Tennessee	TRIO_Student Support Services		445,855.87	$ 1,438,467.46
84.044	East Tennessee State University	TRIO_Talent Search		$ 201,143.03	
84.044	Tennessee State University	TRIO_Talent Search		230,077.08	
84.044	University of Tennessee	TRIO_Talent Search		290,550.54	721,770.65
84.047	Austin Peay State University	TRIO_Upward Bound		$ 778,697.65	
84.047	Dyersburg State Community College	TRIO_Upward Bound		209,498.21	
84.047	East Tennessee State University	TRIO_Upward Bound		849,930.42	
84.047	Southwest Tennessee Community College	TRIO_Upward Bound		190,828.29	

State of Tennessee
Schedule of Expenditures of Federal Awards
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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.047	Tennessee State University	TRIO_Upward Bound		351,390.37	
84.047	University of Tennessee	TRIO_Upward Bound		1,729,908.49	4,110,253.43
84.066	Austin Peay State University	TRIO_Educational Opportunity Centers		$ 275,526.54	
84.066	University of Tennessee	TRIO_Educational Opportunity Centers		495,178.14	770,704.68
84.217	East Tennessee State University	McNair Post-Baccalaureate Achievement		$ 205,571.67	
84.217	Middle Tennessee State University	McNair Post-Baccalaureate Achievement		192,974.37	
84.217	University of Tennessee	McNair Post-Baccalaureate Achievement		429,118.89	827,664.93
Subtotal U.S. Department of Education					$ 7,868,861.15
Total TRIO Cluster					$ 7,868,861.15
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			$ 6,712,051.00
93.045	Commission on Aging	Special Programs for the Aging_Title III, Part C_Nutrition Services			9,924,327.00
Subtotal U.S. Department of Health and Human Services					$ 16,636,378.00
Total Aging Cluster					$ 16,636,378.00
Consolidated Health Centers Cluster					
U.S. Department of Health and Human Services					
Direct Programs					
93.151	East Tennessee State University	Health Center Grants for Homeless Populations		$ 70,554.08	
93.151	East Tennessee State University	Health Center Grants for Homeless Populations		172,722.99	$ 243,277.07
93.224	Health	Community Health Centers			922,914.41
Subtotal U.S. Department of Health and Human Services					$ 1,166,191.48
Total Consolidated Health Centers Cluster					$ 1,166,191.48

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Child Care Cluster					
U.S. Department of Health and Human Services					
Direct Programs					
93.575	Human Services	Child Care and Development Block Grant			$ 72,592,048.52
93.596	Human Services	Child Care Mandatory and Matching Funds of the Child Care and Development Fund			63,222,343.24
Subtotal Direct Programs					$ 135,814,391.76
Passed Through Metropolitan Government Nashville and Davidson County					
93.575	Tennessee State University	Child Care and Development Block Grant	N/A		$ 1,966.80
Subtotal Pass-Through Programs					$ 1,966.80
Subtotal U.S. Department of Health and Human Services					$ 135,816,358.56
Total Child Care Cluster					$ 135,816,358.56
Medicaid Cluster					
U.S. Department of Health and Human Services					
Direct Programs					
93.775	Tennessee Bureau of Investigation	State Medicaid Fraud Control Units			$ 1,511,776.42
93.777	Health	State Survey and Certification of Health Care Providers and Suppliers			5,758,743.65
93.778	Finance and Administration	Medical Assistance Program		$ 3,782,172,802.01	
93.778	University of Tennessee	Medical Assistance Program		15,817,723.08	3,797,990,525.09
Subtotal U.S. Department of Health and Human Services					$ 3,805,261,045.16
Total Medicaid Cluster					$ 3,805,261,045.16
Disability Insurance/SSI Cluster					
Social Security Administration					
Direct Programs					
96.001	Human Services	Social Security_Disability Insurance			$ 33,327,272.88
Subtotal Social Security Administration					$ 33,327,272.88
Total Disability Insurance/SSI Cluster					$ 33,327,272.88
Grand Total Federal Assistance					$ 7,594,174,562.84

State of Tennessee
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2001

NOTE 1. PURPOSE OF THE SCHEDULE

The Single Audit of the State of Tennessee for the year ended June 30, 2001, 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 PRESENTATION 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 16 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, 2001. The loans outstanding less allowances for doubtful accounts (including university matching funds) at June 30, 2001, totaled $47,960,626.05.

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 loans outstanding less allowances for doubtful accounts (including university matching funds) at June 30, 2001, totaled $373,107.53.

NOTE 5. HEALTH PROFESSIONS 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 loans outstanding less allowances for doubtful accounts (including university matching funds) at June 30, 2001, totaled $4,842,180.54.

NOTE 6. FEDERAL FAMILY EDUCATION LOANS

The Tennessee Student Assistance Corporation (TSAC) is the guaranty 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, 2001, TSAC had insured loans outstanding of $2,515,438,984.34.

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, 2001. Loans issued during the year ended June 30, 2001, totaled $51,054,299. The loans outstanding at June 30, 2001, totaled $340,101,373.63.

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 $472,584,246.53 and $44,184,264.72, respectively.

NOTE 9. JTPA TRANSFERS TO WORKFORCE INVESTMENT ACT

Funds made available under the JTPA Cluster (CFDA numbers 17.246 and 17.250) may be used for transition to and implementation of the Workforce Investment Act (WIA, CFDA number 17.255). During the year ended June 30, 2001, $7,254,104.62 was transferred from the JTPA Cluster and reported as disbursements under WIA on the Schedule of Expenditures of Federal Awards.