TENNESSEE

Single Audit Report
For the Year Ended June 30, 2003

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

July 11, 2005

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly of Tennessee
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

In accordance with the Single Audit Act Amendments of 1996 and the provisions of Office and Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, transmitted herewith is the reissued *Single Audit Report* for the year ended June 30, 2003.

Sincerely,

John G. Morgan
Comptroller of the Treasury

State of Tennessee
Single Audit Report
For the Year Ended June 30, 2003

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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

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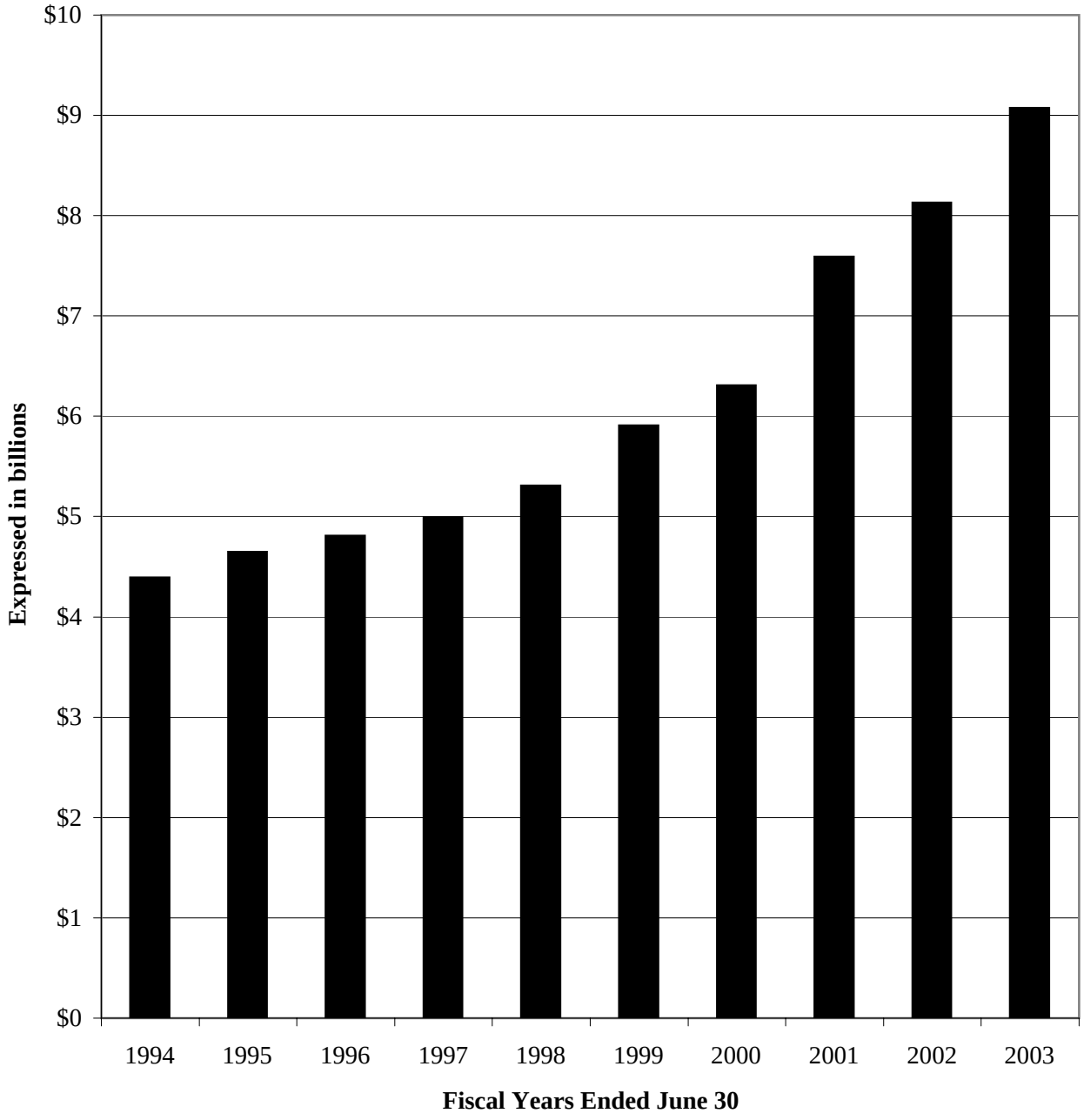
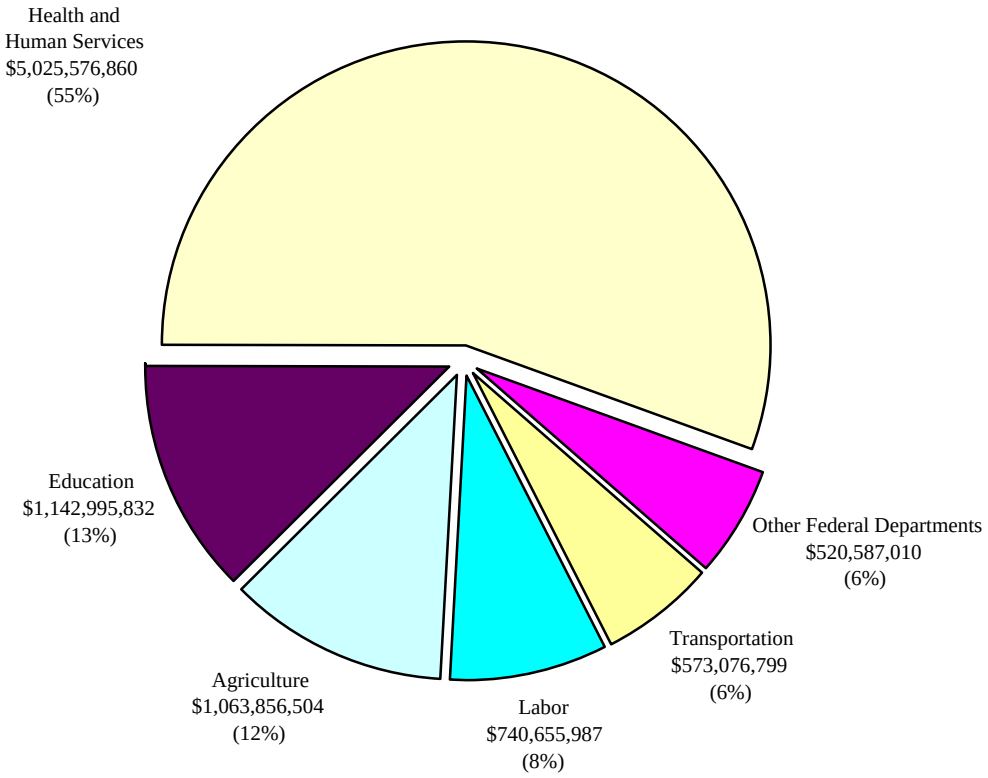
Total Federal Expenditures - Ten Year Summary



The amounts presented above do not include outstanding loan balances with continuing compliance requirements totaling $53,156,648.

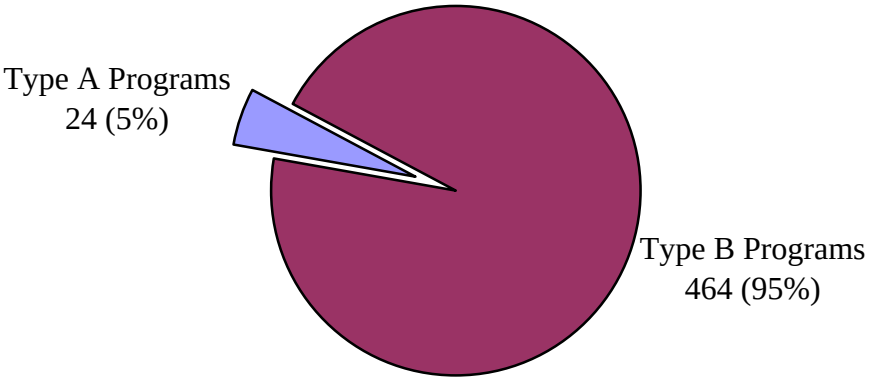
Expenditures by Awarding Agency

July 1, 2002 through June 30, 2003

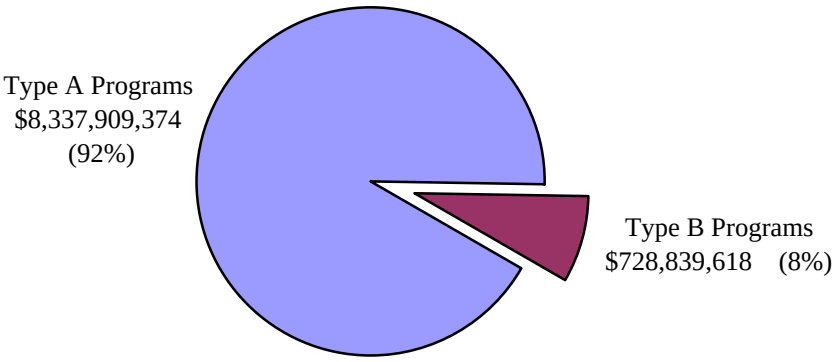


The amounts presented above do not include outstanding loan balances with continuing compliance requirements totaling $53,156,648.

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, excluding loan balances outstanding with continuing compliance requirments totaling $53,156,648. For the fiscal year ended June 30, 2003, the Type A program threshold for the State of Tennessee was $27,200,247. Those federal programs with expenditures below the Type A threshold are labeled Type B programs.

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Auditor's Section

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of 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

Report on the Schedule of Expenditures of Federal Awards

Restated 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

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STATE OF TENNESSEE
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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

December 15, 2003

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

Dear Mr. Morgan:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of and for the year ended June 30, 2003, which collectively comprise the State's basic financial statements; and have issued our report thereon dated December 15, 2003. As discussed in Note 4 to the financial statements presented in the *Tennessee Comprehensive Annual Financial Report*, the Tennessee Consolidated Retirement System changed its method of reporting certain derivatives. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Tennessee's basic 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-DFA-18 and 03-DFA-20. 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 opinions 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 financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-DCS-01, 03-DCS-02, 03-DCS-05, 03-DFA-01 through 03-DFA-07, 03-DFA-10, 03-DFA-11, 03-DFA-14, 03-DFA-18, 03-DFA-20 through 03-DFA-22, 03-DFA-25, 03-DFA-31, 03-DFA-32, 03-DFA-34, 03-DHS-05, 03-DHS-06, 03-DOT-01, 03-TDT-01, and 03-TSU-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 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 03-DFA-03, 03-DFA-07, 03-DFA-18, 03-DFA-20, 03-DFA-22, 03-DFA-32, and 03-DFA-34, to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management in separate letters.

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

Sincerely,

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

AAH/ra

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

April 21, 2004
except for the Unemployment Insurance, Immunization Grants, and Child Care Development Fund Cluster programs as to which the date is March 1, 2005

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, 2003. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and

material effect on a major 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.

Subsequent to the original issuance of the *2003 Single Audit Report*, information affecting our report came to our attention. As a result of this information and in accordance with audit requirements of OMB Circular A-133, three additional major federal programs were audited. The audit results of the additional major federal programs are included in this report.

As described in items 03-DFA-14, 03-DFA-15, 03-DFA-17 through 03-DFA-21, and 03-DFA-24 through 03-DFA-26, in the accompanying Schedule of Findings and Questioned Costs, the State of Tennessee did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles 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, 2003. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-APSU-01, 03-DCS-02 through 03-DCS-04, 03-DCS-06 through 03-DCS-08, 03-DFA-08, 03-DFA-09, 03-DFA-11 through 03-DFA-13, 03-DFA-16, 03-DFA-23, 03-DFA-28 through 03-DFA-31, 03-DHS-01 through 03-DHS-07, 03-DOA-01, 03-DOE-01, 03-LWD-01 through 03-LWD-03, 03-TDH-01 through 03-TDH-06, 03-TSU-01, 03-UTH-01, 03-UTS-01, and 03-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 Tennesee'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 03-APSU-01, 03-DCS-02, through 03-DCS-06, 03-DFA-07 through 03-DFA-23, 03-DFA-25 through 03-DFA-34, 03-DHS-01 through 03-DHS-08, 03-DOA-01, 03-DOE-01, 03-DOT-02, 03-LWD-01 through 03-LWD-03, 03-TDH-01, 03-TDH-02, 03-TDH-04, 03-TDH-07, 03-TSAC-01, 03-TSU-01, 03-UTH-01, 03-UTS-01, and 03-UTS-02.

A material weakness is a reportable 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 within 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 03-DFA-07, 03-DFA-10, 03-DFA-11, 03-DFA-17, 03-DFA-18, 03-DFA-20 through 03-DFA-22, 03-DFA-25, 03-DFA-30 through 03-DFA-32, 03-DFA-34, and 03-TDH-07 to be material weaknesses.

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

Sincerely,

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

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Report on the Schedule of Expenditures of Federal Awards

December 15, 2003
except for Note 5, as to which the date is March 1, 2005

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

Dear Mr. Morgan:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of and for the year ended June 30, 2003, which collectively comprise the State's basic financial statements; and have issued our report thereon dated December 15, 2003. As discussed in Note 4 to the financial statements presented in the *Tennessee Comprehensive Annual Financial Report*, the Tennessee Consolidated Retirement System changed its method of reporting certain derivatives. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was performed for the purpose of forming opinions on the State of Tennessee's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

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

AAH/ra

State of Tennessee
Restated Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Section I – Summary of Auditor's Results

Financial Statements

- We issued an unqualified opinion on the basic financial statements.
- We identified reportable conditions and material weaknesses in internal control.
- We noted instances of noncompliance material to the basic 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 $27,200,247.

State of Tennessee
Restated Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003
(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
14.871	Section 8 Housing Choice Vouchers
17.225	Unemployment Insurance
21 NA	Temporary State Fiscal Relief
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
84.145	Federal Real Property Assistance Program (Noncash Award)
84.298	Innovative Education Program Strategies
84.367	Improving Teacher Quality State Grants
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
-	Research and Development Cluster
-	Student Financial Assistance Cluster
-	Food Stamp Cluster
-	Emergency Food Assistance Cluster
-	Section 8 – Project-Based Cluster
-	Workforce Investment Act Cluster
-	Highway Planning and Construction Cluster
-	Child Care and Development Fund Cluster
-	Medicaid Cluster

Section II–Financial Statement Findings

Finding Number	03-DCS-01
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
Compliance Requirement	None
Questioned Costs	None

Management has again failed to implement promised corrective action and, as noted in the previous nine audits, since July 1, 1993, Children's Services has not collected overpayments; uncollected overpayments totaling at least $1,121,992 are due from foster care and adoption assistance parents

Finding

As noted in the nine previous audits, from July 1, 1993, to June 30, 2002, the Department of Children's Services (DCS) still has not collected overpayments from foster care and adoption assistance parents. Management concurred with the prior audit finding and stated,

> Given the length of time that some of the overpayments have been outstanding, the Assistant Commissioner of the Fiscal and Administrative Services Division has directed staff to stratify the overpayments by age and by the dollar amounts described in Finance and Administration Policy Statement 23. Each overpayment will be examined, along with documentation of past collection efforts. Although this process is laborious, it is necessary to confirm the validity of each overpayment comprising the total balance. In accordance with Finance and Administration Policy 23, the department will pursue collection both through its own efforts and through file transmission to the contracted collection agency. If all reasonable collection efforts are not successful, the department will request write-off of the receivables under the auspices of the aforementioned policy.

As of June 30, 2003, the department's records indicated an outstanding accounts receivable balance for these parents totaling $1,121,992, a decrease of only $8,336 since June 2002. While the collections from foster care parents resulted in an overall decrease of $14,384, the newly identified overpayments amount attributable to adoption assistance resulted in an overall increase of $6,048. The prior audit finding disclosed a total decrease of $48,089 in the outstanding accounts receivable balance.

In order to negate the need for separate departmental collections contracts, on February 1, 2002, the Department of Finance and Administration entered into a statewide collections contract. Department of Children's Services management indicated that during the months of November and December 2002, the Fiscal and Administrative Services Division experienced technical difficulties with formatting the data file containing the account information necessary to submit to Finance and Administration and the contracted collection agency. This may account for the minimal amount of collections made during the current fiscal year. To account for the technical difficulties mentioned above, management stated that "the department would prepare batches of 100 accounts each month and submit the information to turn over for collection." Since the first batch of 100 accounts totaling $114,518 was sent to the Department of Finance and Administration on October 3, 2002, inexplicably, there have not been any additional batches submitted for collection as of December 15, 2003.

In addition, management's response to the prior finding stated that it "is confident that the controls currently in place drastically limit the amount of overpayments to foster care and adoption assistance parents. In addition, the system currently in place allows for timely collection of any overpayments made to these parents." The controls in place appear to have reduced the amount of and increased timely collection of overpayments to foster care parents. However, the controls over adoption assistance payments have not improved.

Of the 158 adoption assistance overpayment adjustments, our review of 25 of the larger adjustments made during the fiscal year indicated that:

- Nine of these overpayments were due to disrupted adoptions where the parents surrendered rights to the children. These cases indicated that overpayments to parents ranged between 23 and 120 days. According to explanations on the adjustment form, the adoptive parents did not notify DCS timely to stop the payments. In addition, four of these overpayments were made to adoptive parents for four children in their home. DCS case managers removed these children from the adoptive parents' home and placed them in foster care. The parents continued to receive adoption assistance at the same time as the department was paying foster parents for their care. Subsequently, at a court hearing with DCS representatives present, the adoptive parents surrendered their parental rights to DCS; however, adoption assistance payments continued to these parents for an additional four months after the children were no longer their legal responsibility. These payments resulted in a total overpayment of $9,434.

- Four of these overpayments were due to children moving out of the adoptive parents' homes. For these cases, payments continued from one to three months

after the children's eligibility for adoption assistance terminated. According to the adjustment forms, the adoptive parents did not notify DCS timely to stop the payments.

- Two of these overpayments were due to children over 18 leaving school. Payments continued from three to four months for these overpayments. According to the adjustment forms, the adoptive parents did not notify DCS timely to stop the payments.

- Four of these overpayments were due to children turning age 18 or 21, and payments not being stopped. According to discussions with management, these payments are continued until the department's regional designee notifies the central office. Overpayments continued for periods ranging from two months to at least two years.

- Four of these overpayments were due to contract duplication, where the same child was entered into the ChiPFinS system with two different names and/or identification numbers. Therefore, payments were made for the same child twice. Overpayments continued for periods ranging from two to four months.

- For one overpayment, the contract start date was erroneously entered as February 1, 2002, when the correct contract start date was actually February 1, 2003. This resulted in an unusually large payment of $5,168 being sent to the adoptive parent. The adoptive parent notified DCS of the overpayment.

- One overpayment was due to the adoptive parents receiving adoption assistance from DCS as well as foster care payments from a contracted agency for at least three months. This overpayment appeared to be from a lack of communication between the Adoption Services unit that administered the adoption assistance and the Foster Care division that oversees foster care payments.

The total amount overpaid for the 25 instances was $54,247. Proper controls do not appear to be in place to prevent these overpayments. Based on the explanations on the adjustment forms, DCS appears to be relying solely upon the adoptive parents to notify the department with a change in eligibility even when the child has been returned to state custody. In such cases, it was obvious that DCS personnel were aware of the change in eligibility status, but the adoption assistance has continued. This appears to be caused by a lack of communication between the different divisions within the department. Furthermore, it appears that the regional designees are routinely approving the monthly Adoption Assistance payments without determining eligibility.

Recommendation

The Assistant Commissioner of Fiscal and Administrative Services and the Director of Fiscal Services should increase their efforts to recover all 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. Although it is current DCS policy that parents receiving adoption assistance payments are to notify the department when they are no longer eligible to receive payments, the department should have additional controls to minimize these overpayments. The Commissioner of DCS should develop protocol for the different divisions within the department, particularly between DCS Fiscal Services, DCS Adoption Services, DCS regional offices' adoption units, and Child Protective Services, so that the proper individuals are informed of changes in children's cases and/or changes that affect adoption assistance eligibility in a timely manner. The Assistant Commissioner of the Program Operations Division should ensure that adoption assistance paid to adoptive parents is terminated when eligibility terminates. Also, programmatic and system controls should be developed and implemented to ensure that payments are not being made on behalf of the same child more than once. Since adoption assistance payments are based on information indicated on the Subsidized Adoption Turnaround Document (Form 16), regional designees should verify this information before authorizing payments.

Management's Comment

We concur. Controls in place were not effective for reducing the amount of or improving the timely collection of overpayments to foster care parents. Controls regarding adoption assistance payments have not been effective. To address this issue the Department of Children's Services, Director of Fiscal Services will establish a team from Accounts Payable and Accounts Receivable to assure timely compliance with the Department of Finance and Administration's Policy 23 concerning the collection of accounts receivable. Beginning February 2004, monthly letters will be mailed to the last known address for persons with accounts that have had no collection activity in the ninety days prior to January 31, 2004. The number of monthly letters mailed will comply with Finance and Administration's Policy 23 based on the dollar amount to be collected. Mailing of all letters required by Policy 23 will be completed prior to April 30, 2004. A file of all accounts adhering to the requirements of Policy 23 that remain uncollected as of May 31, 2004, will be submitted to the Department of Finance and Administration to be turned over to the assigned collection agency prior to June 30, 2004. All accounts returned uncollected by the assigned collection agency will be reviewed by DCS legal staff to determine the appropriate legal action, if any. This referral will be completed within thirty days from the date the accounts have been returned by the Department of Finance and Administration. At the time that all collection activities have been exhausted, uncollected accounts will be written off in compliance with Policy 23. The balances due will be marked in CHIPFINS as written off. However, the balance will remain active in CHIPFINS to facilitate collection if the person becomes a foster or adoption parent at a later date. In addition to the above actions, the Commissioner has instructed DCS Fiscal and Program Operations to form a management team to address issues related to timely notification of placement disruptions by foster and adoptive parents and to facilitate timely recordings to these events in DCS records.

Finding Number	03-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
Compliance Requirement	None
Questioned Costs	None

The Division of Insurance Administration does not monitor the claims processed by insurance companies on behalf of the state

Finding

As noted in the prior-year audit, the Division of Insurance Administration does not monitor claims processing by the insurance companies. During the year ended June 30, 2003, the insurance fund healthcare plans were entirely self-insured which means that the state is responsible for 100% of the payments to health care providers. The insurance companies do not participate in the cost of services and therefore do not have a monetary incentive to ensure that the claims are valid and reasonable. The insurance companies are paid an administrative fee, based on the total number of members, to process the claims. As the claims are processed, one of the insurance companies, BlueCross BlueShield of Tennessee (BCBS), writes checks from the state account to pay the claim. BCBS then sends the last page of the check register, which shows the total amount paid, as support for the payments. Insurance companies other than BCBS pay claims and then bill for reimbursement from the state.

The Division of Insurance Administration does not monitor the claims processing by these companies to ensure that only allowable claims are being processed and that claims are being processed correctly. Without this control, the insurance companies have the ability to pay unallowable claims with state funds or be reimbursed by state funds. This could result in increased claim payments for the state and unnecessary insurance premium increases.

Management responded to the prior audit finding and agreed that the process of auditing claims for all self-insured plans should be reinstituted. However, the monitoring process was not in place during the year ended June 30, 2003. Subsequent to June 30, 2003, the division did arrange for the Medicaid/TennCare section of the Comptroller's Office to perform this function.

Recommendation

The Director of Insurance Administration should follow through with plans for monitoring the insurance companies to ensure that claims being paid are in fact allowable and that they have been processed correctly.

Management's Comment

We concur. In the past, the Division of State Audit has, at the request of the Division of Insurance Administration, conducted audits of the claims payment by BlueCross BlueShield of Tennessee. The purpose of these audits were to determine whether claims were paid in accordance with plan benefits as defined in the Plan Document, the contract between BlueCross BlueShield of Tennessee and the State and provided all of the financial considerations found in the Blue Cross provider contracts. The Division agrees that the process of auditing claims for all self-insured plans needs to be re-instituted.

The Division has reached an agreement with the Division of State Audit to begin in spring of 2004 an audit of calendar year 2003 claims processed by BlueCross BlueShield of Tennessee, John Deere HealthCare, and Aetna. These insurance companies are under contract with the State to process claim payments for the self-insured plan options sponsored by the State. The audit will evaluate whether claims are being processed according to the State's plan benefits and contractor requirements.

Finding Number	03-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
Compliance Requirement	None
Questioned Costs	None

The Division of Insurance Administration does not monitor the eligibility of, and the collection of premiums for, direct pay retirees

Finding

The Division of Insurance Administration does not monitor the eligibility of, and collection of premiums for, direct pay retirees on the standardized benefit plans of the Medicare Supplement Insurance Fund. The division relies on BlueCross BlueShield of Tennessee (BCBS) to collect the proper amount of premiums, cancel the retirees' insurance coverage if premiums are not paid, pay for allowable services (see finding 1), and submit all premiums collected back to the state. The division has not developed adequate controls to monitor these activities performed by BCBS.

The state offers retirees, 65 years of age or older, standardized benefit plans to supplement their Medicare insurance. The Department of the Treasury administers these standardized plans and determines applicable premium amounts for the retirees. In the instance that a retiree's retirement check is not sufficient to cover his or her insurance premium, the state puts the retiree on direct pay status, meaning the state will pay the retiree the retirement check and the retiree will be responsible for submitting the premium amount directly to BCBS. The direct pay status creates additional duties for BCBS including collecting premiums from retirees, submitting the premiums to the Division of Insurance Administration, and canceling insurance coverage for lack of premium payment.

Without adequate controls, the division has no assurance that the proper premiums are being charged and collected. As a result, the division cannot determine if claims are being paid for retirees who are not eligible due to insufficient premium payments. The division is also unable to assess whether BCBS submitted all paid premiums. This could result in unnecessary premium increases for the fund and unallowable claims paid to providers.

Recommendation

The Director of Insurance Administration should monitor BCBS to ensure that the direct pay retirees on the standardized benefit plans are paying the proper insurance premiums and that

these premiums are sent to the state. The division should also ensure that BCBS is paying claims only for eligible retirees.

Management's Comment

We concur. Those retirees who do not have sufficient funds in their monthly retiree check to cover the cost of the premium for their Medicare Supplement Plan must pay the full premium directly to Blue Cross, the plan administrator. These direct pay retirees are therefore not entered into the Consolidated Retirement Information System (CRIS) for the purpose of premium deduction for their Medicare Supplement plan. Direct pay retiree Medicare Supplement applications are sent directly to Blue Cross from the Department of Treasury Retirement Division. Blue Cross then has the responsibility of enrolling the individuals in the proper program and collecting the monthly premium directly from the plan members. Premium payments including a detailed listing of all direct pay subscribers are sent monthly to the Division of Insurance Administration by Blue Cross.

In response to this finding, the Division of Insurance Administration will work with the Retirement Division and Blue Cross in order to routinely verify eligibility and premium payments for those direct pay retirees participating in the State sponsored Medicare Supplement plans. In order to accomplish this, the Division will develop a method to match direct pay members with the retiree information available on CRIS to verify eligibility. Prospectively, the Division of Insurance Administration will review applications of those retirees who are direct pay to verify eligibility and premium amounts. In addition, periodically (no less than twice a year) a statistically valid random sample of direct pay retirees will be drawn in order to validate premium payments. It is anticipated that this process will provide appropriate monitoring of the eligibility and premium payments received from direct pay retirees.

Finding Number	03-DFA-03
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	Material Weakness
Compliance Requirement	None
Questioned Costs	None

Controls over the recording of land and buildings in the Land Inventory System need improvement

Finding

As noted in the prior audit, the Division of Capital Projects and Real Property Management has failed to implement an effective review system of land transactions entered on the Land Inventory System (LIS). As a result, land was not always properly valued. The Division of Capital Projects and Real Property Management (CP/RPM) uses the LIS to maintain records of state-owned land for each site in the state's 95 counties. For each site, there are one or more activity records that include the information regarding acquisition or disposal transactions of property and the associated value for each activity related to that site. The values for each activity in LIS are used to generate reports — such as the Land Value Report (LVR), the Land Inventory Report (LIR), and an Adjustments Report at the end of each fiscal year — which are used in determining the amount of land to be included in the financial statements. The current audit revealed that land acquisitions, land transfers, and land exchanges were not valued correctly in LIS. In addition, a land file did not include documentation explaining why the amount paid was more than the appraised amount. Furthermore, it was noted that many LIS users do not have computer access forms, the users that do have access forms do not have documented approval for access, and all users have full write access to the system. The LIS is also used by the Division of Accounts to record values for buildings; however, it was noted during the current audit that two buildings that no longer exist were still reported on the state's financial statements.

In response to the prior audit finding, management concurred and stated that new review and posting procedures had been instituted, a help desk request was submitted to make corrections to LIS, and new access requests for all LIS users would be obtained and maintained by the LIS administrator. Even though CP/RPM seems to have instituted the new review procedures, some errors were still noted. In addition, the new access requests were initiated but still have not been obtained from all users.

All 15 land acquisitions and 9 land disposals that occurred during the audit period were tested. Testwork revealed that a land acquisition for $7,615,500 was incorrectly entered into LIS as a value of $7,563,781. A land exchange was entered as $5,000 instead of $1,100. Also, an

appraisal for a land acquisition indicated $76,000, but the amount paid and recorded for this piece of land in LIS was $78,000. This is contradictory to CP/RPM's operating procedure to offer the appraisal amount, and there was no documentation in the files explaining why an amount in excess of the appraisal amount was paid.

Testwork on land transfers indicated that one of four land transfers that occurred during the year (25%) was incorrect. A land transfer between departments was incorrectly calculated and entered into the LIS as $2,674,062 instead of $3,028,438. Although there is no effect on the financial statements, it is important to have the correct amount in LIS so the average cost/value per acre can be correctly calculated by the system and for disposal purposes.

As noted in the prior audit, CP/RPM began using the Computer System Action Sheet a few years ago. This is an on-line form to document requests and approvals for access. Employees who had been granted access prior to the use of those forms had no documentation regarding approved access. Since the form is on-line, the division head is to send an e-mail to F&A Security in place of his signature, but these e-mails had not been filed with the form. Based on testwork performed in the current audit period, 8 of 14 users of LIS (57%) did not have adequate system request documentation, and all 14 users (100%) lacked proper documentation of supervisor approval. It was also discovered in the current audit that the system is only able to grant write access to users, but 4 of the 6 users (67%) that had system request documentation had either requested read-only access or had not specified access to be given. The Director of Real Estate Management was unaware that the system only had write access capabilities.

To record building values for financial statement purposes, the Department of Finance and Administration maintains a list of buildings and structures on LIS. The Department of Treasury also maintains a list of state buildings and structures for insurance purposes. However, the listings are not reconciled to one another. We selected a random sample of 60 buildings and structures from the LIS listing to observe. Two of the 60 buildings and structures no longer existed and were still being reported on the financial statements. The buildings were purchased for $250,000 and were approximately 63% depreciated. The buildings had been properly removed from the Department of Treasury listing. These errors created a projected misstatement of $6,555,734 for the structures and improvements account on the statement of net assets.

Recommendation

CP/RPM management should utilize the review system to ensure the value entered into LIS equals the cost or the appraisal amount, changes to land are valued correctly, and the cost or value of land transferred between departments is correct. Before the information is keyed into LIS, the land files should be monitored and reviewed. Documentation for deviations from appraisal prices should be retained. Once information is on LIS, system information should be compared to the source documents and files to ensure accuracy. CP/RPM should update the files for everyone with access to LIS to indicate proper request and approval, and new employees should have a properly completed file to document access request and approval. If approval is granted through e-mail, either the approval should be maintained within the system, where it is accessible, or the e-mail should be printed documenting the approval and maintained within the

paper file. A CP/RPM employee should maintain a list of all users with access to LIS, and the number of users should be limited since there is not an option for read-only access. The Department of Finance and Administration should reconcile the respective building and structure listings with those of the Department of Treasury annually to ensure accurate records are being maintained.

Management's Comment

We concur. The following actions have been taken to resolve this finding.

Two Buildings that no longer exist were still included on the financial statements.

Real Estate closing procedures in the disposal of real property requires that Real Estate Management send a memorandum to F&A's Office of Business and Finance and the Department of Treasury, Division of Risk Management. Real Estate Management will continue to make these notifications. The Division of Accounts will reconcile its building inventory to Treasury's Division of Risk Management inventory and will monitor the actions of the State Building Commission's Executive Subcommittee.

Eight of 14 Land Information System (LIS) Users do not have a completed Computer System Action Sheet to document request for LIS access.

This problem has been rectified and all LIS users have completed a Computer System Action Sheet.

None of the 14 LIS users have any type of approval for access.

Four LIS users had requested read-only access or had not specified access to be given; however, all users have full write access.

Real Estate Management is in the process of rectifying this problem. Only two LIS users will have full write access: the LIS Administrator and the Director of Real Estate. The other 12 LIS users will have read-only access.

An incorrect amount was recorded in LIS for a land transfer, an understatement of $354,376.

An incorrect amount was entered in LIS for a land exchange, an overstatement of $3,900.

An incorrect amount was entered in LIS for a land acquisition, an understatement of $51,719.

After the September 2003 audit, the Director of Real Estate initiated an in-depth review system to attempt to eliminate human error. The new review system establishes a system of multiple checks and reviews for all closed files.

(1) The Real Estate Management agent reviews the file to ensure that all entries are correct. (2) The file is then passed to the Real Property Management secretary who inputs this data into a Transactional Tracking Data Base. (3) The Director of Real Estate then reviews the data in the Transactional Tracking Data Base and compares it to the entries to the original paper file. (4) The LIS Administrator also reviews this information before inputting this data into the LIS System. (5) The Director of Real Estate then reviews the data in the LIS system and compares it with the data in the paper file and also in the Transactional Tracking System.

The state paid $2,000 more than the appraised amount for a parcel of land.

The Director of Real Estate has initiated a new process, involving multiple reviews, to ensure that this does not reoccur. (1) The agent is required to compare all closing documents to the appraisal. (2) A transmittal letter is sent to the purchasing agency requesting payment. A copy of this transmittal is retained in the file. (3) The agent reviews the warranty deed prior to Attorney General approval. (4) The Director of Real Estate reviews the entire transaction before the closing and release of payment.

Finding Number	03-DFA-04
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
Compliance Requirement	None
Questioned Costs	None

The Department of Finance and Administration's Office for Information Resources has not implemented adequate controls over two areas

Finding

Auditors observed that the Department of Finance and Administration's Office for Information Resources has not implemented adequate controls over two areas. 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." Improvements are needed to comply with this policy. Failure to provide such controls increases the risk that unauthorized individuals could access sensitive state systems and information.

The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the state's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504 (i), *Tennessee Code Annotated*. We provided the department with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

In light of the nature of these shortcomings, the Deputy Commissioner over the Office for Information Resources should ensure that adequate controls are established. The Commissioner of Finance and Administration should adequately inform the Information Systems Council (ISC) of this finding and its consequences. Also, the Commissioner should seek guidance from the ISC regarding the priority to be attached to remedying these issues. The Deputy Commissioner should also take all other steps available to establish or improve any compensating controls until these conditions are remedied.

Management's Comment

We concur in part with the first finding. While the specifics cannot be addressed in this document pursuant to Section 10-7-504 (i), *Tennessee Code Annotated*, it is management's position that the risk identified in the first finding is manageable. That risk is associated with the use of computers as business tool instruments. The risk is not unlike the risk associated with providing telephones to all employees, regardless of whether the workspace can be secured.

Management employs other compensating preventive and detective controls mitigating the risk. Management balances information asset exposure and risk against the effective and efficient use of scarce information resources to mitigate risks. Management believes this condition has an acceptable level of risk when measured against other exposures taking resource precedence.

We concur with the second finding. Management has implemented enhanced controls in this area. Management is implementing a process to ensure weaknesses are reported to and addressed by management.

Auditor's Comment

Management has stated that the risk is manageable for one of the observed weaknesses. Management also stated that it employs compensating preventive and detective controls in order to mitigate the risk. We will review these compensating controls as a part of our next audit of the department.

Finding Number	03-DFA-05
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
Compliance Requirement	None
Questioned Costs	None

Management cannot provide documentation that would support and justify the rates charged by OIR for equipment and services

Finding

For accounting and reporting purposes, OIR is operated as an internal service fund. As such, OIR's provision of goods and services to other departments and agencies should be on a cost-reimbursement basis. Internal service funds are set up to take advantage of economies of scale, to avoid duplication of effort, and to accurately identify costs of specific government services. An internal service fund sets its rates only to recover the cost of providing particular services. However, OIR cannot document how most current and recent rates were established. This documentation is critical because part or all of OIR bills are passed on to federal granting agencies providing funding to state agencies. OMB Circular A-87, Attachment C, establishes the guidelines by which federal awards bear their fair share of cost and requires all billed central service activity to separately account for revenues generated by a service, expenses incurred to furnish the service, and any profit or loss.

According to OIR's current financial manager (in office since December 2002), at present each OIR section director gathers cost information and submits it in a spreadsheet to the financial manager, who then verifies the information and compares it to current revenue. OIR bills agencies for things such as equipment, telephone and voice services, local area and wide area network connections, cabling infrastructure, and personnel to name a few. This information is then brought before a committee of OIR's upper-level management for approval of rates. Rates are published annually in August on OIR's intranet site for other agencies' use in their budget process for the next fiscal year. Therefore, agency budgets are based on OIR rates set at least a year earlier.

Though the primary goal of an internal service fund is to "break even," OIR has no formal or written policies for rate analysis, establishment, and adjustment. Neither could OIR management provide original base documentation supporting cost figures, rate analysis, and management approval of rates. According to the Department of Finance and Administration, their Office of Business and Finance prepares quarterly cost recovery schedules which are used annually to rebate to agencies their payments in excess of costs. Monthly information is also available within STARS. However, the Office of Business and Finance was unaware whether

OIR uses the cost recovery schedules and stated that the office is working with OIR to facilitate their use of these tools already at their disposal. According to OIR's current financial manager, a formalized process is under development.

Recommendation

Upper management, in consultation with the financial manager, should continue their efforts to formalize the rate-setting process. Sufficient analysis must be conducted and documentation maintained to verify and ensure that rates are reasonable and represent recovery of costs.

Management's Comment

We concur. The annual rate review process will be adequately documented, a cost model will support new rates, rate adjustments will be documented and documentation of rate approval and review by upper management will be maintained.

Finding Number	03-DFA-06
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
Compliance Requirement	None
Questioned Costs	None

The billing system is weak and inadequate for project management

Finding

Concerns about OIR's current billing process, particularly for LAN/WAN (local area network/wide area network) services, as expressed by OIR and other state agency staff, highlight a system in which the accuracy of billing information relies on communication between staff within OIR and on the billed agencies regularly reconciling bills and responding accurately to requests from OIR asking what the agency should be billed for. However, agencies also complain that OIR's billing system is confusing in nature, difficult to reconcile, and fragmented, making it extremely difficult for agencies to reconcile and manage their technology projects. The accuracy and detail of OIR billings is also important as many agencies pass on part or all of these expenses, subject to the requirements of OMB Circular A-87 Attachment C, to federal grant agencies that provide funding. Ninety-eight percent of OIR's budget is funded through billing agencies for services.

Weaknesses in the billing process were noted with both OIR and the agencies. OIR management states it has not done all it could to keep accurate counts and does not have the electronic capability to verify "hot" or active services itself from outside the agency. Information about new billings and changes to existing billings are conveyed manually by phone or email to F&A Billing Services from the various sections in OIR. OIR also relies on the agencies keeping track of physical inventory and leased services and verifying OIR's records and telling the office what it should or should not be paying for. OIR management suspects that agencies have not done a good job keeping track of their inventory and leased services. Nor have some agencies' management been routinely reconciling OIR billings or, if they do, they admit to not understanding parts of the bills.

An unusual and extreme example of the inherent problems in OIR's billing process is one where an unwritten agreement was made between OIR and an agency regarding work and billing rates that deviated from normal operating/billing procedures. When personnel changes occurred in several key positions at both OIR and the agency, the new personnel were not aware of the unwritten agreement and its terms. Agency personnel were not diligently reconciling the monthly OIR bills. Much later, the agency discovered the billings did not conform to the

unwritten agreement and, following consultation with OIR, the agency was able to obtain a refund of almost $100,000 for fiscal year 2003.

OIR bills for manpower, equipment, LAN/WAN, and telecommunications. Billing reports are made available to agencies via INFOPAC. According to various state agencies, reconciling OIR billings is complicated because the information needed to properly track billings to RFSs (Requests for Service) is not provided in the bill itself. Instead, at least one more source must be consulted to connect a billing back to the RFS. According to some agencies, it is difficult to determine what an agency is being billed for, codes and report titles are cryptic, and different activities/equipment are combined in OIR billings and INFOPAC reports. These billings lack sufficient detail for project management, analysis, and reconciliation by agency personnel. They make financial aspects of project management very cumbersome, particularly when no cumulative project reporting is available. The Information Systems Managers Steering Committee formally presented these concerns to OIR in Fall 2002 in the form of a White Paper.

According to OIR, their billing process is circumscribed by the limitations of the hardware and software used to track and bill for OIR services. Most of the statewide systems involved (Data Capture, Payroll, POST, STARS, MULTITRAK, INFOPAC) are ten, twenty, or thirty years old. Certain coding, formats, etc., on bills may not be explained within the system, and the system may not be able to sort, analyze, and track information in a way that agencies would like for their own project management.

Recommendation

Management should work with state agencies to determine if there are ways in which agencies can receive from OIR the information they need to properly reconcile, track, and manage their technology projects and use of the OIR services they pay for. The management of OIR and state agencies should also take steps to make sure that the bills are accurate and that both OIR and the agencies can document charges passed on to federal granting agencies as required by OMB Circular A-87.

Management's Comment

We concur with this finding. Much of the coding structure to identify charge backs is decades old and constructed based on capabilities that existed at a particular point in time. The various systems used to track and bill for service delivery vary in age from a few to many years old.

OIR management initiated a process several months ago to investigate the marketplace in order to replace the current, "sunset" MultiTrak software, as well as to obtain a software tool with added capabilities of providing enhanced Project Management Support and tracking visibility for outside customer agencies. There are solutions that are vastly more effective than those currently used by the state.

A project is now being undertaken by OIR's IT Program Management team, in coordination with all other essential OIR key staff, and a selected group of external agency stakeholders, to gather and fully document all the requirements of a new system – and then to RFP a replacement system which would be installed to support current and future needs. This analysis effort will consider the needs within OIR, F&A Office of Business and Finance, and the agencies that OIR services.

The high level time frame estimated to complete the study, a competitive procurement, and implementation is 24 months.

Finding Number	03-DOT-01
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Transportation
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	None
Questioned Costs	None

The department should improve controls over construction-in-progress

Finding

The Department of Transportation (DOT) needs better accounting controls to identify completed construction projects. Seventeen of 54 construction-in-progress projects tested (31%) were actually completed prior to June 30, 2003. Department of Finance and Administration's Position Paper 10, "GASB 34 Implementation—Reporting Infrastructure Assets," states, "Construction in progress reported on the Statement of Net Assets will include infrastructure capital construction projects' life-to-date expenditures for which a Completion Notice has not been received by DOT's fiscal office." Department of Transportation engineers issue completion notices when a construction project has met all standards and is considered finished. A copy of the completion notice is required to be filed with DOT's fiscal office. The fiscal office then reclassifies the project from construction in progress to infrastructure in accordance with Position Paper 10. The testwork found $302,722,525 of misclassified assets. For example, Saturn Parkway, which was completed in 1992, was still listed as construction-in-progress. For each of the 17 misclassified projects, a completion notice was located within the Department of Transportation although a copy was not available in the fiscal office. The department does not have an effective means of ensuring that all completion notices are appropriately submitted to the fiscal office.

Furthermore, the fiscal office has not adequately reviewed the listing of construction-in-progress projects for reasonableness. As part of the audit, the department generated a listing of all construction-in-progress projects that included the project's balance of life-to-date expenditures at July 1, 2001 (the date the state elected to implement reporting infrastructure); the additional expenditures incurred during each of the fiscal years ended June 30, 2002, and June 30, 2003; and the additional expenditures incurred to date in the fiscal year ending June 30, 2004. Based on the overall review of this report, many of the projects listed appear to be completed rather than in progress because there were no expenditures reported in any of the fiscal years reported—the project balances remained unchanged from July 1, 2001, through December 2003. In addition, the fiscal office has not reviewed the listing for miscoded data in certain information fields such as projects with maintenance indicators in the status code field instead of construction or projects coded to construction when they were actually maintenance.

The state began reporting its infrastructure assets in 2002 with the implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Although the initial reporting of infrastructure assets was expected to involve the broad use of estimates, the information was expected to improve and become more reliable over time. If the department does not monitor and review the new information as it becomes available, the accuracy of the reported amounts will deteriorate rather than improve.

Recommendation

The department should implement procedures to ensure that all completion notices are submitted to the fiscal office. The fiscal office should review the year-end construction-in-progress reports and investigate any projects that appear to be completed to confirm that it has received the completion notices from engineering. Proper adjustments should be made for removal of projects from construction-in-progress to infrastructure roadways or bridges. In addition, the fiscal office should review the construction-in-progress listing for miscoded data and make the necessary corrections.

Management's Comment

We concur. Infrastructure asset reporting is a new and complicated process. The department's implementation of GASB 34 reporting was as of June 30, 2002, and required identifying all projects as to: on system or off system; phase of work; capital or maintenance; bridge, roadway, or both; completed or in-process. During the audit we developed a report to assist the auditors' review of construction-in-progress projects. This report was used to identify projects potentially misclassified as construction-in-progress rather than completed. In the future, this report will be generated before year-end reporting and any project indicated as possibly completed will be investigated.

In addition, data element edits are being added to the system to reduce miscoding of data and a report is being developed to enable us to find and correct any existing projects with miscoded data.

Finding Number	03-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
Compliance Requirement	None
Questioned Costs	None

The Department of the Treasury's reconciliation of collateral was inadequate

Finding

The Department of the Treasury is responsible for monitoring collateral for state deposits held in authorized state depository institutions, including public deposits held in Collateral Pool institutions. Accordingly, the department has developed a monitoring system and implemented related policies and procedures. As part of the monitoring process, the department maintains a listing of the collateral held by third-party custodians securing public deposits. The department compares this collateral to the amount of public deposits to ensure that the deposits have been adequately collateralized. The procedures also include a monthly reconciliation of the department's listing of collateral with the collateral held by third-party custodians. However, our review of the monthly reconciliation process indicated that the reconciliation was not adequately performed.

Our review of the June 30, 2003, collateral reconciliation revealed significant differences between the department's listing of collateral and the third-party custodians' listings of collateral. These differences were not discovered during the department's reconciliations. Specifically, our review indicated the following exceptions to the department's listing of collateral:

- Collateral securities totaling $99,565,000 did not appear on the third-party custodian's collateral listing because the trustee custodian had released 20 collateral securities without the department's approval. This did not cause an uncollateralized position at June 30, 2003. Based on discussion and correspondence with the custodian, $69,500,000 of the collateral was released by the custodian on May 21, 2003. The remaining difference, $30,065,000, was released prior to March 2003, according to the third-party custodian.

- A collateral security of $9,861,978 held by the trustee custodian was not recorded. This did not result in an uncollateralized position since the security was pledged in excess of the required collateral.

- There were three duplicate entries of collateral securities totaling $3,544,435. One of the duplicate entries resulted in the state's deposits being undercollateralized by $1,852,926 at June 30, 2003.

- A collateral security of $85,980 was recorded in an incorrect custodian account. This did not cause an uncollateralized position.

- The par value of a collateral security was recorded $200,000 lower than the value indicated by the third-party custodian. This did not result in an uncollateralized position since the security was pledged in excess of the required collateral.

The monthly reconciliations should have revealed these exceptions.

Management was asked about the department's procedures for dealing with custodians who release collateral in violation of their agreement. Management indicated that it is the department's policy to follow up with custodians who are found to have recurring problems with unauthorized release of collateral. They are reminded not to release collateral without the department's permission. Management further stated that continued violations would result in cancellation of the custodial agreement as permitted by the contract.

If the collateral reconciliations are not properly performed, there is the risk that depository institutions will not have pledged adequate collateral. This could result in a loss to the state in the event of a failed depository institution. There is also the risk that required disclosures would not be made in the notes to the financial statements regarding uncollateralized amounts.

Recommendation

The Cash Management Accountant should completely reconcile the department's listing of collateral with the third-party custodians' listings. Any differences should be documented and appropriately resolved. The Cash Manager should monitor the procedures to ensure the reconciliations are properly performed.

Management's Comment

Management concurs. With over 140 banks pledging more than 2,300 different securities as collateral at 11 trustee custodians, management recognized the need to automate the reconciliation of collateral with the trustee custodian given that collateral pledging, substitution, and releasing is a dynamic process involving more than 4,300 transactions each year.

More than a year ago management initiated a conversion to an automated reconciliation process by requiring the trustee custodians with the largest volume to begin electronically reporting collateral holdings. Management also requested QED, the department's software provider, to develop a program to perform an automated reconciliation between Treasury's

records and the trustee custodians'. The software provider installed the new program in December 2003.

The automated reconciliation process will match the alpha-numeric cusip number (universal security identification), the maturity date, the coupon rate, and the par share amount between Treasury's records and the trustee custodians' records and generate a report of exceptions. Automation will allow more effort to resolve exceptions. This will be a superior method of performing the reconciliation than the current method of manually matching one set of records against another.

Finding Number	03-DHS-05
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.	G0204TN4004, G0304TN4004
Finding Type	Reportable Condition
Compliance Requirement	None
Questioned Costs	None

The department has not completed its reconciliation of undistributed child support collections

Finding

As noted in the three prior audit reports, the amount of undistributed child support collections reported in the Tennessee Child Support Enforcement System (TCSES) does not reconcile to the State of Tennessee Accounting and Reporting System (STARS) or to the related federal Office of Child Support Enforcement quarterly report. At June 30, 2003, the balance of undistributed collections in TCSES was $13,690,301; the balance in STARS was $26,068,404; and the balance on the federal quarterly report was $14,278,567.

TCSES is maintained by the maintenance contractor Accenture. However, due to problems with TCSES and Accenture personnel, data obtained from TCSES have been found to be inaccurate. Another reason for the lack of a reconciliation is that the contingent revenue account in STARS that is used to account for undistributed collections also contained interest earnings, administrative fees paid by non-custodial parents, and federal incentive funds. Management concurred with the prior audit finding which was released in May 2003 and stated that the reconciliation between the amount of undistributed child support collections reported in TCSES is now reconciled to the quarterly collection report. The balance in TCSES was agreed to the quarterly report that was due September 30, 2003. Management also stated that they expected to complete the reconciliation of TCSES to STARS during calendar year 2003; however, this reconciliation still has not been completed.

If the department cannot reconcile the state's accounting records to the applicable federal reports, the state could be required to repay some of the grant funds that it has received.

Recommendation

The Commissioner should instruct the Director of Child Support Fiscal Services to ensure that the amount of undistributed child support collections reported in TCSES is reconciled to STARS as quickly as possible.

Management's Comment

We concur. The amount of undistributed child support collections reported on the Tennessee Child Support Enforcement System (TCSES) is now reconciled to the quarterly reports of collections submitted to the Federal Office of Child Support Enforcement. However, the same amount of undistributed collections is not reconciled to the STARS reports. The department continues to work on the reconciliation process until the amount of undistributed collections is reconciled to the STARS reports. Currently, the department is making corrections and changes to TCSES in order to continue the reconciliation process. The changes to TCSES will be completed in May 2004.

Finding Number	03-DHS-06
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.	G0204TN4004, G0304TN4004
Finding Type	Reportable Condition
Compliance Requirement	Allowable Costs, Cash Management, Reporting
Questioned Costs	$278,237

Child Support Enforcement program contract terms have not always been followed, resulting in an overpayment exceeding $421,000 to the contractor

Finding

The Department of Human Services did not always pay a Child Support Enforcement program contractor based on actual collections. The department contracted with Maximus, Incorporated, a for-profit corporation located in McLean, VA, to provide child support enforcement services in Davidson County. The contract states that Maximus, Incorporated, would be paid nine percent of child support collections, which would be reduced or increased by penalties or incentives. The contract also states that Maximus, Incorporated, would submit a monthly invoice to the department which would, at a minimum, include the amount of child support collections during the period and the total amount due the contractor for the period invoiced. However, the contractor's monthly billings were based on an estimate of the annual child support collections rather than actual collections. Management was not aware of the fact Maximus, Inc. was being paid based on an estimate until the state auditor brought this to their attention during fieldwork.

Also, the department did not perform a reconciliation between the amount the contractor was actually paid and the amount the contractor should have been paid. Based on departmental records, Davidson County child support collections during the year ended June 30, 2003, were $46,056,870.57. Nine percent of these collections is $4,145,118.35; however, Maximus, Incorporated, billed and was paid $4,566,690.00. Without regard to adjustments for penalties and incentives, as of December 15, 2003, Maximus, Inc., was apparently overpaid $421,571.65, of which $278,237.41 was federal funds.

This contract also states that the Department of Human Services will monitor contractor performance through monthly on-site visits; however, the department was unable to present evidence that on-site visits were performed. If the department does not monitor Maximus, Inc., it is not complying with the terms of the contract, nor has it obtained assurance that the contractor is fulfilling the requirements of the contract.

Recommendation

The Commissioner should ensure all contractors are paid in accordance with contract terms. As stated in the contract with Maximus, Incorporated, payments should be based on actual child support collections, not an estimate made by the contractor. Also, monthly on-site visits should be performed in accordance with contract terms to ensure that the contractor is fulfilling the requirements of the contract.

Management's Comment

We concur. The department will take steps to ensure that contractors are paid according to the contract terms. A complete review of the contract in question is underway and the apparent overpayment will be investigated. A correct cost to the department will be determined and any overpayment or potential additional liability will be identified and addressed appropriately.

Finding Number	03-DCS-02
CFDA Number	93.658
Program Name	Foster Care – Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9601TN1401 through 0301TN1401
Finding Type	Reportable Condition
Compliance Requirement	Eligibility
Questioned Costs	$98,899

The department charged the Title IV-E program for children not eligible for Title IV-E reimbursement, had no documentation of criminal background checks of foster parents, and appeared to place children with individuals unfit to be foster parents

Finding

As noted in the prior audit finding covering the period July 1, 2001, through June 30, 2002, the Department of Children's Services (DCS) charged the Title IV-E Foster Care program for children who were not eligible for Title IV-E reimbursement. The Adoption and Safe Families Act of 1997 requires documentation that efforts were made to preserve the family and that removal of a child from his/her home was appropriate and necessary to ensure the child's safety, health, and welfare. To meet these requirements, DCS Policy 16.36, "Title IV-E Foster Care Funds, Court Orders and the Initial Eligibility Determination Process," states,

> DCS legal staff and/or case managers shall ensure that the first court order sanctioning the removal of the child shall include a judicial determination to the effect that continuation in the home is "contrary to the welfare of the child" or that "placement is in the best interest of the child" or words to that effect.

Furthermore, DCS Policy 16.35, "Title IV-E Foster Care Funds and On-Going Reasonable Efforts to Finalize Permanency Plans," requires DCS to secure a new court order at each permanency hearing that includes a judicial determination that reasonable efforts have been made to finalize the goal of the permanency plan. Permanency plan hearings are to be held no later than 12 months after a child enters custody and every 12 months thereafter. Absent the required language in judicial determinations, the department may not receive Title IV-E Foster Care reimbursement for the care and maintenance of an otherwise eligible child. Policies 16.35 and 16.36 provide specific instructions for case managers to follow in recording the child's benefit status in the appropriate computer systems and documenting the child's status in the case files.

Management concurred with the prior audit finding and stated: The Assistant Commissioner for Fiscal and Administrative Services, in conjunction with divisional management staff, will prepare a formal request to the department's Information Resources Section to provide programming to enable automated data matches between the computer

application used by fiscal to determine funding and ChipFins. As eligibility status is not fixed, manual review and adjustment cannot be performed timely and is not practical due to the volume of children in custody. Although performing data matches between the funding database and ChipFins will provide immediate correction of the problem, it is management's goal to continue to aggressively pursue the Placement Re-Design and Title IV-E Eligibility module development and implementation in the TNKIDS system. These modifications along with the implementation of the Oracle Financial System will correct this problem going forward from a fiscal perspective.

Based on discussion with management, DCS has implemented a new program to retroactively review the changes in status of the children by comparing status information between the ChiPFinS and the funding databases. According to management, this retroactive review is to be performed quarterly. DCS performed its first review during the first quarter of the 2003 – 2004 fiscal year. As of December 15, 2003, there had been no review performed during the second quarter.

During a review of 120 children's case files by the auditor, it appeared the department received Title IV-E funds for 34 children (28%) during periods when they were not IV-E reimbursable. This is a significant increase from the prior audit, when the error rate was 3%.

- Twenty of the children's case files did not contain documentation that a permanency plan hearing was held within the 12-month requirement to document for the court the reasonable efforts made by the department to achieve permanency for the child. The department's legal staff was subsequently able to document that permanency plan hearings were held within the required time frames for seven of these children. However, since there was no documentation for the other thirteen children to indicate a hearing was held, the federal requirement that a court order with a judicial determination that reasonable efforts (or words to that effect) has been made to finalize the permanency plan has not been met. This makes the child ineligible to receive Title IV-E federal funding for that 12-month period. In addition, one of these children was on runaway status for much of the fiscal year. The federal questioned costs for these payments totaled $20,807, with an additional $11,887 in state matching funds.

- Twelve of the children's case files did contain a court order as documentation that the annual permanency plan hearing was held; however, the court order did not contain a judicial determination that reasonable efforts (or words to that effect) on behalf of DCS were made to finalize the permanency plan. This makes the child ineligible to receive Title IV-E federal funding for that 12-month period or until a judicial determination has been made. The federal questioned costs for these payments totaled $61,575, with an additional $34,121 in state matching funds.

- One child was not IV-E reimbursable according to the ChiPFinS eligibility history screen; however, the department charged the IV-E program for that child for that period. The federal questioned costs for these payments totaled $226 with an additional $124 in state matching funds.

- One child was on runaway status for 40 days. The federal questioned costs for these payments totaled $27, with an additional $15 in state matching funds.

- One child was not in state custody during the time period that federal funding was used. The contract agency billed the state for services when this child was not in state custody, and the department charged the IV-E program. The federal questioned costs for these payments totaled $547, with an additional $300 in state matching funds.

- One child's case file contained a court order documenting a permanency plan hearing; however, it was not signed by a judge. The federal questioned costs for these payments totaled $3,526, with an additional $1,953 in state matching funds.

The remaining five cases were ineligible for federal funding because the department had no documentation of background checks for foster parents as required by DCS policy and federal guidelines. Eligibility requirements for the Foster Care program under Title IV-E state:

> The foster family home provider must have satisfactorily met a criminal records check with respect to prospective foster and adoptive parents (45 CFR 1356.30(a) and (b)).

Also, DCS Policy 16.4, Foster Home Study, Evaluation and Training Process, states:

> A criminal background check to include fingerprinting and sex offender registry check must be completed on each foster parent applicant, as well as any other adult member of the household, and documented in the foster home record.

The sample of 120 case files represented 91 foster homes. For 5 of the 91 foster homes' files tested (5%), the files did not contain documentation that the background checks were performed. The prior audit finding disclosed that in 4 of 81 foster home files tested (5%), the file did not contain documentation that the background checks were performed as described in DCS policy.

- Four files contained no evidence that criminal background checks were performed on the foster parents. Also, one of these files did not document that the foster parents received Parents As Tender Healers (PATH) training. Recordings in the case file indicated that case managers were aware of the lack of documentation since 1999. Furthermore, a case recording in May 2000 stated that, at a hearing for the foster parent's biological son's probation violation, a judge expressed concern regarding the fitness of the foster mother's being a foster parent. In October 2002, the child was removed from the home. The federal questioned costs for these payments totaled $10,017, with an additional $5,551 in state matching funds.

- One case file did not contain evidence of a criminal background check on the foster mother. The foster father's background check with the county sheriff's

department noted several law violations and charges of attempt to commit a felony (the file did not include information from the county court regarding conviction) and numerous violations for driving while licenses were revoked. Both foster parents had revoked drivers' licenses; therefore, neither parent could lawfully operate a vehicle to transport the child. DCS policy 16.3, I.6., states "Prospective foster parent(s) shall have the ability to . . . provide routine transportation for the foster children placed in their home." While there was no evidence that a background check was performed on the foster mother, there were authorizations completed by both foster parents for their background investigations. However, these authorizations were dated after the court order that placed the child in the home. The federal questioned costs for these payments totaled $2,174, with an additional $1,192 in state matching funds.

In addition, our review of one case file indicated that DCS did not adequately monitor foster care placement with its contracted agency. A child was placed in a foster parent's home by a contracted agency with DCS. According to case recordings, this child's placement was due to downsizing of the group home services provided by the contracted agency. Prior to placement with the foster mother, case recordings stated the woman would not be a possible placement because of her background. The case recordings also stated that, prior to placement, the individual was arrested for criminal trespassing, disorderly conduct, and assault. Furthermore, the foster parent did not always maintain telephone service and did not provide transportation for the foster child. Numerous appointments for health and other services were not kept. In addition, the foster parent appeared to avoid contact with the case manager. DCS policy 16.3, I.6., states "Prospective foster parent(s) shall have the ability to . . . provide routine transportation for the foster children placed in their home." DCS policy 16.3, H.9., states, "Foster homes must be equipped with a telephone," and DCS policy 16.3, I.1., states, "Prospective foster parent(s) shall . . . work constructively within the Department's framework and directly with the case manager in developing plans and meeting the needs of the child and his/her family." Notwithstanding these serious issues, a waiver for PATH classes prior to placement was provided by DCS, and the contracted agency proceeded with the foster care placement.

In summary, foster care payments of $154,042 were made during periods when the children were not IV-E reimbursable and are questioned costs. The federal questioned costs total $98,899, and the remaining $55,143 is state matching funds. Total Title IV-E payments to foster care parents for the year were $24,053,123.

During the period July 1, 2003, through December 15, 2003, management refunded $9,774 of the federal amount questioned above.

Recommendation

In accordance with departmental Policies 16.35 and 16.36, case managers should ensure the eligibility of children for Title IV-E Foster Care is adequately documented in the case files

and prompt and accurate status changes are recorded in the department's computer systems. As part of the department's prepayment authorization process, case managers should review information in the eligibility database and ensure that the Title IV-E reimbursement status is correct prior to payment. Furthermore, the Assistant Commissioner of Program Operations should ensure that criminal background checks are performed on all foster parents prior to a foster child being placed in the home, and after placement, he should ensure that foster parents comply with DCS foster care policies.

The Commissioner of the Department of Children's Services should require staff to review all foster parent files. Any foster parents found to be unfit as foster parents by virtue of their failure to meet the minimum qualifications prescribed by the department should be removed from the program. Children should not be placed with prospective foster parents who do not meet the eligibility requirements for providing a good foster home. Furthermore, the department should ensure that adequate follow-up on expedited placements is performed, and that PATH training and related requirements waived prior to placement are completed and documented.

Management's Comment

We concur. To address the Permanency Plan issues, DCS will implement the following controls. The department will revise its policy 16.35, "Title IV-E Foster Care Funds and Ongoing Reasonable Efforts to Finalize Permanency Plans," and policy 16.36, "Title IV-E Foster Care Funds, Court Orders, and the Initial Eligibility Determination Process," to include the directive that all case files must contain a signed copy of any court orders. The revisions will be effective March 15, 2004. In addition, training will be completed for all appropriate staff by April 15, 2004. Designated staff will provide the training regionally. The training will focus on the importance of reasonable efforts and the need for compliance with existing laws and policies. All Regional Administrators will be briefed on the Title IV-E Regulations and the importance of compliance. These requirements will be communicated at the monthly Regional Administrator's meetings. The Director of Quality Assurance will ensure that the training is completed by April 2004. In addition, Federal IV-E Regulations will be addressed during exit interviews for the foster care file reviews. These reviews are performed quarterly and are ongoing.

DCS Child Benefit Specialists will provide a list of any orders that do not include the required language each month to the DCS supervising attorney. The supervising attorney will contact the judge that issued the order to address the reasonable efforts language required by the department. DCS lawyers will offer to draft a revised order if the proof supports a finding of reasonable efforts. The departments' lawyers will assure that all orders drafted by staff attorneys contain the required language.

In the finding, twelve cases were cited for failure to include the required reasonable efforts language. DCS Legal has been in contact with the Shelby County Courts. Beginning February 10, 2004, Shelby County Courts has agreed to allow DCS attorneys to prepare the permanency hearing orders and include the reasonable efforts language. This should eliminate this portion of the finding.

Four exceptions were noted regarding eligibility and Title IV-E reimbursement. Eligibility for Title IV-E is maintained in CHIPFINS. The errors noted were due to changes in eligibility that were not updated to CHIPFINS in a timely manner. As a result, DCS received Title IV-E reimbursement for these expenditures. During the audit period, the department implemented programs to detect and refund Title IV-E reimbursements for children subsequent to retroactive adjustments of eligibility in CHIPFINS. Periodically these programs electronically compare each claim for each child in the funding database to eligibility information from CHIPFINS. If the Title IV-E eligibility status of a child has changed in CHIPFINS subsequent to the funding of the original transaction, adjustments are recorded to either claim or refund Title IV-E funds as required. Effective for the month of March 2004, these programs will be processed on a monthly basis to facilitate a more timely adjustment of claims to Title IV-E.

The remaining five cases were ineligible due to the lack of documentation of background checks and insufficient Parent As Tender Healers (PATH) training. Current policy is clear on the requirements for criminal background checks and thirty hours of PATH training prior to having children placed in the foster home. DCS policy 16.4 states, "A criminal background check to include fingerprinting and sex offender registry check must be completed on each foster parent applicant…" and it must be documented in the foster home record. It is apparent that DCS staff is not consistently complying with this policy. The department contracted with a vendor to complete computerized fingerprinting. To further improve fingerprinting procedures, the Commissioner has appointed a committee to review the current process and make recommendations for improvements. In addition Regional Administrators, with the aid of the Director of Foster Care, will develop regional plans for monitoring and review of Foster homes to ensure that background checks are performed and PATH training is received per DCS policy. Regional Administrators will be notified of the regional plans at the RA meeting scheduled for April 2004. All regional plans must be completed by April 30, 2004. At the same time, central office foster care staff will compile a list of all foster homes lacking a background check or PATH training. Any foster home lacking either a background check or PATH training has ninety days to meet all Title IV-E requirements. If established requirements are not met, the foster home will be closed. DCS contracts with The University of Tennessee for all training on background checks and PATH requirements. DCS staff will meet with the University of Tennessee staff in March 2004. At that time, the department will stress the importance of criminal background checks and PATH training during the foster home approval process. DCS will communicate the significant role they play in educating and training DCS field staff, new and current, on the PATH requirements and background checks.

One exception was reported regarding inadequate monitoring of foster care placements with a contract agency. In this case a child was placed in an inappropriate foster home by the contract agency. Departmental staff feels that this is an isolated occurrence due to the contracted agency downsizing group home placements. To ensure that this is an isolated instance, the department has established a Quality Assurance Division. They monitor contracting agencies, respond to complaints or concerns regarding placements, and oversee licensing of all agencies providing foster care services. The Quality Assurance Division monitors the frequency of visitations and the documented results of the visits by private agency caseworkers. DCS Quality Assurance Division and Program staff will more closely monitor contract placements to prevent further instances.

The CHIPFINS system contains eligibility databases that play a key role in the accurate and timely submission of claims to Title IV-E. As discussed above, policies and procedures related to the documentation of the completion of key activities necessary to determine or maintain the Title IV-E eligibility status of the child and their timely update to CHIPFINS are being reviewed to determine their adequacy. DCS information systems will be modified to provide an indicator of the approval status of each foster home. Provisional foster homes will not be billed to Title IV-E subsequent to the modification of our systems. Claims will be adjusted retroactively to refund any claims for provisional foster homes. Management will establish procedures to monitor compliance with these policies and procedures to ensure the timeliness and accuracy of the eligibility data in CHIPFINS.

Management continues to actively pursue the goal of enabling the Financial Management, Placement Re-Design and Title IV-E Eligibility modules in TNKIDS. The first phase of the Financial Management segment of TNKIDS for Residential Treatment placements is in testing. The Placement Re-Design module is currently scheduled to be completed in January 2005. The Eligibility module is currently scheduled for completion in January 2006.

Finding Number	03-TSU-01
CFDA Number	84.007, 84.033
Program Name	Student Financial Aid Cluster
Federal Agency	Department of Education
State Agency	Tennessee State University
Grant/Contract No.	P007A023927, P033A013927
Finding Type	Reportable Condition
Compliance Requirement	Reporting
Questioned Costs	None

The university did not submit correct data on the FISAP

Finding

The Financial Aid Office did not submit correct data to the U.S. Department of Education on the 2002-2003 Fiscal Operations Report and Application to Participate (FISAP) submitted on October 1, 2003, and the revised 2001-2002 FISAP submitted December 2002. The FISAP, which is for campus-based financial aid, consists of the Application for Participation for the upcoming award year and the Fiscal Operations Report for the previous award year. Campus-based financial aid includes Federal Perkins Loans, Federal Supplemental Educational Opportunity Grants, and Federal Work-Study. Volume 4 (Campus-Based Common Provisions), Chapter 1, of the *Student Financial Aid Handbook* and the FISAP Instruction Booklet specify as follows:

> To apply for and receive funds from the Department of Education for one or more of the campus-based programs, a school must submit a FISAP [Fiscal Operations Report and Application to Participate] each award year . . . The information reported on the FISAP must be accurate and verifiable . . . **December 15** - all corrections to FISAP data and resolution of edits must be submitted to the Department.

The university did not report correct numbers in several sections of the FISAP for the 2002-2003 academic year. The total number of undergraduate and graduate students enrolled was reported inaccurately in Part II, Section D. The number of undergraduate students was overstated by 365, and the number of graduate students was understated by 377. The Dean of Admissions had submitted the correct totals to the Financial Aid Office, but those numbers were not used for the report.

In Part II, Section E of the FISAP, the university did not accurately report total tuition and fees, total Federal Pell Grant expenditures, and total expended for state grants and scholarships made to undergraduates. The total tuition and fees for undergraduates was understated by $4,997, and the total tuition and fees for graduates was overstated by $4,997. The total Federal Pell Grant expenditures was overstated by $10,807, and the total state grants and

scholarships made to undergraduates was overstated by $7,935. The *FISAP Technical Reference* instructs universities to:

> Report the total amount expended against your Federal Pell Grant authorization for the period July 1, 2002 through June 30, 2003. This amount should agree with the final cumulative expenditures through June 30, 2003 as entered in the Grants Administration Payment System (GAPS).

Several numbers reported in Part II, Section F of the FISAP, did not agree with the Student Financial Aid Batch Annual (SBA) 680 report. The SBA 680 report is the support for the FISAP that lists financial aid and scholarship information. The information on the report is extracted directly from the Student Information System. In the Dependent section of the FISAP, the number of students reported for item 39 under the (a) column was overstated by 1,383, which also overstated the total for that column. In the Independent section, the number of students reported for item 39 under the (c) column was overstated by 125, the number reported under the (d) column was understated by 1, and the number reported under the (e) column was overstated by 324. These errors also affected the total for each column.

The university also did not report accurate information in Part V, the Federal Work-Study (FWS) section of the FISAP. In Section B, Federal Funds Available for FWS Expenditures, the amount on item 4 was overstated by $109,346, item 5 was overstated by $87,000, and item 7 was understated by $109,346. In Section D, Funds Spent from Federal Share of FWS, item 13 was overstated by $458,070, item 13.a was overstated by $458,070, and item 14 was understated by $144,849. In Section E, Use of FWS Authorization, item 17 was overstated by $7,529, and item 18 was understated by $7,529. These errors were made because the information provided by the Business Office was not used in completing the report. The Director of Financial Aid stated that they had gotten error messages when they attempted to key in some of the information provided by the Business Office. Since they were working on the report very close to the deadline, they did not take time to try and resolve the error messages, but keyed in whatever information would be accepted. In Section F, Information about the Job Location and Development (JLD) Program, the number of students who participated in the JLD Program (item 21) was overstated by 15, and the total earnings of the students (item 22) was understated by $11,807 because Career Services provided estimates when the information was requested by the financial aid office.

The Division of State Audit reviewed the 2001-2002 FISAP as a part of the prior-year audit and discussed the necessary changes with university staff. However, the university did not report the audited totals for the 2001-2002 academic year FISAP report when the revised report was submitted in December 2002. In addition, the university could not provide supporting documentation for the revisions made to the FISAP for tuition and fees, Federal Pell Grant expenditures, state grants and scholarships, and cash on hand. The tables for the Application, Part II, Section F, and the Fiscal Operations Report, Part VI, Section A, were also changed with no support provided. The Director of Finance and Accounting stated that the previous Director of Financial Aid submitted the changes and he is unaware of how she calculated the numbers or which reports were used. No one else reviewed the revised report and reconciled the numbers.

If the Financial Aid Office submits incorrect and unverifiable data on the FISAP, the allocation of funds from the Department of Education could be affected.

Recommendation

The Director of Financial Aid should ensure that information reported on the FISAP is accurate and verifiable, and should properly submit any changes to the FISAP by the deadline and maintain supporting documentation for those changes.

Management's Comment

We concur with the finding and recommendation. September 2003 was the first submission by our new Director of Financial Aid. Corrections were submitted in December 2003. Additional preparation, compilation, and review by the Director will continue to be exercised to ensure the accurate, verifiable, timely, and documented annual submission of the FISAP information.

Finding Number	03-DCS-05
CFDA Number	93.778
Program Name	Medicaid Cluster
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
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

For the seventh consecutive year, Children's Services inappropriately requested and received reimbursement from TennCare for children not eligible for TennCare services; total overpayments were $1,742,440

Finding

For the seventh consecutive year, 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.

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, 2000, through June 30, 2001. In the letter, HHS stated:

> This is a repeat finding. We recommend 1) procedures be implemented to ensure Federal funds are not used for health care costs of a) children who are in youth development or detention centers, b) children not in State custody, c) children on runaway status, . . . e) services provided by Children's Services to individuals in hospitals, . . . g) undocumented targeted case management . . .

Although the department had made progress in previous years in reducing reimbursements for services provided outside the scope of its agreement with TennCare, this year, there was a significant overall increase in the total amount of inappropriate reimbursements in the following areas.

Payments for Incarcerated Youth

As noted in the prior six 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.

Management's response to the prior audit stated that the implementation of the new Standard Claim Invoice (SCI) procedure codes for services that are ineligible for TennCare reimbursement, and the associated provider training in the use of these codes, had effectively enhanced controls and resulted in increased compliance by the department. However, using computer-assisted audit techniques, our search of TennCare's paid claims records revealed that once again TennCare was inappropriately billed for and made payments totaling at least $189,598 from July 1, 2002, through June 30, 2003, for juveniles in youth development centers and detention centers. The prior audit finding disclosed inappropriate billings of $77,667 from July 1, 2001, through June 30, 2002.

Children Not in State Custody

As noted in the prior four audits, Children's Services inappropriately billed and received payment from TennCare for children not in state custody. Management's response to the prior audit finding attributed the problem to the use of incorrect procedure codes by the provider on the Standard Claim Invoice (SCI). Management also stated the discrepancies noted that were reviewed by departmental staff were related to youth in placements who had reached the age of majority and elected to continue receiving care from the department in accordance with DCS Policy 16.51, *Provision of Post Custody Services to Youth Exiting Care at 18 or 19 Years of Age*.

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 once again DCS had improperly billed TennCare $1,208,292 from July 1, 2002, through June 30, 2003, for services to children who were not in the state's custody. The prior audit finding disclosed inappropriate billings of $193,266 from July 1, 2001, through June 30, 2002.

Children on Runaway Status

As noted in the prior four 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 that the implementation of the new Standard Claim Invoice procedure codes for this break in custody and the associated provider training in the use of these codes have effectively enhanced controls and resulted in increased compliance by the department. However, 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 once again DCS had improperly

billed TennCare $217,123 from July 1, 2002, through June 30, 2003, for services to children on runaway status. The prior audit finding disclosed inappropriate billings of $86,917 from July 1, 2001, through June 30, 2002.

Hospitalized Children

As noted in the prior three audits, 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. However, Children's Services cannot bill TennCare in either case.

In response to the prior audit finding, management stated that it's their position that the implementation of the new Standard Claim Invoice procedure codes for TennCare reimbursement and the associated provider training in the use of these codes has effectively enhanced controls and resulted in increased compliance by the department. However, the control structure did not adequately reduce noncompliance with these requirements. Using computer-assisted audit techniques, auditors performed a data match comparing TennCare's payment data to encounter data from the MCOs and the BHOs. The results of the data match indicated that for the year ended June 30, 2003, DCS had improperly billed TennCare $127,427 for enhanced behavioral health services for children who are in the state's custody but had been placed in a medical hospital or a behavioral health facility. Of this amount, $15,123 was for children in medical hospitals and $112,304 was for children in behavioral health facilities. The prior audit finding disclosed inappropriate billings for children in medical hospitals of $35,041 from July 1, 2001, through June 30, 2002.

Recommendation

Note: This is the same basic recommendation, for the repeated portions of the finding, made in the prior audit.

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, or placed in hospitals. Effective internal control requires management to 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. DCS has taken the following step to reduce billing errors to TennCare for the Targeted Case Management and Residential Treatment services. The department has developed an extract from TNKIDS to match with transactions to be billed to TennCare. This should eliminate billings for children who were hospitalized, incarcerated, not in state custody, or on runaway status. Computer programs have been developed to facilitate this control feature, however, user testing has not been completed. User testing is expected to be completed during the month of February 2004. Also, the department has requested and the Bureau of TennCare has submitted to the federal government a state plan amendment that would allow the billing of TennCare for voluntary services received by children after they have aged out of custody but are under the age of twenty-one. Currently, billing is only allowed for children who are at risk of being placed or in state custody up to the age of eighteen.

The Commissioner of DCS will immediately appoint staff to serve on a management team from Information Systems, Regional and Central Office Program Operations, and Fiscal to address issues which impact the provision, documentation, and billing of eligible services to TennCare for Targeted Case Management and Residential Treatment. Team members will be charged with ensuring compliance with the terms of the contract between DCS and the Bureau of TennCare, ensuring compliance with the Bureau of TennCare's state plan and all applicable state and federal regulations, and implementing the recommendations of this audit finding.

It should be noted that all claims questioned by the state auditors have been voided by the Bureau of TennCare subsequent to June 30, 2003. Files provided by the Bureau of TennCare indicate that all voids for these claims questioned had processed in TennCare's system by December 5, 2003.

Finding Number	03-DFA-07
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Subrecipient Monitoring, Special Tests and Provisions
Questioned Costs	None

Top management needs to continue to address the TennCare program's numerous and serious administrative and programmatic deficiencies

Finding

As noted in the previous four audits, 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 overall recommendations made in the prior audit finding.

We are responsible for reporting on the bureau'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.

Current audit testwork revealed that management has made progress in several areas and has corrected 16 prior-year findings. One finding from the previous audit has been combined with another finding. In addition, there are eight new findings, and management has not corrected 22 findings which are repeated. In some cases, the repeat findings were not as serious as in the past. The repeated findings are as follows:

- One finding has been included in eight previous audits covering the period July 1, 1994, to June 30, 2002.

- One finding has been included in seven previous audits covering the period July 1, 1995, to June 30, 2002.

- Three findings have been included in five previous audits covering the period July 1, 1997, to June 30, 2002.

- Nine findings have been included in four previous audits covering the period July 1, 1998, to June 30, 2002.

- Three findings have been included in three previous audits covering the period July 1, 1999, to June 30, 2002.

- Two findings have been included in the previous two audits covering the period July 1, 2000, to June 30, 2002.

- Three findings have been included in the previous audit covering the period July 1, 2001, to June 30, 2002.

Information System Concerns

In the prior audit, we noted that TennCare's information system was old and outdated and needed to be updated. Management concurred with the prior audit finding and stated,

> We agree that the information system needs to be replaced and considerable resources have been put into developing a replacement model that will employ sophisticated, up-to-date strategies for assuring that data is reported, collected, and analyzed efficiently. This new system is due to be operational on October 1, 2003.

As of January 2004, the new system has not been implemented. The program is still dependent upon a large and complex computer system, the TennCare Management Information System (TCMIS), that is outdated and inflexible. During fieldwork, we noted extensive efforts by TennCare staff toward implementation of the new system. These efforts included widespread staff involvement in system testing, the development of training, and the creation of system documentation. We also noted during the audit period that TennCare installed and implemented the new telephone system that will be a part of the new TCMIS. See finding 03-DFA-32 for further details regarding this matter.

Although Internal Audit was heavily involved in the testing of the new system, we noted that Internal Audit had not conducted a review of system security over the existing TCMIS aside from checking the forms collected by the Department of Human Services for users. We also noted that there were numerous system security problems. See finding 03-DFA-34 for further details regarding this matter. Furthermore, we also noted that the Director of Information

Systems attempted to control the flow of information to the auditors and was an impediment to the audit process (see finding 03-DFA-33).

Recommendation

For the TennCare program to improve and succeed over the long term, the Director of TennCare and his staff should continue to address the long-existing problems within and external to the administrative structure of the program. The Director should continue to pursue implementation of the new TennCare information system. The Director should ensure that periodic audits of system security for the new system are conducted. In addition, the Director should ensure that the Director of Information Systems does not attempt to control the flow of information to the auditors and is not an impediment to the audit process.

Management's Comment

We concur with the overall recommendations made in this finding. However, for certain matters referenced in the finding, we do not concur or we concur in part and these matters are addressed in the responses to individual findings. Management has provided comments on the Information Systems Director in the separate finding on that matter.

As noted by the auditors, 16 of the previous findings have been corrected during the last year and others have been reduced in severity. These improvements are a result of the seriousness with which TennCare management approaches audit findings. We are diligently addressing and correcting these problems. Management has continuously stressed in executive staff meetings the importance of correcting audit findings and assuring that TennCare business processes are performed correctly to prevent additional findings. However, TennCare management is aware that some problems continue to be identified, as evidenced by the repeat findings, and it should be recognized that some of these issues will require additional time to correct.

To ensure findings were adequately addressed, TennCare management established a process in the prior year where corrective action plans were developed by staff responsible for the processes and these were followed up with periodic updates. During the current year, this process is being modified. Each finding will be assigned to a member of the executive staff and they are responsible for ensuring that a corrective action plan is developed, that corrective actions are taken and that the results are reported routinely to the Director of Financial and Program Review. Each of the findings will also be assigned to a TennCare internal auditor who will perform a follow-up review on the corrective actions implemented by evaluating new or improved processes and identifying any issues that still must be addressed. Results on the status of the finding will be reported to the TennCare Director, Chief of Operations and Director of Financial and Program Review. We believe this process will assure that finding issues are addressed.

The new TCMIS will be implemented as soon as appropriate. Components of the new system have been implemented (Computerized Telephony System and the Oracle Accounting, Financial, and Premium Management System). All other components of the new system have been going through extensive testing to ensure that the new system satisfies the complex requirements of the program and the needs of the various users. TennCare staff, F&A-OIR and the contractor all have key roles in the successful implementation of the new system. The system will be implemented when each party has fulfilled their role and we are satisfied that any system implementation issues are minimized.

In conjunction with the implementation of the new system, TennCare is in the process of performing a comprehensive review, through a consulting contract, of the needed support and staffing for the operation of Information Systems. This review will also focus on the support and staffing needed to ensure adequate security for the new system. This review is particularly critical as TennCare moves into a new relational systems approach for information processing.

TennCare Internal Audit performed a review of the TCMIS security documentation maintained by the Department of Human Services (DHS) during the year ended June 30, 2003. In addition, Internal Audit is currently performing an audit of security access to the TCMIS by all user groups. Also, as noted by the auditors, Internal Audit has been involved in monitoring the implementation and testing of the new system; currently, this includes a review of the audit and security features of the new system components. Internal Audit has considered and will continue to consider other audits of the system in the future. An electronic data systems auditor position for Internal Audit has been included in the budget recommendation for fiscal year 2005, with the intent to provide additional system expertise to the audit group.

Finding Number	03-DFA-10
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition
Compliance Requirement	Eligibility
Questioned Costs	None

After acknowledgement by TennCare management of their responsibility to take action in this matter, TennCare still does not have a court-approved plan to redetermine or terminate the TennCare eligibility of SSI enrollees who become ineligible for SSI

Finding

As noted in prior audit findings in the previous three audits, TennCare does not redetermine or terminate the TennCare eligibility of Supplemental Security Income (SSI) enrollees who become ineligible for SSI. This is because TennCare still does not have a court-approved plan which allows TennCare to make a new determination of the eligibility of these enrollees. According to 1200-13-13-.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. Tennessee residents determined eligible for SSI benefits are automatically eligible for and enrolled in TennCare Medicaid benefits." 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. Currently, 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. This issue was first reported in the audit for year ended June 30, 2000. Management concurred in part with that 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. . . .

However, in the audit for the year ended June 30, 2001, we reported that TennCare still did not have a court-approved plan which would allow TennCare to make a new determination of the eligibility of these enrollees. Management concurred with this finding and stated:

> The Director will ask the Attorney General to take action to bring this issue back before the court for final disposition. . . . 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.

In the previous audit finding for year ended June 30, 2002, we reported that TennCare had drafted a plan dated July 12, 2002, that would allow the Bureau to make a new determination of the eligibility of enrollees who become ineligible for SSI, once the court approves the plan. Management stated in the prior audit that the plan would be submitted to the Attorney General, who will in turn present the plan to the court for court approval. Also, in response to the prior finding, management stated:

> We concur. In an effort to obtain Court approval, the proposal referenced in the finding was submitted to the Attorney General with a request that it be submitted to the Court for approval. The Attorney General has requested additional information regarding systems and programmatic implementation of the proposal. This information is to include such things as a detailed methodology for systems matching to determine current addresses for persons terminated from SSI who have not utilized TennCare benefits. In addition, the Department of Human Services is developing a process to provide the reviews required by the Daniels Order to determine if persons who have been terminated from SSI qualify for other distinct categories of benefit eligibility. The Attorney General will submit the proposal to the Court when the implementation plans are complete. When the Court has reviewed the proposal and approved or modified it, it will be implemented.

Based on our review, we determined that TennCare added the additional information to the proposal as requested by the Attorney General and in June 2003, TennCare presented the proposal to counsel for the Daniels' class action lawsuit. According to TennCare, an agreement could not be reached with counsel for the Daniels' class. TennCare is currently working on a new proposal. Once the proposal is complete, TennCare will again present the proposal to counsel for the Daniels' class, and if an agreement is reached, the Attorney General will submit the proposal to the court. After the court approves the proposal for the court-approved plan, TennCare will implement the court-approved plan.

The *Cluster Daniels et al. vs. the Tennessee Department of Health and Environment et al.* 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 determine whether or not the recipient's termination from SSI was made in error.

Management has stated that TennCare follows the direction of the Attorney General's office concerning 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, the Court will have to approve 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 having 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.

According to TennCare management, there were approximately 147,000 SSI enrollees at June 30, 2003. According to management, the average cost per enrollee per month for fiscal year 2003 was approximately $240.00. Based upon the average cost per enrollee, the approximate cost for the SSI enrollees was $423 million for year ended June 30, 2003.

Recommendation

The Director of TennCare should work closely with the counsel for the Daniels' class action lawsuit to 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. The Director should continue to ensure that TennCare complies with all court orders and injunctions that relate to the eligibility of SSI enrollees.

Management's Comment

We do not concur. TennCare management has approached Plaintiff's attorneys numerous times and thus far, Plaintiff's attorneys have been unwilling to accept any plan dealing with de novo eligibility determinations for the SSI class. TennCare management has been involved in ongoing discussions with the Plaintiff's attorneys regarding all TennCare related lawsuits. While settlement agreements have been reached in several of these cases, the parties have not come to an agreement related to the Daniels' Order. Although it is not possible to determine whether Plaintiff's attorneys will ever accept a plan submitted by TennCare, TennCare management will continue to work with the Plaintiff's attorneys and when the parties reach an agreement, it will be submitted to the court for approval. TennCare is continuing to terminate these individuals due to death and when the individual is receiving Medicaid in another state or requests termination in writing.

Auditor's Rebuttal

Management has stated "we do not concur"; however, nowhere in its response has management taken issue with any statements made in the finding or the recommendation. As stated in the audit finding, management concurred with this repeated condition the past two years and concurred in part with this issue in a finding for the year ended June 30, 2000. Management acknowledges in its response that TennCare still does not have a court-approved plan to terminate these enrollees. Currently, individuals who have lost their SSI eligibility remain on TennCare for services indefinitely until the individuals die, move out of state and receive Medicaid in another state, or request in writing to be disenrolled. In light of the state's budget problems and the high costs of TennCare to the citizens who ultimately pay these costs, efforts should continue to be made to obtain a court-approved plan to allow termination of these enrollees.

Finding Number	03-DFA-11
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition
Compliance Requirement	Eligibility
Questioned Costs	$9,660

Since 1995, there have been weaknesses in internal control over TennCare eligibility

Finding

The prior eight audits of the Bureau of TennCare have noted internal control weaknesses over TennCare eligibility. Management concurred in part with the prior audit findings, as discussed throughout this finding. Management corrected weaknesses regarding inadequate staff to verify information on uninsurable applications and the lack of verification of applications for individuals losing Medicaid by shifting the related eligibility functions to the Department of Human Services (DHS). The issues noted regarding invalid social security numbers and ineligible enrollees remain uncorrected. We also noted a new issue related to enrollees' eligibility reverification.

DHS has the responsibility for eligibility determinations for TennCare Standard and TennCare Medicaid. The Department of Children's Services (Children's Services) is responsible for eligibility determinations of children in state custody. Children's Services enrolls children in state custody in both TennCare Standard and TennCare Medicaid. TennCare receives daily eligibility data files from DHS' eligibility system, the Automated Client Certification and Eligibility Network (ACCENT), which update information in the TennCare Management Information System (TCMIS).

Invalid and Pseudo Social Security Numbers Again Discovered

This issue was first reported in the audit for the year ended June 30, 1997. In that audit, we discovered that some TennCare participants had fictitious or "pseudo" social security numbers. For purposes of this finding, pseudo social security numbers are those numbers beginning with 888 that are assigned by TennCare to individuals that enroll without social security numbers. Invalid social security numbers include all other numbers where the first five digits indicate a range of numbers that have not been assigned by the Social Security Administration. In response to that finding, management stated that the reverification project would help to ensure that valid numbers are obtained from enrollees. The audit report for year ended June 30, 1998, reported that there were still some enrollees on TennCare's system with uncorrected "pseudo" social security numbers. In response to that finding, management stated that "Health Departments included information in their training that addressed validation of Social Security Numbers and obtaining a valid number for enrollees with pseudo numbers." In

the audit report for year ended June 30, 1999, we reported that there were still some enrollees on TennCare's system with uncorrected "pseudo" social security numbers. The response to that finding ignored the "pseudo" social security numbers issue. In the audit report for the year ended June 30, 2000, we again reported that TennCare had some enrollees with uncorrected "pseudo" social security numbers. In response to that finding, management stated that it "is our intent to address this issue as a part of our planning for the new TCMIS." (It should be noted that current and former TennCare management have been referring to the new TCMIS as the solution to a myriad of findings for years.) In the audit report for year ended June 30, 2001, we again reported that some individuals had uncorrected "pseudo" social security numbers in TennCare's system. In response to that finding, management stated, "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)." In the audit report for year ended June 30, 2002, we again reported that there were enrollees on TennCare's system with uncorrected invalid or "pseudo" social security numbers.

TennCare Management concurred in part with the 2002 audit finding and stated,

> The TCMIS assignment of pseudo social security numbers occurs for newborns to the system. Benefits for illegal/undocumented aliens are issued with pseudo numbers, since they cannot get a SSN legally. These are the only cases that will never have a 'real' SSN.
>
> Effective July 1, 2002, all eligibility determinations are made by DHS where eligibility information is entered into the ACCENT system. If a number is blank or invalid, ACCENT does an automatic front end match of SSNs entered into the system and provides an 'alert' to the case worker if an adjustment needs to be made. DHS also has a systems report of individuals for those that cannot be matched (usually newborns) that workers are to check. DHS also uses State on-line Query (SOLQ) to verify a number if an individual does not have a card. ACCENT does not allow two individuals to use the same SSN.

Although we determined that there was a process in place at DHS to identify individuals with invalid social security numbers, we determined that a problem still exists.

Similar to results noted in the six previous audits, we used computer-assisted audit techniques (CAATs) to search TCMIS. Our search revealed that 26,587 TennCare participants received benefits at some time during the year ended June 30, 2003, and had an invalid or pseudo social security number recorded in TCMIS in July 2003. We analyzed this file and eliminated participants that appeared to be newborns or illegal/undocumented aliens eligible for emergency services. As a result, 14,687 TennCare participants remained with apparent invalid or pseudo social security numbers. From the population of 14,687, a sample of 60 enrollees was selected for testwork. All 60 enrollees had "pseudo" social security numbers. Results indicated TennCare had correctly updated TCMIS or ACCENT to reflect valid social security numbers for 13 enrollees. For 47 of 60 enrollees, we noted that neither TCMIS nor ACCENT had been updated to reflect a valid social security number as of September 30, 2003. Of the 47 enrollees, 42 had been terminated from TennCare prior to December 2003 but had received benefits during

the year ended June 30, 2003, and five enrollees were not terminated from TennCare as of December 2003.

The total amount paid during the audit period for the 47 individuals with uncorrected pseudo social security numbers was $15,990. Federal questioned costs totaled $9,335. The remaining $6,655 was state matching funds. We believe likely questioned costs exceed $10,000 for this condition.

According to the *Code of Federal Regulations*, Title 42, Part 435, Section 910(a), "The agency must require, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish each of his or her social security numbers (SSNs)." In addition, according to the *Code of Federal Regulations*, Title 42, Part 435, Section 910(g), "The agency must verify each SSN of each applicant and recipient with SSA [Social Security Administration], as prescribed by the Commissioner, to insure that each SSN furnished was issued to that individual, and to determine whether any others were issued." TennCare is also required to follow *Rules of the Department of Finance and Administration, Bureau of TennCare*, Chapter 1200-13-14-.02(2)(a), which states, "To be eligible for TennCare Standard, each individual must: . . . 5. Present a Social Security number or proof of having applied for one, or assist the TDHS [Tennessee Department of Human Services] caseworker in applying for a Social Security number, for each person applying for TennCare Standard." Also, according to *Rules of the Tennessee Department of Human Services, Division of Medical Services*, Chapter 1240-3-3-.02 (10), "As a condition of receiving medical assistance through the Medicaid program, each applicant or recipient must furnish his or her Social Security Number (or numbers, if he/she has more than one) during the application process. If the applicant/recipient has not been issued a number, he/she must assist the eligibility worker in making application for a number or provide verification that he/she has applied for a number and is awaiting its issuance."

Ineligible Enrollees Discovered

This issue was first reported in the audit for the year ended June 30, 2001, and reported again in 2002. In these audits, we discovered 13 enrollees in 2001 and three enrollees in 2002 who were not eligible for Medicaid during the sample time period. Management did not concur with either finding and in 2002 stated,

> 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, business rules (Member Services Policy – MS-002) allowed 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 DHS to ensure these pended applications are reported accurately to TennCare, and TennCare reviews any incomplete/pended

> uninsured/uninsurable applications. Beginning in November 2001 TennCare identifed 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.
>
> In our rebuttal to management's comment for year ended June 30, 2002, we noted:
>
> Regarding the ineligible enrollees discovered we did not state that all individuals eligible under Medicaid categories in the TCMIS and not eligible in ACCENT represent ineligible TennCare enrollees. However, we did identify individuals in TCMIS who appear to be ineligible. Although management does not concur, it again has not provided any documentation to support the eligibility of those enrollees in question. Furthermore, there is no provision in the rules, written policies, or written "business rules" that allows individuals who submit incomplete applications to remain eligible for program services indefinitely. As stated in the audit finding, one enrollee's Medicaid should have ended on December 31, 1997, but was not ended until four years later on December 31, 2001.

We also noted that management did not address the part of the recommendation concerning the recovery of capitation payments made to the MCOs for ineligible enrollees.

In addition, our review of the Member Services Policy – MS-002, cited in management's previous comments to support the "business rules," revealed that this policy does not state that certain categories of eligibles can be extended for up to 12 months of eligibility within the TCMIS as management described in their comment.

During the audit period, TennCare reimbursed all managed care organizations (MCOs) for services provided to enrollees. In addition, TennCare paid an administrative fee to the MCOs for these enrollees. Furthermore, TennCare paid the behavioral health organizations (BHOs) a monthly capitation payment to provide services to these enrollees until January 2003. Beginning in February 2003, TennCare started reimbursing both of the BHOs for all behavioral health services provided to TennCare enrollees, and TennCare started paying an administrative fee to the BHOs for these enrollees. TennCare continued to pay for other services on a fee-for-service basis. These services included Medicare cross-over claims, claims for enrollees in the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled, nursing home claims, and claims paid to the Department of Children's Services for services provided for children in state custody or at risk of state custody.

A sample of 60 TennCare Standard enrollees with periods beginning on or after January 1, 2003, and TennCare Medicaid enrollees, excluding Supplemental Security Income (SSI) enrollees who had MCO administrative fees paid on their behalf, was identified in order to test whether the enrollees were eligible for TennCare during the periods covered by the administrative fee.

Of the 60 periods of time covered by the administrative fee for TennCare Standard and TennCare Medicaid enrollees tested, testwork revealed two enrollees (3.33%) who were not eligible for TennCare on the period covered by the administrative fee.

Specific details from the sample testwork were as follows:

- For one enrollee, whose administrative fee was paid from April 1, 2003, through April 30, 2003, the TennCare Standard eligibility was opened on September 4, 1998, in TCMIS. The enrollee's TennCare eligibility should have ended on October 26, 2002. However, because the TennCare eligibility was not closed until May 31, 2003, on TCMIS, this person was allowed to continue receiving TennCare services an extra seven months.

- We determined that one enrollee, whose administrative fee was paid from June 1, 2003, through June 7, 2003, was not eligible. This enrollee's TennCare eligibility should have ended on March 18, 2003. However, this enrollee was not terminated in TCMIS until June 7, 2003. This error allowed the individual to continue to receive TennCare services for over two months longer than allowed.

The total cost (administrative fees and services) paid by TennCare during the period of time covered by the administrative fee for the two ineligible enrollees was $14. The total cost (administrative fees and services) paid for the period of time covered by the administrative fee for the 60 enrollees tested was $19,748. Federal questioned costs totaled $7. The remaining $7 was state matching funds. We estimate that total costs paid for enrollees in the population sampled was $4.992 billion. We believe likely questioned costs exceed $10,000 for this condition.

In addition to the above problems, we found one enrollee of the 60 who was eligible for TennCare Medicaid for the period covered by the administrative fee payment (March 1, 2003, through March 31, 2003) but was not eligible after that period. In November 2002, this enrollee applied for TennCare Medicaid based on a disability. According to Chapter 7, "Medical Evaluation Unit," Number IV, "Overdue Disability Determinations / Interim Benefits" of the *DHS Policies and Procedures Volume I*, "An application for Medicaid based on disability must be processed within 90 days of the filing date. If not processed within 90 days of application, coverage for interim benefits begins on the 91st day." On the 91st day, DHS put the enrollee on TennCare for interim benefits because DHS had not received the disability decision from the Disability Determination Services (DDS) section within DHS. At the end of March 2003, DDS determined that the enrollee was not disabled and that DHS should have ended the interim benefits on March 31, 2003. At the time of testwork, we determined that this enrollee was still on TennCare. Shortly after we asked management at DHS about this matter, this enrollee's eligibility was ended on September 30, 2003. This allowed the enrollee to continue receiving benefits for six months after his eligibility had ended.

The amount paid for this ineligible enrollee from April 1, 2003, through June 30, 2003, totaled $134. The amount paid for July 1, 2003, through September 30, 2003, totaled $369. The questioned cost for April 1, 2003, through September 30, 2003, totaled $503. The federal

questioned amount totaled $300. An additional $203 of state matching funds was related to the federal questioned costs.

Furthermore, because TennCare has not ensured that only TennCare-eligible individuals are enrolled in TennCare, 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).

Enrollee Not Reverified (This portion of the finding was not reported in the prior year)

A sample of TennCare enrollees was tested to determine if the enrollees were reverified the required number of times during the audit period. Of the 126 enrollees tested, testwork revealed one enrollee (1%) was not reverified the required number of times during the audit period. According to the *Code of Federal Regulations*, Title 42, Part 435, Section 916, "The agency must redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months. . . ." Per review of ACCENT, the last time the enrollee was reverified was March 18, 2002. Therefore, the enrollee should have been reverified by March 18, 2003. As of December 8, 2003, this enrollee is still on TennCare and has not been reverified. Without reverifying enrollees every 12 months, TennCare cannot ensure that the enrollees continue to be eligible for TennCare as individual circumstances change over time.

The total amount paid during the audit period for this enrollee after the date the enrollee should have been reverified was $36. Federal questioned costs totaled $18. The remaining $18 was state matching funds. Based on an average cost of $410.68 per enrollee per month, the total cost related to this sample would be $561,310. We believe likely questioned costs exceed $10,000.

Recommendation

Note: For the issues that have been repeated in this finding over the years, this is the same basic recommendation that has been made in many past audits.

The Director should ensure that valid social security numbers are obtained for all individuals in a timely manner. The Director should ensure that only eligible enrollees are receiving TennCare, and all ineligible enrollees should be removed from the program. When contracts permit, TennCare should recover payments made to the MCOs for ineligible enrollees. The Director should ensure that all TennCare recipients are reverified at least once every 12 months.

Management's Comment

Bureau of TennCare

The Bureau of TennCare streamlined the eligibility process by contracting with the Department of Human Services (DHS) to provide a single point of entry for all TennCare eligibility determinations, a reasonable approach to serving the program members and applicants. Modifications to the TennCare waiver were approved by the U.S. Department of Health and Human Services on May 30, 2002 and the modified waiver became effective January 1, 2003 with eligibility determinations beginning July 1, 2002 at the county DHS offices. The application process includes a face-to-face interview with a DHS caseworker and verification of critical eligibility components.

Invalid and Pseudo Social Security Numbers

We concur in part. As described below, procedures have been implemented to continue to identify and correct invalid and pseudo social security numbers (SSN) through research and outreach activities or through the annual redetermination process. The TCMIS assignment of pseudo social security numbers (SSN) occurs correctly when newborns are entered into the system prior to issuance of a social security number and when emergency benefits are provided for illegal/undocumented aliens, since they cannot obtain an SSN legally. Illegal/undocumented alien cases are the only cases that will never have a 'real' SSN. Except for the aforementioned cases, TennCare requires that DHS have the enrollee/applicant's SSN unless there is documentation presented to DHS that an enrollee/applicant has applied for an SSN. Under federal regulations, a service to an eligible enrollee/applicant cannot be denied while waiting for an SSN; however, DHS is expected to provide updates to TennCare for SSNs once they are obtained. As part of our follow-up to this finding, we will work with DHS to ensure procedures for such cases are being handled appropriately.

Analysis of the auditor's complete group of 14,687 individuals indicated that 3,448 of these enrollees continue with pseudo SSNs and currently exceed 1 year of age or are not an illegal/undocumented alien or refugee. The remainder of the group had been corrected by TennCare in the normal course of operations.

As stated by the auditors, their testwork on a sample of 60 individuals in the group indicated that 13 enrollees' SSNs had been corrected by September 30, 2003 and 42 additional enrollees had been terminated from the program by December 31, 2003. Of the 42 terminations, 37 of them occurred by the end of the audit period, June 30, 2003. Many of the terminations resulted because the enrollee failed to respond to the redetermination notice. Enrollees were given 90 days to contact DHS to schedule appointments. In December 2002, TennCare delayed terminating individuals that were scheduled for termination due to "no response" because of a federal court order. These enrollees were later termed in March 2003. Terminating eligibility is an appropriate process that is in addition to any other steps TennCare takes to update and replace pseudo social security numbers. The redetermination/renewal process is a mechanism designed to assure enrollees remain eligible and that TennCare has current and correct information.

The process to identify and correct invalid or pseudo social security numbers begins with the eligibility process. Eligibility determinations are made by DHS where eligibility information is entered into the ACCENT system. If a number is blank or invalid, ACCENT does an automatic front end match of SSN's entered into the system and provides an 'alert' to the case worker if an adjustment needs to be made. DHS also has a systems report of individuals for those that cannot be matched (usually newborns) that workers are to check. DHS also uses State on-line Query (SOLQ) to the Social Security Administration's database to verify a number if an individual does not have a card. ACCENT does not allow two individuals to use the same SSN.

To further assure that invalid and pseudo SSNs are corrected and/or updated appropriately and timely, TennCare Information Systems and Member Services have developed additional procedures. Monthly reports are generated of recipients in the TCMIS with current eligibility who have invalid and/or pseudo social security numbers. Reports on invalid social security numbers are based on Social Security Administration (SSA) web-site criteria. Reports on pseudo social security numbers provide information based on whether an enrollee is an alien or a non-alien and also based on whether the enrollee is under 1 year old or 1 year and older. The TennCare Information Systems staff quality check the reports and send the invalid social security numbers to the TennCare Member Services Troubleshooting Unit.

Member Services validates and performs outreach to assure that the incorrect social security number is corrected through the social security number on SOLQ (the Social Security Administration's database) or the DHS ACCENT system. If the social security number is verified, then no additional action is taken. If ACCENT indicates another social security number, the staff person again goes to SOLQ for verification. If verification is still not possible, outreach is made to the individual to verify the social security number.

Once a number is verified through SOLQ, TCMIS may then be updated with the correct number. Social security numbers that are active DHS or SSI (Supplemental Security Income) cases must be corrected by the appropriate agency. For any records that Member Services cannot validate, the record is referred back to the source agency for validation. This follow-up process was implemented after our previous audit findings and we will continually work to improve the process to gain and maintain acceptable results in an appropriate and timely manner.

Ineligible Enrollees Discovered

We do not concur. TennCare does not disagree that there were ineligible enrollees discovered in TCMIS. However, as supported by our explanation of the processes we describe below, it is not TennCare's intent to allow an ineligible enrollee to remain on the program indefinitely but it is our intent for the processes to identify potential ineligible enrollees for resolution. Further, there are several federal requirements (in addition to the MEQC requirements, as described below) that recognize errors and/or delays that may occur in eligibility determinations (specifically for terminating eligibility) that are designed to protect an enrollee and prohibit the State from terminating an individual until such matters can be determined (in particular, 42 CFR 435.911(c) allows for unusual circumstances for timely determination of eligibility requirements; 42 CFR 435.911(e)(2) prohibits a State from denying eligibility because it has not determined eligibility within time standards; and 42 CFR 435.930(b)

requires the State to continue to furnish eligibility until an individual is determined to be ineligible).

TennCare has continued to follow existing procedures, in accordance with federal regulations to monitor eligibility errors. 42 CFR 431.810 addresses basic elements of a traditional MEQC (Medicaid Eligibility Quality Control) plan. TennCare operates under an alternative plan as approved by CMS in August 2000. The concept of an MEQC plan recognizes that a certain level of error may exist in any eligibility determination system and within certain limitations is acceptable. TennCare has consistently provided results of MEQC reviews to the Centers for Medicare and Medicaid Services, which indicate that we are below the 3% threshold included in federal regulations. In addition to this ongoing program, TennCare has continued to implement and work towards improvement of additional processes designed to detect and correct eligibility errors, including but not limited to the following:

- Outdate Process—This process is performed periodically by TennCare Information Systems (IS) and is designed to sweep the files and look for incomplete applications. Beginning in November 2001 TennCare identified the population who have been extended for greater than 12 months of eligibility with aged/pended or incomplete applications, loaded end dates to those records and resent the 30-day advanced termination notice.
- Transfer of Enrollment Process—Enrollment is now handled by DHS for the TennCare Standard population as well as Medicaid enrollees so that current DHS/TennCare interfaces adequately monitor incomplete application files.
- DHS/TennCare Eligibility Error Reports—There are processes in place in which TCMIS quality checks information coming to TennCare from DHS. If any piece of the pertinent information appears flawed, TennCare rejects the transaction back to DHS for review and resubmission. (With TennCare Standard, individuals are identified in a Case and incorrect information regarding one individual will reject the entire Case appropriately since the dynamics of a case mix can change circumstances.)
- DHS Pended Applications—Recipients' eligibility that has been opened as a result of the daily DHS pended application process and remains open beyond the acceptable length of time is researched. If it is discovered that the application which opened the eligibility end date has been processed and is no longer pending, action is taken to close the eligibility segment.

Of the three items that were reported in the finding, two were detected by TennCare processes that were in place, worked appropriately and resulted in termination of ineligible enrollees' eligibility prior to the sample being pulled for the audit. As discussed during the audit, the following two examples of the three described above were corrected upon verification from internal controls that identified the errors:

1. Regarding the enrollee whose eligibility should have ended on October 26, 2002 and in fact ended on May 31, 2003 – TennCare began running a periodic "Outdate Process" performed by Information Systems (designed to sweep the files and look

for incomplete applications). Through this process, we identified this enrollee as having an incomplete application on file which would cause the system to otherwise overlook the record for termination. The "outdate process" allowed us to identify the record, review the information and take appropriate steps to process the enrollee's eligibility. This enrollee was terminated as a result of this process prior to the sampling for this audit.

2. Regarding the enrollee whose eligibility should have ended on March 18, 2003 and in fact ended on June 7, 2003 – This enrollee was a member in a TennCare Standard case that was reviewed by DHS. When DHS reviews a case, they transmit each individual's record to the TennCare system for a specified disposition based on TennCare policies and procedures. The TennCare system is designed with internal controls to review certain demographic information coming from the DHS ACCENT system and to flag certain transactions with "edits" and reject the transactions back to DHS for further review. Since several dynamics of TennCare Standard eligibility are based on the entire demographics of a "case," when more than one enrollee per TennCare Standard Case is transmitted, the TennCare system rejects the entire case. This enrollee had children within the same case, and therefore each individual in the case was sent back to DHS for proper disposition. DHS reviewed the records and transmitted each back to the TennCare system appropriately and the enrollee's eligibility was terminated accordingly and the children remained eligible based on current eligibility policy.

The third test case was an error made by DHS and was corrected by DHS when it was addressed by the audit team.

Enrollee Not Reverified

We concur. DHS reported that the case cited was both a Families First and Tenncare Medicaid case due for review. The TennCare Medicaid component of the case was not reviewed within the specified timeframe. Supervisory reports are now generated indicating overdue reviews. This should ensure that Medicaid cases are reviewed on a timely basis.

The finding indicated that: "According to the *Code of Federal Regulations*, Title 42, Part 435, Section 916, "The agency must redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months. . . ." However, federal regulations further include the following requirements: 42 CFR 435.911(c) allows for unusual circumstances for timely determination of eligibility requirements; 42 CFR 435.911(e)(2) prohibits a State from denying eligibility because it has not determined eligibility within time standards; and 42 CFR 435.930(b) requires the State to continue to furnish eligibility until an individual is determined to be ineligible.

As evidenced by the processes implemented by TennCare (as described in the aforementioned issue), it is not TennCare's intent to allow enrollees to remain eligible without reverification of eligibility. Based on the processes in place, TennCare will continue to reverify enrollees based on current proactive and/or look behind processes.

Questioned Costs

As noted previously, based on the terms of our MEQC plan, TennCare is relieved of liability for errors resulting from eligibility determinations.

Department of Human Services

Invalid and Pseudo Social Security Numbers Again Discovered

We concur.

The department will continue to monitor invalid and missing social security numbers to ensure that all individuals have valid numbers and that this information is transferred to the TennCare system. Data matching is automatically done when a social security number is entered into ACCENT and an alert is sent to the caseworker if the number is invalid or incorrect. Reports are also used to identify individuals for whom an incorrect or no social security number has been entered.

The department is required to document a valid social security number for each applicant. In the case of an individual who does not have a social security card, caseworkers are to assist the applicant in applying for a social security number and documenting that an application for a social security number has been made. The application for a social security number allows for the approval of program benefits. When the social security number is received, the client must report the number to DHS. The department does not enter information in the social security number field for the file created for the TennCare TCMIS system until the receipt of the social security number from the client.

Ineligible Enrollees Discovered

We concur.

The department has added edits to ACCENT for the TennCare Standard process to prevent many of the common errors discovered in the beginning of this new program. We have also worked closely with TennCare systems staff to assure that systems interface issues are addressed and changes made as needed.

Interim benefits cases are manually processed and tracked by staff, both to begin and to end benefits. Additional staff are now assisting in tracking reports to ensure that closure of these benefits are processed timely.

Enrollee Not Reverified

We concur.

The case cited was both a Families First and Tenncare Medicaid case due for review. The TennCare Medicaid component of the case was not reviewed within the specified timeframe.

Supervisory reports are now generated indicating overdue reviews. This should ensure that Medicaid cases are reviewed on a timely basis.

Auditor's Rebuttal

Invalid and Pseudo Social Security Numbers Again Discovered

It is not clear with which part management does not concur. Management agrees that there continue to be 3,448 enrollees with invalid social security numbers.

Ineligible Enrollees Discovered

Management does not concur but states, "TennCare does not disagree that there were ineligible enrollees discovered in TCMIS."

The MEQC plan and the other regulations referred to by management do not relieve management of the responsibility to terminate ineligible individuals from the program.

According to the *Code of Federal Regulations*, Title 42, Part 431, Section 800, the MEQC is a required program which is designed to "reduce erroneous expenditures by monitoring eligibility determinations…." Furthermore, the *Code of Federal Regulations*, Title 42, Part 431, Section 865, establishes rules and procedures for disallowing federal financial participation in erroneous medical assistance payments due to eligibility errors "as detected through the Medicaid eligibility quality control (MEQC) program." The errors noted in the finding were not errors identified by TennCare's MEQC program but were, in fact, errors resulting from a lack of adherence to procedures to remove enrollees who were clearly ineligible for TennCare services from the program.

As noted in the finding, we found three ineligible enrollees, and we asked management for any documentation or information supporting the eligibility of the enrollees. However, no such documentation was provided.

Enrollee Not Reverified

Regarding the enrollee not reverified, management cites 42 CFR 435.930(b), which states that the agency must "continue to furnish Medicaid regularly to all eligible individuals until they are found to be ineligible." This law further demonstrates the importance of timely reverification of all enrollees, which management's controls failed to accomplish for the enrollee in question.

Furthermore, regarding management's comment that MEQC relieves TennCare of liability for errors resulting from eligibility determinations, we will continue to report, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, costs questioned for ineligible enrollees. The ultimate resolution of these questioned costs is the responsibility of the U.S. Department of Health and Human Services.

Finding Number	03-DFA-14
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions
Questioned Costs	$486,870

TennCare incorrectly reimbursed managed care organizations, behavioral health Organizations, Consultec, and the Department of Children's Services for services that were unallowable or not performed, resulting in federal questioned costs totaling $486,870; also, TennCare still does not have written procedures to address the repeated Children's Services issues and did not comply with utilization of care and suspected fraud requirements

Finding

As noted in the prior four 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 the managed care organizations (MCOs) and the behavioral health organizations (BHOs) that are also under contract with TennCare. During the year ended June 30, 2003, TennCare paid approximately $110 million in fee-for-service reimbursement claims to Children's Services. Although the prior audit noted some improvements and reported $199,809 as improperly paid to Children's Services, the current audit period revealed that improper billings made by Children's Services had increased to $534,148.

The four previous audit findings addressed two specific types of unallowable payments made by TennCare to the Department of Children's Services:

- payments for incarcerated youth, and
- payments for children on leave status.

We also noted two new issues in the previous audit regarding targeted case management and TPL (third-party liability) edits that had been overridden by TennCare. Although there were no problems noted regarding targeted case management for the current audit period, the issues regarding TPL edits being overridden, incarcerated youth, and children on leave status still exist.

Payments for Incarcerated Youth

TennCare has not identified all incarcerated youth enrolled in the program and has paid for the health care costs of youth in the state's youth development centers (YDCs) and detention centers. This issue was first noted in the audit for the year ended June 30, 1997. Management has concurred or concurred in part each year since and has promised corrective action. However, the problem still remains.

Although TennCare has outlined procedures to identify inappropriate billings from Children's Services for youth in YDCs and on runaway status, and although TennCare received monthly listings of children in YDCs and quarterly listings of children on runaway status, discussions with management revealed that TennCare had not performed matches or reviewed these billings consistently during the audit period. As of June 30, 2003, a test program had been developed and TennCare was still in the process of fully developing and utilizing procedures to identify these inappropriate billings.

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.

In addition, although TennCare's management entered into a Memorandum of Understanding (MOU) in fiscal year 1999 with the Department of Finance and Administration's (F&A) Division of Resource Development and Support (RDS) to examine this area, and although TennCare appears to have taken steps toward having adequate procedures in place to identify these types of payments, TennCare still paid for the health care costs of youth in the state's youth development centers and detention centers.

Management could have identified these issues by employing techniques we have previously used to detect these problems. As in the previous audits, we used computer-assisted audit techniques (CAATs) to search TennCare's paid claims records to find that TennCare made payments totaling $426,562 for the year ended June 30, 2003, for juveniles in the youth development centers and detention centers. Of this amount, $67,768 was paid as direct services to MCOs or to Consultec for MCO drug claims; $99,745, to the MCOs in administrative fee payments; $69,451, to BHOs for behavioral health services or to Consultec for BHO drug claims; and $189,598, to Children's Services for services provided to children in the state's custody. Federal questioned costs totaled $262,600. The remaining $163,962 was state matching funds.

In contrast to the normal practice of paying a set fee per enrollee to MCOs and BHOs, TennCare entered into a "stabilization period," where TennCare reimbursed all MCOs for services provided to enrollees during the entire audit period. In addition, TennCare paid an administrative fee to the MCOs for these enrollees. Furthermore, beginning in January 2003, TennCare started reimbursing all the BHOs for all behavioral health services provided to TennCare enrollees. Since TennCare did not have procedures in place for identifying ineligibles

during the entire audit period, TennCare incorrectly made payments to the MCOs and the BHOs on behalf of the enrollees.

Payments for Children on Leave Status

TennCare has paid Children's Services 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. This issue was first noted in the audit for the year ended June 30, 1999. Management has concurred or concurred in part each year since and has promised corrective action. However, the problem still remains.

In the previous audit for the year ended June 30, 2002, we were told that TennCare was developing a procedures manual and was in the process of reviewing these procedures. However, we were unable to confirm its existence. As a result, the problems in this area continued during the audit period. Management concurred in part with the finding and stated:

> . . . four new policies and procedures have been requested of DCS: One each for identification of children in a YDC or on runaway status and one each to prevent inappropriate billings of children in a YDC or on runaway status. TennCare has also requested the assistance of the Department of Finance and Administration, Office of Program Accountability Review (PAR) to validate the listings as part of the Bureau's monitoring of DCS. TennCare is now in the process of working with DCS to ensure that these policies and procedures are established. . . .

However, based on discussions with the DCS liaison, the four new policies still have not been developed or implemented. In a letter from the Director of TennCare to the Commissioner of Children's Services dated May 19, 2003, TennCare requested information about the status of the following: policies and procedures for reporting children who are both in a YDC and on runaway status and a policy for ensuring that TennCare is not billed by DCS for both services provided on or after the date the child entered the YDC and during the time the child is on runaway status. TennCare also requested a corrective action plan that would further reduce (if not prevent) unallowable billings. In a letter dated May 28, 2003, DCS responded to TennCare and stated, "It is our position that these are process issues performed to verify data accuracy and to request funding from TennCare and that a policy statement governing this process is not necessary." Although DCS did not submit the requested policies and procedures, it did submit to TennCare on May 28, 2003, a Corrective Action Plan for TennCare Billing Errors along with a timeline for completion of the stated actions. However, the problems in this area continued during the audit period. 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. In related findings in Children's Services audits for the previous four audits, Children's Services' management concurred in part

with the audit findings. Auditor inquiry revealed that Children's Services had begun to notify TennCare when children are on runaway status. TennCare received two quarterly reports from DCS that identified these children during the audit period. 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. However, based upon the U. S. Department of Health and Human Services' response to the prior-year audit findings as well as TennCare not obtaining written approval for the payment of leave days from CMS, Children's Services cannot bill TennCare for those leave days. 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 Children's Services for up to 21 days while the child is in the hospital, but as stated above, Children's Services cannot bill TennCare for any hospital leave days. Based on the prior findings, TennCare had been made aware of the possibility of such costs and has taken some actions to identify such situations. TennCare has developed procedures to identify inappropriate billings from Children's Services for youth in YDCs and on runaway status as stated above.

Management could have identified these issues by employing techniques we have previously used to detect these problems. As in prior years, using CAATs, we again performed a data match comparing TennCare's payment data to runaway records from the Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that for the year ended June 30, 2003, TennCare had improperly paid $217,123 to Children's Services for children on runaway status. Federal questioned costs totaled $141,327. The remaining $75,796 was state matching funds.

In addition, as in prior years using CAATs, we again performed a data match comparing TennCare's payment data to encounter data from the MCOs and the BHOs. The results of the data match indicated that for the year ended June 30, 2003, TennCare had improperly paid $127,427 to Children's Services for enhanced behavioral health services for children who are in the state's custody but had been placed in a medical hospital or a behavioral health facility. Of this amount, $15,123 was paid while the children were in medical hospitals, and $112,304 was paid while the children were in behavioral health facilities. Federal questioned costs totaled $82,943. The remaining $44,484 was state matching funds.

TPL Edits Again Overridden

It was also determined that TennCare staff overrode TPL (third-party liability) edits for Children's Services' claims. The TPL edits are designed to identify enrollees who have other insurance and deduct/adjust the amount of claim reimbursement owed to the providers by TennCare. Because TennCare staff chose to override these edits, the state and the federal government may be paying for services that are the legal obligation of third parties. Office of Management and Budget Circular A-133 requires that "states must have a system to identify medical services that are the legal obligation of third parties," so that costs are not passed on to the federal government. Similarly, the state should not have to pay for these costs. In response to the previous audit, management stated:

> We will review the processes in place over TPL and the related edits to determine whether any changes should be made.

However, no changes have been made, and TennCare staff still overrode TPL edits for Children's Services' claims.

In total, $534,148 was improperly paid to Children's Services; $67,768, to the MCOs; $69,451, to the BHOs; and $99,745, to the MCOs in administrative fee payments. A total of $486,870 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $284,242 was state matching funds.

Noncompliance with Utilization of Care and Services and Suspected Fraud Requirements

As stated in audit findings in the four previous audits, there are no methods or procedures to identify suspected fraud related to "children's therapeutic intervention" claims paid by TennCare to the Department of Children's Services.

Management concurred with the findings for years ended June 30, 1999, June 30, 2000, and June 30, 2001, and partially concurred with the finding for year ended June 30, 2002. In the audit for year ended June 30, 1999, management stated that:

> TennCare will review current procedures for compliance with federal regulations and the Tennessee Medicaid State Plan relative to unnecessary utilization of care and services and suspected fraud. As determined necessary, amendments to the Tennessee Medicaid State Plan will be submitted to HCFA [now known as the Centers for Medicare and Medicaid Services] for approval to address changes in procedures that have occurred to the Medicaid/TennCare Program.

In the audit for year ended June 30, 2000, management stated that:

> A number of the procedures that have been developed to date are discussed in other sections of this audit, under findings having to do with the relationship of TennCare to DCS and to the Division of Mental Retardation Services. Nevertheless, the TennCare Bureau will develop and implement within the next twelve months a comprehensive plan to address surveillance and utilization control and identification of suspected fraud in those areas of the program that still operate on a fee-for-service basis.

In the audits for the years ended June 30, 2001, and June 30, 2002, management did not address claims paid to the Department of Children's Services in management's comments.

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. . .

Based on current audit inquiries of TennCare personnel, the Bureau has not developed methods or procedures to identify suspected fraud for Department of Children's Services (DCS) claims.

In addition, in 1992 the State Medicaid Agency told the federal grantor in the Tennessee Medicaid State Plan:

> 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."

Recommendation

Management is responsible for the programs and resources under their control. That responsibility includes safeguarding public funds from fraud, waste, or abuse. In addition to being responsible for establishing specific control over particular transactions and activities, top management has an overarching responsibility to set an appropriate tone or example. Words are important, but actions, particularly if they are inconsistent with words, are more persuasive.

Any lack of control increases the risk that public resources may be abused. If a control has not been instituted, or if a control is less than effective, either in design or operation, management should take steps to establish or enhance the proper control.

On the other hand, it is a totally different matter when existing controls, which are appropriately designed and implemented, are overridden. Overriding a control is a conscious decision usually made under the rationalization that the control is impeding efficiency, slowing payments, or otherwise interfering with the flexibility management and staff needs to deal with day to day, real life circumstances.

It is always easier in the short run to remove controls. More informal practices will push aside all of the cumbersome rules and policies that can be characterized as red tape. But in the long run, the illusion of efficiency gives way to the reality of unaccounted for transactions and confusion about the true nature and circumstances surrounding the use and consumption of public resources.

It is essential that top management provide the discipline necessary to support adequate controls when there are pressures to circumvent them for the sake of expediency or for less wholesome motives.

Sometimes existing controls are circumvented or overridden by staff without the knowledge of upper management. In those cases it is imperative that when upper management becomes aware of such situations, prompt and effective corrections are made to set the appropriate tone.

Obviously when top management fails to act appropriately to such situations staff can easily interpret that inaction as an endorsement or ratification of their disregard for controls. Any control weakness is an issue for auditors. It should also be a serious problem confronting management if management is committed to safeguarding assets. For these reasons, situations involving the active override of controls should be of even greater concern for upper management.

Upper management has been aware of the control overrides noted in this finding for at least 12 months. Although upper management's prior response included the appropriate words of concern and commitment to corrective action, the actual message from management to the auditors and staff is that the conditions are not unacceptable or at least that remedial action is not a priority. It would be preferable if upper management did not wait for multiple citations from the auditors to do what is right.

In light of the many concerns and long standing issues facing TennCare, including the large number of repeat audit findings, it would appear that upper management should take every opportunity to demonstrate a proactive commitment to real improvement in operations, including strong negative reactions to the willful overriding of controls by staff.

The Director of TennCare should carefully review the prior year's finding and determine the true extent to which TennCare management addressed those continuing issues and why those efforts were unsuccessful. The Director of TennCare should ensure that specific responsibility for correcting this finding is assigned to one individual and that individual should be required to develop a written plan for correcting the problem before the next audit. Those corrective measures should include performance of computer-assisted monitoring techniques on a consistent basis to prevent and detect payments for incarcerated youth, children on runaway status, and children placed in medical hospitals. The Director of TennCare should ensure that Children's Services bills only for recipients who receive services and are eligible to receive services. The Director should ensure that TennCare staff clearly understands that it is not acceptable to override the third-party liability edits for Children's Services' claims or any controls. The Director should ensure that TennCare does not pass on to the state and federal government the cost of services that are the legal obligation of third parties. Additionally, the Director of TennCare should ensure that methods and procedures are developed to identify suspected fraud for claims paid to the Department of Children's Services.

Management's Comment

We concur that only covered services should be paid to DCS by TennCare. TennCare management is committed to ensuring that only covered services are paid for DCS children and will again require corrective action from DCS to ensure that only appropriate services are billed

to TennCare. DCS has not provided the written policies that have been requested by TennCare, but a new contract between TennCare and DCS includes requirements for the reports that TennCare needs to identify inappropriate billings.

Payments for Incarcerated Youth and Children on Leave Status

The TennCare Fiscal Office has implemented procedures designed to identify and recoup payments for services for children billed inappropriately by DCS. These procedures were implemented during the audit period but were not applied consistently to all DCS billings. DCS provides TennCare routine listings of children in youth detention centers and those children who are on runaway status. These listings are used to perform a search for any payments for the absent periods and to recover those funds from DCS. TennCare has developed an internal report to identify DCS children in hospitals and voids any claims from DCS for these same dates of service.

TPL Edits

Third party liability edits have been turned on for children's services claims.

Utilization of Care and Services and Suspected Fraud

Through the monitoring procedures performed for DCS providers, certain utilization of care and potential fraud issues may be identified. However, management is giving consideration to any other procedures that may be needed to ensure services provided to DCS children are appropriate.

Finding Number	03-DFA-18
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

As noted since 1999, TennCare is still violating the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled in the way claims are paid for services provided to the mentally retarded and developmentally disabled

Finding

As noted in the prior four audits, TennCare has contracted with and paid 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* (CFR), 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, after four years of repeated findings, TennCare continues not to comply with HCBS MR/DD waiver requirements regarding claims for services.

The prior finding noted the following:

- 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 is not paying DMRS the same amount DMRS pays providers.

- TennCare allowed DMRS to combine services without waiver approval.

These issues continue to be problems, even though management concurred with these prior audit findings four previous times.

Testwork revealed that TennCare has continued to inappropriately pay DMRS as a Medicaid provider. DMRS in turn has continued to treat 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.

Failure to Process and Pay Claims on Approved MMIS

Furthermore, the waiver agreement also requires provider claims to be processed on an approved Medicaid Management Information System (MMIS) and provider payments to be issued by TennCare. Under Appendix F of the HCBS MR/DD waiver, TennCare has selected the payment option which states, "All claims are processed through an approved MMIS." However, under the current arrangement, 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).

In response to the previous audit finding for year ended June 30, 2002, management stated:

> We concur that the payments made by the Division of Mental Retardation Services (DMRS) were not made via an approved Medicaid Management Information System during the audit period. Direct provider payment has been discussed at meetings with the system contractor for inclusion in the design of the new system. Staff from DMRS and the TennCare Division of Long Term Care (TDLTC) have participated in TennCare Management Information System (TCMIS) planning sessions and have made it clear that the new system must be able to accommodate direct provider payment for mental retardation (MR) waiver providers. Implementation is scheduled for October 2003. In addition, direct payment of providers and a simplified rate structure have been included in the Infrastructure Development and Corrective Action plan for the MR waiver programs. . . .

In response to this issue in the audit finding for year ended June 30, 2001, management stated:

> 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 response to this issue in the audit finding for year ended June 30, 2000, management stated:

> . . . During the request for proposal and contract process with interested new fiscal agents, the possibility for direct provider payment and voluntary reassignment of provider payment to DMRS will be explored. . . .

In response to this issue in the audit finding for year ended June 30, 1999, management stated:

> . . . Provisions will be implemented that allow the provider voluntary reassignment of their service payment to a government agency, i.e., DMRS, with the ability to cancel the arrangement should he choose to receive direct payment from the Medicaid agency. As a long-term goal, we will work toward the federal requirement that the Medicaid agency make payments directly to the provider of services. This effort will not be completed for several years due to computer system limitations.

Since the response to the prior audit management has decided not to pay providers directly, but rather attempt to designate DMRS as a limited fiscal agent for the waiver. In management's six-month follow-up report to the Division of State Audit regarding this finding, management indicated:

> In order to correct the issues cited in this report, DMRS will be designated as a limited fiscal agent for the waiver and an approved Medicaid Management Information System (MMIS) will be developed. An RFP will be released by October 1, 2004.

While the HCBS MR/DD waiver document has an option which could allow payments to be made through a different system, this option was not selected by TennCare. TennCare in the HCBS MR/DD waiver also indicated that providers may voluntarily reassign their payment to DMRS. However, the provider agreements in effect during the audit period required the provider to accept payment from DMRS since direct payments through the TennCare Management Information System (TCMIS) were not possible during the audit period. The Centers for Medicare and Medicaid Services (CMS) agree with our position and have instructed TennCare to comply. A report dated July 27, 2001, on a compliance review conducted by CMS for the HCBS MR/DD waiver 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.

In an approval letter of the cost allocation plan CMS stated,

> . . . We are particularly concerned about the findings that TennCare has been making Medical Assistance Payments (MAP) for the MRDD HCBS under their waiver directly to the DMR [DMRS], instead of making the payments directly to the actual service providers. . . .

<u>TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers</u>

Testwork revealed as it has been reported in the previous four audits that TennCare is not paying DMRS the same amount DMRS pays providers because DMRS has 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. Regulations require any claims submitted by providers for services performed for waiver recipients to be processed in accordance with all applicable federal regulations and waiver requirements, and the state to receive the federal match funded at the appropriate federal financial participation rate.

The billing and payment process used by TennCare and DMRS 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.

4. DMRS bills TennCare based on the waiver rates.

5. TennCare pays DMRS the TennCare rates using the TCMIS.

In an approval letter of the cost allocation plan CMS stated:

> . . . [DMRS] Using their own payment system separate from the TennCare Management Information System, the DMR paid the actual HCBS providers for their services in accordance with entirely different fee schedules that they negotiated and agreed upon in their contracts (or provider agreements) using the waiver approved provider rates which were never approved by TennCare. For the most part, DMR was in fact administering the State's HCBS waiver and was simply billing the TennCare Bureau as the funding source for the waiver services rendered to the Medicaid eligible recipients. In accordance with the provisions of the Social Security Act and with the terms of the federally approved waiver, the State should only be claiming MAP [Medical Assistance Payments] at the Federal Medical Assistance Percentage (FMAP) for waiver services costs that it pays directly to the actual providers of the HCBS. . . .

Management concurred with this portion of the prior-year audit finding and stated:

> We concur that until approval of the cost allocation plan, DMRS administrative expenses were partially reimbursed by TennCare . . .

Also, regarding DMRS' paying waiver claims outside the prescribed waiver agreement, management stated in response to the finding for the year ended June 30, 2001:

> 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.

This response was similar to the response for year ended June 30, 2000. TennCare included in its contract a section entitled "payment methodology" and described the payment of administrative costs through the cost allocation plan. While DMRS may not be recovering enough money through the claims reimbursement process to pay its 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, any profit (the excess of TennCare's reimbursements to DMRS over DMRS' payments to providers) from the reimbursement of treatment costs would be inappropriately used to pay administrative costs.

The federal government has also noted this inappropriate practice of using claims reimbursement to partially fund administrative costs in the CMS compliance review report 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).

Testwork specifically revealed that 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 50 of 60 claims (83%) paid by TennCare to DMRS. TennCare paid DMRS less than DMRS paid the providers on the other 10 claims. In total for the 60 claims examined, TennCare paid $174,957 to DMRS, and DMRS paid the providers $158,980.

We also selected a sample of 300 claims processed through the Community Services System (CS tracking) and determined the following:

- For 55 claims, there was no evidence that DMRS had billed TennCare for the service.

- For 26 claims, TennCare had denied the billing DMRS had sent to TennCare.
- For 157 claims, TennCare paid DMRS more than DMRS paid the provider.
- For 62 claims, TennCare paid DMRS less than DMRS paid the provider.

The total amount paid by TennCare for the claims in this sample was $256,931. For the 219 claims that TennCare paid, DMRS paid the provider $277,421. The total amount paid by DMRS to the providers for all 300 claims was $344,523.

As noted in finding 03-DFA-20, testwork on the sample of 60 revealed that some of 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 03-DFA-20. No additional questioned costs relating to the differences in payments will be reported in this finding.

Combined Services Without Approval

In the prior two audits, it was noted that DMRS contracted with providers who were providing a service described as community participation (CP) combo. Combo services are provided by DMRS to individuals in the HCBS MR/DD waiver. DMRS provides many different combo services. However, the HCBS MR/DD waiver does not allow any combination of services.

Management concurred with this portion of the 2002 audit finding and stated:

> We concur that approval of "bundled services" has not been sought from CMS. . . . TDLTC and DMRS intend to remedy the issue regarding flexibility in the provision of day services through revision of waiver definitions for the waiver renewal application that will be completed within the next 6 months.

Management concurred in part with the 2001 finding and stated in response to that finding:

> 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.

In addition, a transmittal letter from HCFA (the Health Care Financing Administration, now known as CMS) dated January 23, 1995, states:

> For a state that has HCFA approval to bundle waiver services, the state must continue to compute separately the costs and utilization of the component services to support final cost and utilization of the bundled service that will be used in the cost-neutrality formula.

However, in management's six-month follow-up report to the Division of State Audit regarding this finding, management indicated:

> . . . TennCare plans to submit a new waiver application, which will include revised waiver definitions that more closely resemble the flexibility needed in the program for the provision of services to the MR population. However, CMS has not yet given their permission to submit a new waiver request. The anticipated completion date is not known at this time.

During fieldwork, we asked long-term care staff for documentation that CMS has approved this type of combo service and management indicated at that time that they would pursue such documentation. However, no such documentation was provided. By not receiving approval from the federal government, there is a chance that the services that were combined were not combined in accordance with the objectives of the program.

Recommendation

Note: This is the same basic recommendation made in the prior four audits.

The Director of TennCare should take immediate action to comply with all federal requirements, including those in the waiver. The Director should also ensure that TennCare pays providers in accordance with the waiver. If TennCare continues to allow DMRS to pay providers directly, the Director should ensure that DMRS fulfills all the federal requirements necessary to become a limited fiscal agent. For providers paid through the DMRS system, the Director should ensure that TennCare pays DMRS the lesser of the approved TennCare waiver rate or the amount paid by DMRS to the providers. Or, if the federal government concurs with the average rate payment methodology then TennCare should monitor payments by DMRS to providers and TennCare's payments to DMRS to ensure they truly operate on a break-even basis. For providers who do not choose to reassign payments to DMRS, TennCare must pay providers directly through TCMIS. The Director should ensure that TennCare has CMS approval for all bundled services.

Management's Comment

<u>Failure to Process and Pay Claims on Approved MMIS</u>

We do not concur. We do not agree with the Centers for Medicare and Medicaid Services on this issue and will work with them on a resolution. Payments made by the Division of Mental Retardation Services (DMRS) for services provided through the Home and

Community Based Services (HCBS) waivers were not made directly to individual providers or via an approved Medicaid Management Information System during the audit period; however, payments made by TennCare to DMRS for services provided through the HCBS waivers were made through the approved TennCare Medicaid Management Information System. We believe this arrangement is in compliance with federal regulations. TennCare is implementing a new Management Information System which will have the capability to allow direct provider payment for services provided through the HCBS waivers should TennCare and DMRS, from a policy perspective, choose to have a direct payment system.

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

We concur in part. TennCare is paying DMRS the rates established in the waiver and approved by CMS. These payments are paid on an interim basis and are being cost settled to ensure that no amounts greater than the waiver rates are paid. Any adjustments needed as a result of the cost settlement will be made. The Comptroller's TennCare Division has completed an interim cost settlement and we are compiling more data in order to complete the final cost settlement with DMRS to assure that no overpayment was made.

TennCare has submitted waiver renewal applications for HCBS waiver #0357 and HCBS waiver #0128.90.R1. Upon approval of the waiver renewal applications by the Centers for Medicare and Medicaid Services, TennCare will pay DMRS the lesser of the TennCare waiver service rate (not the average rate payment specified in the approved HCBS waivers) or the amount paid by DMRS to the waiver service providers.

Combined Services Without Approval

We concur that approval of "bundled services" in the Home and Community Based Services (HCBS) waivers for the mentally retarded was not previously obtained from the Centers for Medicare and Medicaid Services (CMS). To resolve this finding, on February 23, 2004, TennCare submitted waiver renewal applications for HCBS waiver #0357 and HCBS waiver #0128.90.R1 with revised waiver service definitions. CMS is currently reviewing the waiver renewal applications.

Auditor's Rebuttal

Failure to Process and Pay Claims on an Approved MMIS

Management explicitly states that it disagrees with the Centers for Medicare and Medicaid Services (CMS), the federal grantor, on the issue of processing and paying claims on an approved Medicaid Management Information System. However, the current waiver agreement between CMS and TennCare requires provider claims to be processed on an approved Medicaid Management Information System and provider payments to be issued directly by TennCare.

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

Although management concurred in part, it is not clear from management's comments with which part it does not concur. Management acknowledges that DMRS is not paying providers rates established in the waiver and approved by CMS, and that a cost settlement will be necessary to ensure approved waiver rates have not been exceeded. TennCare in effect has allowed payments to providers outside the prescribed approved waiver rates. It is unclear when a cost settlement will occur.

Finding Number	03-DFA-20
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Eligibility
Questioned Costs	$18,893

Since 1999, TennCare has still failed to ensure that adequate processes are in place for approval of recipient eligibility and for the review and payment of services under the Medicaid Home and Community Based Services Waivers; 89% of the 120 claims examined contained deficiencies, resulting in $29,025 in questionable expenditures

Finding

As noted in the prior four audits, TennCare has not ensured the appropriate review and authorization of eligibility and of the services allowed 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 waiver. In spite of our prior findings, DMRS continued to allow providers to render services to recipients before proper eligibility preadmission evaluations (PAEs) were performed and documented and before services were reviewed and authorized. As a result, as in the past, claims were again paid for unallowable and/or unauthorized services. In addition, the required service plans were not authorized timely or were missing.

Management concurred with the portion of the finding related to waiver issues that were reported in the audit report for fiscal year ended June 30, 2002. However they only partially concurred with the part of the finding concerning the PAEs and stated that human error should be expected.

A sample of 60 claims from the HCBS MR/DD Waiver was selected. In the review of the 60 claims, testwork revealed that for 50 (83%) of the waiver claims tested, deficiencies were noted. The deficiencies included the following:

- For 45 (75%) of the claims tested, the enrollee's service plans were not signed timely or were missing from the regional office. The *Operations Manual for Community Providers*, Chapter 2, states that billing cannot be claimed for services furnished prior to the development and authorization of the Service Plan.

- Proper supporting documentation was not retained by many of the vendors for the claims reviewed. Twenty-two percent of those tested, 13 of 60, did not maintain

sufficient documentation. In many instances, the support was inadequate because the units (hours or days) recorded by the vendor were less than the units paid by TennCare. In some cases, documentation could not be found, or the waiver recipient was absent from the provider on the day for which the claim was made.

The total amount of the 60 claims sampled was $174,957. Costs associated with the errors noted above totaled $28,744, of which $18,710 was federal questioned costs. The remainder of $10,034 was state matching funds. The total amount paid for HCBS MR/DD waiver claims was $156,338,494.

A separate sample of 60 claims for the HCBS Elderly and Disabled waiver was selected. In a review of the claims for the elderly and disabled recipients, testwork revealed that for 57 of 60 claims tested (95%), deficiencies were noted. The following problems were found:

- For 3 claims (5%), the supporting documentation for services obtained from the provider was not adequate for the claims examined because the hours paid did not agree with the hours the vendor recorded. The vendor was paid for more units than the documentation showed. (See the questioned costs below.)

- For 57 claims (95%), the services which were authorized by a written plan of care, were not provided. Specifically, individuals who should have been furnished two to four hours of personal care according to the plan of care, in fact, received less than two hours. Not following the written plan of care could result in enrollees not receiving services in accordance with their needs assessment.

The total amount of the 60 claims sampled was $42,131. Costs associated with the overpayments noted above totaled $281, of which $183 is federal questioned costs. The remainder of $98 is state matching funds. The total amount paid for HCBS Elderly and Disabled waiver claims was $3,692,876. We believe likely questioned costs associated with this condition exceed $10,000.

A sample of 25 PAEs from the HCBS waivers was selected from PAEs approved by TennCare long term care staff during the year ended June 30, 2003. TennCare uses PAEs to document the necessity of waiver services. Before enrollees obtain waiver services, TennCare long term care staff must approve a PAE for the enrollee, which documents eligibility and the need for nursing care. In a review of the PAE approval process, testwork revealed that for 4 of 25 PAEs tested (16%) for the waiver recipients, the PAEs were not completed properly, or the supporting documentation was not adequate. Specifically, one or more of the following deficiencies were noted:

- The PAE asks whether a person has a behavior disorder of such severity that the absence of an ongoing program of inpatient behavior modification therapy would reasonably be expected to seriously endanger the life of the person…or endanger the lives of others. The statement explaining the enrollees' condition appears to be confusing since the determination of the need was not consistent based on behavior problems that were similar for two of the recipients tested.

- For one recipient, the assessment of nursing services needed did not agree with the plan of care. The physician signed "assessment for nursing" noted that no nursing services were needed. However in the plan of care, prepared by an Independent Service Coordinator, 100 hours of nursing related services were included.

- For one PAE reviewed, a review date was not recorded on the PAE, indicating when review and approval by a member of TennCare's Long-Term Care Unit occurred.

Since management and staff, in spite of prior findings, did not ensure 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 recipients whose eligibility and services were not adequately documented. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that costs be adequately documented.

Recommendation

Note: This is the same basic recommendation made in the prior four audits.

The Director of TennCare should determine why the measures taken in the previous year 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 are adequately documented. The Director of TennCare should ensure that only properly supported and completed PAEs are approved. Waiver claims without adequate documentation should be recouped. The Director should ensure that vendors maintain proper documentation of services provided.

Management's Comment

<u>HCBS Elderly and Disabled Waivers Issues</u>

The Division of Long Term Care concurs that some claims for the HCBS Elderly and Disabled waiver were paid without adequate supporting documentation and that services were not provided in accordance with the authorized plan of care. These issues were identified during monitoring activity performed by TennCare staff separate and apart from the auditor's finding. These issues have been cited in reports to the HCBS administrative lead agency and a corrective action plan to address the issues has been required. Recoupment of the overpayments will be made.

The Division of Long Term Care is increasing its quality monitoring, which includes post-payment reviews of samples of paid claims for appropriate documentation. If inadequate documentation is found, the associated payments will be recouped.

HCBS MR Waiver Issues

Regarding missing or unsigned service plans and supporting documentation, we concur. Audit findings will be provided to the Division of Mental Retardation Services (DMRS) for review and appropriate resolution. DMRS will be required to submit a corrective action plan within 30 days of receipt of the audit findings. The TennCare Division of Developmental Disability Services will review and approve the plan and monitor to ensure the implementation of corrective actions.

PAEs

Regarding confusion about the behavior disorder question on the Pre-Admission Evaluation (PAE), we partially concur. All waiver enrollees must meet inpatient level of care criteria for ICF/MRs, as well as crisis admission criteria until such time as the moratorium on admissions has been lifted. While we believe that the PAE was properly processed, for clarification, the behavior question on the PAE will be revised when the PAE form is next updated. The target date for revision is January 1, 2005.

Regarding the lack of agreement between the assessment of nursing services needed and the physician's plan of care, we do not concur. While there was a discrepancy in what the physician wrote on the PAE, the physician's plan of care, which is a part of the PAE and which was signed by the physician, specified that nursing services were needed for "100 units (hours) of nursing related services per month." The nurse reviewer appropriately approved the PAE using clinical judgment.

Regarding the lack of a review date on the approved PAE, we concur. We believe that the omission was an isolated occurrence of human error. The nurse reviewer was counseled in December 2003 regarding the need to always have the review date on the PAE.

Auditor's Rebuttal

While management acknowledged that there was indeed a discrepancy in the PAE, management did not concur that the lack of agreement between the assessment of nursing services needed and the physician's plan of care was a problem. We believe that discrepancies in instructions on the PAE should be resolved before the PAE is approved. Discrepancies on a PAE can lead to a patient not receiving needed services or receiving services that are not necessary.

Finding Number	03-DFA-21
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$633,702

TennCare did not properly record payments to Premier Behavioral Systems of Tennessee and subsequently claimed too much federal financial participation, resulting in questioned costs totaling $633,702

Finding

TennCare incorrectly recorded administrative fee payments to Premier Behavioral Systems of Tennessee as medical assistance payments. Prior to February 2003, TennCare paid Premier a monthly capitation payment to provide services to TennCare enrollees. Beginning in February 2003, TennCare started reimbursing Premier for all behavioral health services provided to enrollees and paid an administrative fee for these enrollees. According to the approval letter from the Centers for Medicare and Medicaid Services (CMS) for Premier's contract amendment, the state will be allowed to claim federal financial participation (FFP) for earned administrative fees at the 50 percent federal matching rate, not at the higher medical assistance rate.

Testwork revealed that TennCare fiscal staff incorrectly coded administrative fee payments totaling $4,486,047 made to Premier as medical assistance payments for the months of February, March, and April 2003. As a result, TennCare claimed $657,293 too much from the federal government in matching funds. In addition, testwork revealed that during the months of May and June 2003, TennCare incorrectly recorded monthly medical assistance payments totaling $134,500 as administrative fees, resulting in TennCare failing to claim $23,591 in federal financial participation available at the higher medical assistance rate.

The federal questioned costs associated with this condition totaled $633,702. Because no additional state funds were paid because of this condition, there were no state matching funds related to the federal questioned costs.

Recommendation

TennCare's Chief Financial Officer should ensure that Premier payments are recorded appropriately so that the appropriate federal financial participation is claimed.

Management's Comment

We do not concur. The amendment with Premier was designed to be a partial risk arrangement. All partial risk arrangements are reimbursed federal financial participation at the medical assistance rate and not at the lower administrative rate. If CMS should pursue this matter and ultimately prevail through the appeal process, TennCare will adjust the match. However, until such time, TennCare will continue to claim the match that is favorable to the State.

Auditor's Rebuttal

The approval letter to the Director of TennCare from the Centers for Medicare and Medicaid Services for Premier's contract amendment states:

> During discussion regarding the available risk banding options for the contractors, you advised us that Premier had selected option 4 of the profit/loss risk-banding program. Because the TennCare Bureau is responsible for 100% of all profits or losses under option 4, the Premier BHO is deemed to be operating as a non-risk contractor . . .

The approval letter further states that because Premier BHO is operating as a non-risk contract, the state will be allowed to claim federal participation for earned administrative fees at the 50 percent federal matching rate. Although management contends that the amendment with Premier was designed to be a partial risk agreement, it appears to be a non-risk agreement.

It should be noted that TennCare coded administrative fee payments to Premier as "administrative" for the months of May and June 2003.

Finding Number	03-DFA-22
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Material Weakness
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

TennCare's monitoring of payments to MCOs for services and payments for dental claims needs improvement

Finding

As noted in the prior audit, TennCare's monitoring of payments to Volunteer State Health Plan Inc. (VSHP) for TennCare Select needs improvement. In addition, current testwork revealed that TennCare's monitoring of payments to other Managed Care Organizations (MCOs) for services and payments to Doral Dental of Tennessee for dental claims needs improvement.

TennCare contracts with VSHP for the administration of TennCare Select. According to the contract, the purpose of TennCare Select is to "(1) provide services to populations who are more difficult to serve because of their health care needs, their mobility, and/or their geographic location; and (2) to serve as a back-up in any area of the state where TennCare enrollees cannot be adequately served by other TennCare HMOs [Health Maintenance Organizations], either in the event of the unexpected exit of an existing risk HMO or a need for additional capacity." VSHP pays the claims submitted by the providers for individuals enrolled in TennCare Select, and then TennCare reimburses VSHP for the cost of the claims.

Beginning July 1, 2002, through December 31, 2003 (referred to as the stabilization period), the other nine MCOs (Better Health Plans; BlueCare; John Deere Health Plan; Memphis Managed Care Corporation; Omnicare Health Plan; Preferred Health Partnership of Tennessee; Universal Care of Tennessee, Inc.; Victory Health Plan, Inc.; and Xantus Healthplan of Tennessee, Inc.) all paid claims submitted by the providers for individuals enrolled in the MCOs and then billed TennCare for reimbursement of the cost of the claims. During the year ended June 30, 2003, TennCare reimbursed the MCOs over $2.6 billion for claims. Therefore, monitoring by the TennCare Bureau similar to that required for TennCare Select became necessary for all MCOs.

The previous audit identified five critical control weaknesses with TennCare's monitoring of TennCare Select payments. The following critical control weakness related to TennCare Select was not corrected:

- TennCare did not reconcile the amount TennCare reimbursed VSHP to the TennCare Select claim encounter data received by the Division of Information Systems.

In response to the prior finding, management stated:

> We concur. We will develop procedures to monitor for the items in the recommendation. We have begun reconciling payments to encounter data. We will have an audit performed of the amounts billed to the state for compliance with contract terms.

Discussions with management revealed that TennCare is still in the process of developing monitoring procedures. To help achieve its monitoring objectives for TennCare Select, TennCare has relied on an examination performed jointly by the Department of Commerce and Insurance and the Medicaid/TennCare section of the Comptroller's Office. During fiscal year 2003, the Department of Commerce and Insurance and the Medicaid/TennCare section performed a joint examination of BlueCare and TennCare Select for calendar year 2002 which included half of the current audit period. The Department of Commerce and Insurance and the Medicaid/TennCare section were not asked by TennCare to perform, and therefore did not perform the reconciliation of the amount TennCare reimbursed VSHP to the claim encounter data received by the Information Systems Division. We determined that TennCare staff reconciles the invoices to the check register for all MCOs and Doral Dental. We determined that the joint examination conducted by the Department of Commerce and Insurance and the Medicaid/TennCare section included work to substantiate that third party liabilities were appropriately deducted, that claims were not reimbursed more than once, and that claims are being paid for eligible enrollees.

Despite management's claim that they had begun a reconciliation of payments to encounter data, there was no evidence that this had occurred. According to TennCare's Chief Financial Officer, TennCare performed a reconciliation of encounter data to invoices. However, the Chief Financial Officer could not provide documentation that such a reconciliation was performed because the accountant responsible for performing this reconciliation had retired.

Moreover, testwork revealed that TennCare had not ensured monitoring of six of the ten MCOs for four critical control areas. For four of the ten MCOs the Department of Commerce and Insurance and the Medicaid/TennCare section of the Comptroller's office either conducted an examination or were in the process of conducting an examination by the end of audit fieldwork in December 2003. The Memphis Managed Care Corporation examination was for the period January 1, 2003, through June 30, 2003 and the Omnicare Health Plan examination was for the period January 1, 2003, through March 31, 2003. However, TennCare did not perform any reconciliations of the amount TennCare reimbursed the MCOs to the claim encounter data received by the Information Systems Division until after the end of the audit period. TennCare used an accounting firm to reconcile the payments for the months of September 2002 through November 2002 for all the MCOs. However, neither the accounting firm nor TennCare completed reconciliations for the other months of the audit period.

Beginning October 1, 2002, TennCare began paying dental services on a fee-for-service basis through Doral Dental of Tennessee. Doral Dental of Tennessee pays dental providers for services provided to TennCare enrollees. Doral Dental of Tennessee then receives reimbursement from TennCare for the cost of the claims. During the year ended June 30, 2003, TennCare reimbursed Doral Dental over $81 million for dental claims.

We reviewed procedures to determine if TennCare had monitored Doral Dental for the same five critical control areas mentioned in the prior-year audit finding for TennCare select. Our objectives were

- to determine if TennCare monitored Doral Dental to ensure that the amounts paid to the providers for services provided to TennCare enrollees were correct and that third-party liabilities were appropriately deducted from the amount paid,

- to determine if TennCare adequately monitored to ensure that individual provider claims were not reimbursed more than once,

- to determine if TennCare adequately monitored reimbursements to ensure that Doral Dental paid for valid and eligible TennCare enrollees,

- to determine if TennCare adequately monitored transactions to ensure that Doral Dental paid the providers the same amounts billed to TennCare, and

- to determine if TennCare reconciled the amounts TennCare reimbursed to Doral Dental to the claim encounter data received by the Division of Information Systems.

Testwork revealed that the only monitoring procedure related to the five critical control areas performed for Doral Dental was the reconciliation of the invoice to Doral Dental's check register. Discussions with TennCare's Chief Financial Officer and Managed Care Director during fieldwork revealed that TennCare is developing procedures to address the remaining critical control areas. Based on discussions with TennCare management, TennCare anticipates using existing resources (TennCare staff, TennCare Internal Audit, the Tennessee Department of Commerce and Insurance, and the Medicaid/TennCare section) to monitor the Doral Dental service reimbursement process.

Inadequate monitoring could lead to duplicate paid claims, ineligible recipients receiving benefits, MCOs and/or Doral Dental not reimbursing providers the same amounts received from TennCare, and/or incorrect amounts being paid to providers.

Recommendation

The Director of TennCare should ensure that adequate monitoring of all the MCOs and Doral Dental fee-for-service payments is performed. The monitoring effort should include procedures to ensure that the amounts paid to the providers for services provided to MCOs and

Doral Dental enrollees are correct and that third-party liabilities are appropriately deducted from the amounts paid, individual provider claims are not reimbursed more than once, MCOs and Doral Dental only bill TennCare for claims paid for eligible MCO and Doral Dental enrollees, and that TennCare reconciles the amounts TennCare reimburses the MCOs and Doral Dental to the MCO and Doral Dental encounter claims. In the future, when TennCare management decides that other areas will be paid on a fee-for-service basis, it should ensure that a mechanism is in place to ensure that monitoring occurs for the five critical control areas.

Management's Comment

Managed Care Organizations

We concur. Since the identification of this issue in the prior audit, TennCare has been working on a process to reconcile the encounter data provided by the managed care organizations (MCOs) to the invoices submitted by them for reimbursement. PriceWaterhouse has performed reconciliations of encounter data as part of their review of data used in calculating recommended funding and rates for the program this year. TennCare has hired an additional staff person in the Statistical Analysis Unit to assist with the reconciliation process. Additionally, we have continued to refine the programs that edit for possible duplicate payments and payments outside eligibility dates to ensure that the results generated are valid. Once the reports are finalized, they will be submitted to each MCO for response and follow-up actions. The final reports are expected to be generated during March 2004.

TennCare also contracts with an External Quality Review Organization (EQRO) to perform certain quality review procedures. One of the procedures is an annual validation of encounters submitted to TennCare by providers (through the managed care contractors).

Doral Dental

We concur in part. The procedures identified in the finding are mostly procedures that are already performed by Doral Dental. The contract with Doral establishes procedures and rates for payments to providers and requires the contractor to provide for certain controls in their claims processing system to prevent inappropriate payments to providers. In part, the contract states that the system must perform edits to identify duplicate claims, to verify that the service is a valid covered service and to confirm that the enrollee was eligible on the date of service. To determine eligibility, the contractor receives daily eligibility data from the State. The contract further provides for the contractor to make reasonable efforts to recover from third-party liable sources when third-party liability (TPL) exists and to pay a provider only the claim amount that exceeds the amount of TPL.

We do recognize that it is our responsibility to ensure that the contractor is carrying out the terms of the agreement and the Dental Director and other TennCare staff have routine conference calls with the contractor to ensure that the terms are being met. Also, as noted in the above finding, TennCare did reconcile the weekly invoice to Doral's check register to verify the accuracy of the invoice and that reimbursement to Doral was based on actual amounts paid to

providers. To further ensure that controls and edits established in the contract with Doral are in place, the TennCare Fiscal Office has designed and implemented additional monitoring procedures to verify that the contractor is paying providers rates set by the contract, that services are provided only to eligible enrollees and that duplicate claims are not paid to providers. The Bureau will determine whether additional procedures are needed for TPL and implement any additional procedures as necessary. Furthermore, TennCare is in the process of performing a reconciliation of encounter data to invoiced claims to identify and reconcile any differences.

Finding Number	03-DFA-25
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$934

For the second consecutive year, TennCare's providers could not provide evidence that the services provided on a fee-for-service basis were actually provided or medically necessary

Finding

As noted in the previous audit, TennCare's providers could not provide documentation to substantiate services associated with fee-for-service claims. For claims to be allowable, Medicaid costs must be for an allowable service rendered, be supported by medical records or other evidence indicating that the service was provided, and be consistent with the enrollee's medical diagnosis. Management concurred with the prior audit, however, the problems still continued.

Although the state is operating under a waiver from the federal Centers for Medicare and Medicaid Services (CMS) to implement a managed care demonstration project, more and more services are being paid on a fee-for-service basis. This is occurring because the state has decided to shift the burden of high cost/high risk groups from the managed care organizations back to the state.

We tested a sample of 94 claims (which included all the areas of TennCare that operated on a fee-for-service basis during the audit period) to determine the adequacy of documentation supporting the medical costs associated with these claims for service. Specifically, testwork revealed that TennCare's providers could not provide documentation, or the documentation that was provided was inadequate to support the need for the medical service for 6 of 94 claims (7%) paid by TennCare or paid by TennCare through reimbursement of one of TennCare's Managed Care Organizations (MCOs).

Specific testwork indicated that providers could not substantiate that services were actually provided to enrollees for three claims tested. The problems noted were as follows:

- For one Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (HCBS) claim there was no documentation that 28 units of transportation were provided.

- For one HCBS claim for day habilitation, while 120 hours of day habilitation were billed, we could not determine if these hours of service were provided.

- For one dental claim, the date of service indicated by the documentation was January 27, 2003. The date of service for which TennCare was billed was January 22, 2003. There was no documentation that the services were provided on the date of the claim.

In other cases, results indicated that the providers could not substantiate that services were provided or that services provided were medically necessary for three claims:

- For one MCO claim for physical and speech therapy services the provider could not substantiate that the service was provided or that it was medically necessary.

- For two claims, one for a heart test and one for a glucose blood stick test, the providers could not substantiate that the services were provided or that they were medically necessary.

For four other claims, documentation of medical necessity and/or documentation that services were actually provided was not available during the audit but was provided by management in February 2004. No costs were questioned for these claims.

The total amount of the six errors noted above was $1,435 out of a total of $2,887,395 tested. Federal questioned costs totaled $934. The remaining $501 was state matching funds. TennCare paid $3,984,345,085 in fee-for-service claims for the types of claims sampled.

Based upon discussion with various management personnel during fieldwork it was determined that TennCare uses a variety of techniques to review medical documentation. These techniques included reviewing providers that prescribed excessive amounts of drugs, as well as focused reviews on certain services. Although management is reviewing selected areas, based upon our examination of medical documentation, it would appear that additional effort is needed to ensure that providers maintain the required documentation.

Without having adequate documentation that medical services are provided and are consistent with the medical diagnosis, TennCare is paying for and billing the federal government for unallowable medical costs.

Recommendation

The Director of TennCare should ensure that providers maintain the required documentation to support costs charged to the program. The Director of TennCare should consider expending additional resources to conduct reviews of medical records. The Director of TennCare should assign specific responsibility to a member of management to ensure that the scope of work is expanded in regards to verifying medical necessity and that adequate documentation exists to support services billed. The Director should monitor the results of this work and if sufficient progress is not made, the Director should take appropriate disciplinary action.

Management's Comment

HCBS MR Waiver Services

We concur that providers did not submit documentation to the auditors as requested. It is unclear whether documentation did not exist or whether it was not provided to the auditors to properly document the provision of billed services. Audit findings will be provided to the Division of Mental Retardation Services (DMRS) for review and appropriate resolution. DMRS will be required to submit a corrective action plan within 30 days of receipt of the audit findings. The TennCare Division of Developmental Disability Services will review and approve the plan and perform monitoring activities to ensure the implementation of corrective actions. Corrective actions will include recovery of funds for claims that are not supported.

To increase the number of staff to perform quality monitoring and utilization review, the TennCare Division of Developmental Disability Services hired a Unit Manager for the Quality Monitoring and Utilization Review Unit on October 15, 2003, and hired two additional full-time quality monitoring surveyors on September 1, 2003, and October 1, 2003. Efforts are currently ongoing to fill the one remaining vacant quality monitoring surveyor position. Another position in the Division of Developmental Disability Services will be converted to a quality monitoring surveyor position and will be filled as soon as possible. It is anticipated that the remaining vacancies will be filled by July 1, 2004.

MCO and Dental Services

We concur that providers did not provide documentation for the items cited by the auditors. We will work closely with the audit team in future audits to ensure that the records are provided on a timely basis.

- We contacted the providers of the services for the "heart" test and "glucose blood stick" test, totaling $7.06, and they were unable to provide the documentation. We will instruct the MCOs to contact these providers and request refunds.

- The dental provider billed $41.00 for January 27 rather than January 22, the actual date of service. The provider states that services are billed on the date entered into the billing system rather than the date of service. We have contacted Doral Dental and instructed them to work with the dental provider to ensure that the date of service is correct on all services.

- We were successful in obtaining the medical records supporting payment of $488.00 for physical and speech therapy services. However, these records were submitted late to the audit team.

The TennCare Bureau has several mechanisms in place designed to identify and prevent submission of inappropriate claims. TennCare contracts with managed care contractors, a dental benefits manager and a pharmacy benefits manager to maintain a provider network to deliver services to enrollees. These agreements contain requirements, in part, for the contractors to have

internal controls and policies and procedures in place that are designed to prevent, detect, and report known or suspected fraud and abuse activities and to submit a written fraud and abuse compliance plan to TennCare for approval. Our managed care plans and benefit managers employ certain system edits and other audit procedures designed to detect billings for inappropriate claims, and procedures may include on-site audits of providers. The TennCare Program Integrity Unit has the responsibility to coordinate with the plans and benefit managers and other units within the Bureau to investigate and report provider fraud to the Tennessee Bureau of Investigation, Medicaid Fraud Control Unit.

The TennCare Quality Oversight Division performs ad hoc medical record audits when a report is received from any source of suspected inconsistencies between services provided to any enrollee and documentation in the medical record. In addition, the TennCare Bureau's contracted External Quality Review Organization (EQRO) performs a review of medical records to ensure that encounters reported are consistent with the provider's documentation in a randomly selected sample of medical records.

Finding Number	03-DFA-31
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition
Compliance Requirement	Procurement and Suspension and Debarment, Special Tests and Provisions
Questioned Costs	None

For the fifth consecutive year, not all provider agreements for TennCare services complied with federal requirements and departmental rules

Finding

As noted in the four previous audits, not all provider agreements for TennCare services complied with federal requirements and departmental rules. Management partially concurred with the prior audit finding and corrected three issues concerning the following:

- TennCare's reverification of licensure status of Medicare crossover, managed care organization (MCO), and behavioral health organization (BHO) providers after the providers were enrolled;

- TennCare's monitoring of the enrollment of Medicaid providers at Children's Services and DMRS; and

- TennCare's ensuring that all providers had a provider agreement, as required.

However, the current audit again revealed that not all provider agreements complied with all applicable federal requirements and departmental rules. In addition, the audit noted a new issue regarding the dental provider agreements. These agreements did not require the providers of goods and services, and all others involved in nonprocurement transactions with contracts equal to or in excess of $100,000, to certify their organization and its principals have not been suspended or debarred from a government program.

Responsibility for TennCare provider eligibility and enrollment is divided among the Provider Enrollment Unit in the Division of Provider Services and the Pharmacy Program in the Division of Pharmacy, both in the Bureau of TennCare; the Division of Resource Management in the Tennessee Department of Children's Services; and the East, Middle, and West Tennessee regional offices of the Division of Mental Retardation Services (DMRS), Doral Dental, Magellan Behavioral Health (the parent company of the BHOs), and the MCOs.

The Provider Enrollment Unit is responsible for enrolling 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. The Pharmacy Program is responsible for the eligibility of the providers that provide drugs to individuals who are both Medicare and Medicaid eligible and that provide behavioral health drugs to TennCare enrollees.

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 program. (DMRS is responsible for the daily operations of this Medicaid program.) TennCare reimburses Children's Services and DMRS for payments to these providers. Doral Dental is responsible for the eligibility of dental providers in cooperation with the Dental Carve-Out Program in the Bureau of TennCare. Magellan Behavioral Health is responsible for the eligibility of behavioral health providers, with oversight and guidance provided by the Department of Mental Health and Developmental Disabilities and the TennCare Oversight Division in the Department of Commerce and Insurance.

Not All Provider Agreements Were in Compliance With Federal Regulations and Departmental Rules

Children's Services Provider Agreements

Testwork performed on the Children's Services provider agreements revealed that these agreements did not require providers to:

- disclose ownership and control information and information on a provider's owners and other persons convicted of criminal offenses against Medicare or Medicaid, as required by the *Code of Federal Regulations*, Title 42, Part 455, Subpart B, and

- 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.

Management concurred with the portion of the prior year audit finding related to Children's Services provider agreements and stated:

> We will work with Children's Services to revise the current provider agreements to ensure that all federal requirements are included. Also, as stated above, we will request that the monitors confirm compliance with the required Medicaid provider rules and regulations regarding provider agreements.

We have determined that TennCare has updated its contract with Children's Services, requiring that Children's Services add the required federal and state language to its provider

agreements. However, this contract was not signed before the beginning of the contract period. See finding 03-DFA-08 for further details regarding this matter.

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 the *Code of Federal* Regulations, Title 42, Part 431, Section 107 . . . are met." Also, the *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.

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>Not All Provider Agreements Required Providers to Make Necessary Disclosures Concerning Suspension and Debarment</u>

In addition, it was noted during the current audit that dental provider agreements did not require all providers of goods and services, and all others involved in nonprocurement transactions with contracts equal to or in excess of $100,000, to certify their organization and its principals have not been suspended or debarred from a government program.

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.

Recommendation

The Director of TennCare should ensure that the dental provider agreements are revised to comply with the *Code of Federal Regulations*. The Director of TennCare should ensure that the Department of Children's Services modifies the provider agreements to comply with the *Code of Federal Regulations* and the departmental rules.

Management's Comment

Department of Children's Services Provider Agreements

We concur. TennCare is working with the DCS to ensure that all new provider agreements contain required disclosures and language. TennCare has requested that DCS amend all current agreements to include ownership and control information, information on a provider's owners and others convicted of criminal offenses against Medicare or Medicaid and the five year record retention requirement. DCS is including the revisions in their quarterly amendment to providers that will take effect April 1, 2004. For future provider agreements, DCS will submit the annual templates to the TennCare Office of Contract Development and Compliance for review to ensure that it contains all required disclosures.

Dental Provider Agreements

We concur. Doral Dental mailed revised Provider Participation Agreement Forms containing the required suspension and debarment language to all contracted dental providers and groups in the dental network on August 21, 2003. The dental providers were informed they were required to complete the information and return it to Doral. A large number of the agreements have been received and Doral will continue to follow up until all forms are received. The contractor anticipates that this project will be completed by April 2004. Once completed, copies of the agreements will be provided to TennCare.

Finding Number	03-DFA-32
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

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

Finding

As noted in five previous audits, the TennCare Management Information System (TCMIS) lacks the flexibility it needs to ensure that the State of Tennessee can continue to run the state's $7 billion federal/state health care reform program effectively and efficiently.

In the previous audit finding for the year ended June 30, 2002, we reported that according to the Director of Information Systems, an RFP was released on April 22, 2002, and that the implementation of a new TCMIS was to occur in 2003 and was a top project for the Bureau of TennCare. Management also concurred with this audit finding and stated:

> . . . TennCare Information Systems contracted with EDS [Electronic Data Systems] to design, test, implement, and maintain a modern, efficient replacement TennCare Management Information System (TCMIS). The new TCMIS, which is scheduled to become fully operational by October 2003, will be a highly sophisticated, feature-rich system centered on a strong, Medicaid-specific relational data model which divides the application into components so that they process on different networked computers, leveraging the true power of client/server architecture. . . .

During fieldwork, we noted extensive efforts by TennCare staff toward implementation of the new system. These efforts included widespread staff involvement in system testing, the development of training, and the creation of system documentation. We also noted during the audit period that TennCare installed and implemented the new telephone system that will be a part of the new TCMIS. According to the six-month follow up response to the prior audit finding management stated:

> The replacement TCMIS is scheduled to be in place in October 2003 with full implementation to occur in December 2003. . . .

However, as of the end of fieldwork in December 2003, TennCare had not yet implemented the new system.

Recommendation

The Director of TennCare should proceed with efforts to implement the new system as soon as possible.

Management's Comment

We concur. Components of the new system have been implemented (Computerized Telephony System and the Oracle Accounting, Financial, and Premium Management System). All other components of the new system have been going through extensive testing to ensure that the new system satisfies the complex requirements of the program and the needs of the various users.

TennCare staff, F&A-OIR and the contractor all have key roles in the successful implementation of the new system. The system will be implemented when each party has fulfilled their role and we are satisfied that any system implementation issues are minimized.

Finding Number	03-DFA-34
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

TennCare's controls over access to the TennCare Management Information System did not ensure DHS had security forms for all users, allowed unnecessary access to TCMIS, allowed a user to approve his own TCMIS access, accepted pre-signed security request forms for users from the Department of Health, did not adequately document system changes made to TCMIS, did not ensure that the procedures over system changes were adequate, and failed to adequately document changes made using a generic work request number

Finding

As noted in the five 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, numerous critical 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 are critical to the integrity and performance of the TennCare program. Good security controls restrict access to data and transaction screens to a "need-to-know, need-to-do" basis. When system access is not properly controlled, greater risks exist that individuals may make unauthorized changes to TCMIS or inappropriately obtain confidential information, such as recipients' social security and Medicaid identification numbers, income, and medical information.

These principles are so fundamental that any responsible individual should take immediate corrective action and the individuals responsible for this section should be proactive in ensuring the records and patient information of TennCare participants are appropriately safeguarded, rather than waiting for audit findings. And when findings are noted, responsible staff should make it a priority to correct the problems.

The prior-year audit finding noted four specific areas where TennCare internal controls over system security needed improvement:

- justification forms were not obtained for existing users,
- there was unnecessary "update" access to TCMIS screens in the default user group,
- security administration was not centralized, and
- dataset modifications were not monitored and access was not documented.

Management corrected the issues related to the last three areas listed. However, we again found that justification forms were not obtained. Although some users had justification forms, it appears the users had unnecessary access to TCMIS. In addition, the current audit revealed three new weaknesses:

- TennCare allowed the Department of Health to use pre-signed authorization forms and allowed an employee at the Department of Health to approve his own access,
- system changes to TCMIS were not adequately documented, and
- changes made using a generic work request number were not documented.

Access to TCMIS is controlled by Resource Access Control Facility (RACF) software. For users in the Bureau of TennCare, the TennCare security administrator in the Division of Information Systems is responsible for implementing RACF, as well as other system security procedures; for assigning a "username" (i.e., a RACF User ID); and establishing at least one user group for all users not in the Department of Human Services (DHS). RACF controls access by allowing each member of a user group to access a specific set of transaction screens assigned to that group.

Users in DHS are granted access to TCMIS by the security administrator at DHS. Management of the Bureau of TennCare negotiated a no-cost inter-departmental contract to document this relationship. However, this contract was not in force for most of the audit period. The contract states, "This contract shall be effective for the period commencing on May 1, 2003 and ending on June 1, 2007." However, the contract was not approved until August 11, 2003. According to the contract, DHS is "responsible for connecting users to, and removing users from these [user] groups for the purposes that have been authorized by TennCare . . . and will be accountable to TennCare and the State Comptroller's Office for providing evidence of compliance upon request. This includes: a signed 'State of Tennessee Access Security Agreement' form for each individual who has access to TennCare data; an authorization form for each individual who has access to TennCare data that certifies the individual requires the access for one of the purposes authorized by TennCare . . ."

Based on discussion with the TennCare's Director of Financial and Program Review, internal audit staff will review a sample of DHS users annually at DHS for the existence of the appropriate forms. TennCare internal audit conducted its first monitoring review in June 2003. However, the activities of DHS as defined in the contract do not supplant the responsibilities of

the Bureau of TennCare for the information it maintains. It is still the primary responsibility of the Bureau to ensure the proper security forms are maintained because TennCare is ultimately responsible for its own data. Because DHS is not effective in its collection and maintenance of forms, the Bureau must take other steps to meet these responsibilities. Audit testwork revealed the following discrepancies.

Justification Forms Not Obtained for All Users, and Not All Users Needed the Access Granted

The lack of authorization forms was first reported by State Audit in an audit finding for the year ended June 30, 1998, in the audit of TennCare. Management responded to this finding by stating that a new security authorization form was being developed. However, in the audit report for the year ended June 30, 1999, we again reported that system users still did not have authorization forms. In response to that finding, management stated that action had been taken in July 1999 to resolve the issue. However, in the 2000 audit report, our finding stated that while new users beginning in July 1999 were completing authorization forms, no forms had been obtained from existing users. At that time, TennCare's security administrator stated that forms were not obtained for all existing users because she was not instructed to obtain these forms although she should have collected these forms. In response to that finding, management stated that they would continue their efforts to ensure that proper access forms are obtained for all TennCare and other users who require interaction with the TennCare system. However, in the 2001 audit report, we indicated again that authorization forms still had not been obtained for all existing users outside the Bureau of TennCare. Management concurred with this portion of the audit finding for year ended June 30, 2001, and stated that staff was "currently obtaining justifications from users in the Department of Human Services (DHS)."

Although the former TennCare Director had stated in the 2001 finding that action was being taken at that time, we reported in the audit report for the year ended June 30, 2002, that TennCare's security administrator had not obtained the justification forms for any DHS employees who have access to TCMIS. Rather than respond to the inconsistencies between their words and their actions, management did not concur with that audit finding and stated:

> TennCare Information Systems has worked with the Department of Human Services to ensure that signed agreements are obtained for all users. However, the agreement between the agencies has not been signed. We will continue to work with DHS to get the [no-cost inter-departmental] contract in place and/or obtain copies of all signed agreements that DHS currently possesses.

In our rebuttal to management's comment, we reported that despite management's refusal to acknowledge the problem, significant deficiencies existed in access controls to TCMIS. Furthermore, we noted that management's comment did not address all the recommendations.

Considering management's prior-year nonconcurrence with this finding, which indicates a refusal to acknowledge the problem, it should be no surprise that for the audit ended June 30, 2003, there were problems. In fact, our testwork revealed that 11 of 60 users (18%) did not have proper access and/or proper access forms documenting the users' access to TCMIS. The problems noted were as follows:

- one user employed at a county health department had unnecessary access to TCMIS because her position never involved eligibility determinations;

- one DHS user did not have an authorization form on file at DHS;

- three DHS users had access to TCMIS even though their DHS security forms did not request this access; and

- six users — two from the Department of Health, three from DHS, and one from TennCare — were no longer employed by the state.

In addition to the sample, we also called five users with TCMIS access who were employed by county health departments to determine if their positions required access to TCMIS. Of the five, three of the users (60%) had unnecessary access to TCMIS. Two of the three users who needed access to a "read only" user group had unneeded access to an "update" user group, and one user did not require TCMIS access at all. After we discussed this matter with the TennCare security administrator during fieldwork, the unnecessary access for these three individuals was removed in September 2003. Based on discussions with TennCare Information Systems (IS) personnel after the end of the audit period, it appears that TennCare has been working with the Department of Health to terminate the unnecessary access of Health users because eligibility functions that were at the Department of Health now reside at the Department of Human Services, which now determines eligibility for all TennCare enrollees.

<u>TennCare Allowed the Department of Health to Use Pre-signed Authorization Forms and Allowed an Employee at the Department of Health to Approve His Own Access (This portion of the finding has not been reported in previous years.)</u>

We also discovered that authorization forms obtained for some Department of Health users appeared to have been pre-signed by that department's security manager and then photocopied before the user's information was added to the form. In addition, we also discovered that the same security manager whose name appears on the pre-signed forms also approved his own access. This form should have been signed by the security manager's supervisor.

TennCare's long standing failure to ensure that all users both in the Bureau of TennCare and outside the Bureau of TennCare sign justification forms makes it more difficult for IS staff 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. The usage of pre-signed justification forms calls into question whether any of the individuals granted access through the pre-signed forms really needed access to TCMIS.

System Changes to TCMIS Are Not Adequately Documented, and Procedures Over System Changes Need Improvement (This portion of the finding has not been reported in previous years.)

The Bureau of TennCare uses Work Requests (WRs) and System Change Requests (SCRs) to initiate, approve, and document changes to TCMIS. TennCare's *System Change Request and Work Request Procedure Manual* states:

> System change requests (SCRs) are the means by which system modifications, system enhancements, edit/audit status changes and financial requests are transmitted to the [EDS] Facilities Manager. Work Requests are initiated for problems that have been identified in production processes, to request ad hoc reports, special information requests, problem research and other emergency situations that occur. The SCR/WR process provides a method to ensure that: (1) problems/requests are appropriately documented; (2) control is established for all items identified; (3) proper tracking is maintained to monitor timely resolution and documentation of all requests; and (4) proper prioritization of requests is controlled.

In the six-month follow-up to a prior audit finding, TennCare management stated, "The TCMIS currently tracks and logs all modifications to any production dataset elements." However, auditors determined that was not the case. In fact, TCMIS is not equipped to automatically track or log the changes made to TCMIS. To track changes, TennCare uses a "Production Move Log," which is supposed to list all program changes made to TCMIS that have been recorded by EDS (Electronic Data System) production control personnel. EDS is the contractor hired to operate and maintain the TCMIS. Since the system does not track these changes automatically, the changes may go undocumented because personnel responsible for the manual updates could easily forget to do so. In addition, because this activity is not logged automatically by the system, there is a chance that unauthorized system changes can be made without discovery.

In addition, it was noted on the "Production Move Log" that many of the items moved into production indicated "WAIVER" in the reference number column instead of having a supporting SCR or WR number, making it impossible for us to associate that change to a specific SCR or WR or verify that the documentation the Director of Information Systems did eventually provide related to the change in question. This may help explain why, as described below, such a wide variety of documentation was provided in lieu of an SCR or WR. We originally asked for this information in July 2003. However, it took numerous follow-up requests to get all of the information that was provided finally in late October 2003. See finding 03-DFA-33 for further details regarding this matter.

We selected a sample of 60 changes from the "Production Move Log." For those changes, we asked the Director of Information Systems for the supporting authorization forms. The objective of our review of this documentation was to determine if there was a description of the changes made; that IS management and Bureau management, if applicable, approved the

request form; and that the changes were approved by the requestor and IS management before they were moved into production.

Based on testwork performed, 47 of 60 program changes tested (78%) were not adequately documented. For 18 changes, TennCare IS personnel could not provide written documentation that the changes were approved prior to moving the change into production, but they did provide documentation that included a description of the change and approval of the request form. TennCare IS personnel could not provide WR or SCR authorization forms for 29 of the changes made but provided other documentation. Examples of the documentation provided for the 29 changes by TennCare in lieu of an SCR or WR form included copies of pages from a desk calendar that showed on what day a system change was moved to production, copies of status reports showing the status of a system change at that time, and forms documenting that the changes were moved into production. However, these examples did not provide evidence that the system changes were requested, which would have included a description of the change and an approval of the request, and/or that the change was approved to be moved into production.

In addition, when we discussed this issue with the Director of Information Systems, he stated that at times they used verbal sign-offs for certain changes. Based on discussions with EDS personnel, TennCare employees sometimes fail to use the SCR/WR procedure to document that system changes are approved prior to the change's move to production. Test output is provided to the user who requested the change, but the approval of the test output may be verbal, by e-mail, or even by adhesive note. Often it is not reviewed by IS management prior to being moved to production. Discussions revealed that the user and IS management will simply sign the request form after the changes are in production.

Changes Made Using a Generic Work Request Number Were Not Documented (This portion of the finding has not been reported in previous years.)

Discussions with EDS personnel revealed that they will sometimes use a generic work request number to document emergency system changes that occur during nightly processing. They will also use this number if they receive advanced notice of a request from TennCare staff which they will begin the process to research, test, and ultimately implement the change. The formal request should follow the advance notice. Although we recognize that problems can occur that require immediate attention after normal business hours, we noted that none of the 13 generic items in the sample had a formal SCR or WR form. To support these items to the auditors, the Director of Information Systems provided a portion of a report called the "days log" relating to a sampled item. There was no documentation other than the log routinely developed. This log is updated manually by EDS personnel, not automatically by the system. The Director of IS stated that either he or a member of his staff reviews the changes the following day. However, there was no evidence of review of the documents provided. EDS staff also stated that if they receive an advanced notice of a change, they may not receive the approved request form until some time later, usually after the system changes had already moved into production, or a programmer will be contacted directly by TennCare staff to make a change, and an approved form may never be provided.

Having an ineffective process of documenting system changes increases the risk that unauthorized changes can be made without detection.

Recommendation

The Director of TennCare should ensure that adequate access controls are in place and functioning appropriately. The TennCare Security Administrator should review the results of the TennCare Internal Audit work, and ensure that the DHS Security Administrator terminates the DHS user access to TCMIS until appropriate authorization is obtained. The Director of Information Systems should seek appropriate technical assistance to ensure that the new TennCare Management Information System automatically tracks all system changes and that all changes can be clearly associated with supporting documentation.

The Director of Information Systems should ensure that staff who report to him adequately document all system changes using the System Change Request or Work Request, contain a description of the change, and include documentation of approval of that change from TennCare management prior to being moved into production. The Director of Information Systems should assign competent personnel to monitor the system change process. In addition to prohibiting users in the Department of Health from using the pre-signed security forms and approving their own TCMIS access, the TennCare security administrator should ensure the review of users in the Department of Health is completed.

When generic change requests are used, the Director of Information Systems should ensure that the changes made and related approvals are documented. Verbal sign-offs should be prohibited.

Management's Comment

Justification Forms Not Obtained for All Users, and Not All Users Needed Access Granted

We do not concur. Although we agree that certain discrepancies with forms and access were identified during the audit, the TennCare Information Systems Division has made and continues to make great strides in improving the processes over security and access to the TCMIS, as well as over other processes noted. The fact that this audit finding states that TennCare corrected three of the four specific areas cited in the previous year's audit indicates that TennCare management takes responsibility and is committed to ensuring adequate controls are in place, and is contradictory to the auditor's statement that management's non-concurrence with previous findings indicates a refusal to acknowledge the problem.

To efficiently carry out the requirements of the TennCare program, access to the TCMIS is needed by TennCare employees and the staff of several state agencies and contractors; there are in excess of 6,000 users that require access to the TCMIS. Depending on the needs of the users, access may be granted at varying levels from read-only to update. The TennCare Security

Administrator grants access based on the justification received from other agencies and access is not granted until the justification is received.

Because of the number of TCMIS users at DHS and in accordance with standard operation procedures as defined by the Office of Information Resources (OIR), TennCare has established a different arrangement to allow the DHS security administrator to grant access. As noted by the auditors, TennCare and DHS negotiated a no-cost interdepartmental contract for this process. Although contract approval was not obtained until August 2003, the process was implemented in May 2003. DHS is responsible for providing the justification for users' access and grants access based on the interdepartmental agreement.

The TennCare Security Administration staff has worked diligently with other agencies to obtain justification forms referenced in previous audits. We now have on file justification forms for all users that access the TCMIS, except for those forms maintained by DHS. Because the TennCare Security Administration section is fully aware of our responsibility to monitor access to the system, we have also implemented a Security Audit Assessment process. This process involves a random sample of each agency that requires access to the TennCare TCMIS and notes any deficiencies identified, corrective actions needed and improvements needed for Security Administration, if required. In addition, the TennCare Internal Audit section performed a review of DHS security procedures during the audit period and is currently performing a more comprehensive review of others with access to TCMIS.

With respect to the county health department employee having unnecessary access, the Department of Health requested access and provided justification for access, although apparently this person did not require access; as soon as this matter was identified, access was terminated. The finding also references Department of Health users that were called by the auditors and some indicated their access did not match their needs on the system. The Department of Health is responsible for identifying their users who, based on their business functions, require access to the TCMIS and those for whom access to the system is no longer needed. TennCare Security Administration has been working and will continue to work with the Department of Health to ensure that users have appropriate access to the TCMIS.

With respect to a DHS user without an authorization form on file and three DHS users that had access even though their security forms did not request access, it should be noted that the interdepartmental agreement between TennCare and DHS requires DHS to have the appropriate justification on file. DHS was part of the initial Security Audit Assessment that was performed by the TennCare Security Administration staff and while these issues did not arise from our assessment, they are part of the overall procedures performed on the random sample.

While we are being diligent to ensure we have adequate security measures in place, for users that had terminated employment but access had not been terminated, it is incumbent upon the users' agencies to notify the TennCare security administrator or the DHS security administrator, as applicable, when terminations occur. We provide a list of users on file with access to the TCMIS and request any changes. For TennCare employees, we plan to enhance security processes for terminating employees by coordinating with the TennCare personnel office to ensure we are notified. There are processes in place to provide an additional level of

security access in the event that incidents such as these happen. Unless a user is on the State of Tennessee Infrastructure, access to the system cannot be obtained. In addition, any user ID that does not access the system after a period of 90 days is automatically revoked. These are statewide policies maintained by the Office for Information Resources and provide another level of confidence that there are additional measures in place to prevent unauthorized access to the system.

We have incorporated procedures each year based on audit recommendations as well as evaluating our own internal security processes. TennCare is committed to having procedures in place that provide a high confidence level that only the users that need access to the system have access to the system and that users have appropriate access levels. While this audit notes discrepancies with some users, it does not prove that we have not reacted to previous audit findings, or that we have not continued to strengthen controls surrounding security.

TennCare Allowed the Department of Health to Use Pre-Signed Authorization Forms and Allowed an Employee at the Department of Health to Approve His Own Access (This portion of the finding has not been reported in previous years.)

We partially concur. Authorization forms obtained from the Department of Health were submitted using pre-signed agreements, a result of obtaining justification forms for users that already had access to the system but did not have forms on file with TennCare. As noted by the auditors, TennCare did not have justification or security forms on file for all users that had access to the system and in our effort to be diligent and obtain these forms, we allowed a pre-signed form to be submitted from the Department of Health as these users all had the same access to the TCMIS. The Department of Health was required to submit to TennCare a security agreement and justification for those users previously provided access to the TennCare system; this procedure allowed TennCare the ability to ensure that the Department of Health reviewed all of their users that had access to the TCMIS and to only submit forms for those that were needed. Any new user that is added to the system requires an original signed security agreement to be filed with TennCare. We also concur that there was one user that submitted one of the pre-signed forms which should have had his supervisor/manager's approval on the agreement. Unfortunately this was not caught at the time we were attempting to respond to the recommendation of the auditors and ensure that we had all security agreements on file. When this was brought to our attention, it was immediately addressed.

System Changes to TCMIS Are Not Adequately Documented, and Procedures Over System Changes Need Improvement (This portion of the finding has not been reported in previous years.)

We partially concur. The process for system changes is adequately documented. There was no intent by TennCare management to mislead or misrepresent tracking of changes within the TCMIS. The TCMIS does not systematically track and log all modifications to production dataset elements, but all modifications to production dataset elements are tracked and logged manually within Information Systems. TennCare does use a Production Move Log to track and list all production program changes and it is the ongoing responsibility of EDS to record these moves in the log. The Production Move Log report is reviewed by TennCare to ensure that

changes are being logged. As stated in this finding, this is a manual process that requires human intervention. There have been no instances that TennCare can identify where any production move has been omitted. There is also a Production Move Sheet that must be submitted to the Data Center to move changes into production. This sheet includes the requestor's name and must be approved by the supervisor/manager and provides another method to ensure there are no unauthorized moves to production.

As stated in this finding, some of the items moved indicated WAIVER in the reference number column. There are times that, in order to ensure changes can be tracked by TennCare, reference may be made to documentation other than a System Change Request (SCR) or Work Request (WR) number. This is in part due to the nature and criticality of the job being done at the time. Many times changes must be made to the system to ensure that production cycles can run. Completing a critical path production cycle can impact whether an enrollee receives adequate care. Because Waiver was a new program in start-up and there was a need to quickly resolve issues, Production Issue forms (P issues) were developed to assist in the communication and quick resolution of Waiver issues. State approval for moving to production was given in a daily Waiver meeting between EDS and the State Waiver team when one of the issues was resolved and tested.

TennCare can and does track changes made to the TCMIS. This finding states that there was a wide variety of documentation provided for the test cases that were requested by the auditors. This indicates that TennCare is and was aware of all changes made to the system. While we do concur improvement is needed in documenting the process, we do not concur that changes are not documented and cannot be tracked. TennCare is not aware of any change moved into production where user acceptance is not reviewed and approved prior to the move being made although there are times that a formal sign-off occurs after a change is moved into production. The process for an SCR could require several Bureau management signatures from the point it is initiated until completion. There are times when a change can be made, tested and ready to be moved to production before the SCR is routed back for final sign-off. As noted above, there are sometimes circumstances when moving approved program changes are critical to ensure accurate processing of enrollee eligibility.

In conjunction with this finding TennCare Information Systems and TennCare Internal Audit reviewed the sign-off documentation process. TennCare has implemented additional procedures to document, track and report all SCRs and WRs to the TennCare Information Systems Director. TennCare has contracted with a consulting firm to perform an operational review of the Information Systems area in conjunction with the implementation of the new system. This review has indicated a need for a configuration/change manager and process improvement. The Information Systems Director is working with the consultant to implement the needed changes.

<u>Changes Made Using a Generic Work Request Number Were Not Documented (This Portion of the finding has not been reported in previous years.)</u>

We do not concur. While there is a Generic Work Request Number currently used to provide a tracking mechanism for emergency changes, follow-up tracking mechanisms are in

place for changes within the TCMIS. There are also controls in place for any moves or changes made to production. The method for tracking these changes is the Days Log, which is reviewed daily. On a weekly basis, a report is provided by EDS to TennCare that documents all issues from the Days Logs for the previous week. In the event that there is an issue that is not closed, it is discussed in the weekly status meetings until the issue on the report is resolved. Measures are in place that are required and adhered to by EDS concerning the moving of any change into production. To move program changes from the development environment to production requires that a Production Move Sheet be completed, approved by EDS management and submitted to the Data Center. The Production Move Sheet documents the program being moved into production. TennCare Information Systems will continue to monitor and review the use of Generic Work Requests and verbal sign-offs.

Auditor's Rebuttal

TennCare is a $7 billion program within the State of Tennessee. The TennCare Management Information System is a critical component of that program. The management of TennCare is ultimately responsible for ensuring that access to this system is limited to those who have a need for access and who have been properly authorized. What procedures are developed, what policies are written, and which state department performs certain steps are of secondary importance. The real test of whether the management of TennCare has been successful in meeting its responsibilities is whether access to the system has been limited to those who have a need for access and have been authorized to have that access. Regardless of whether management has concurred or not concurred with this or previous years' findings, there have repeatedly been deficiencies in assuring that system access is properly secured. These deficiencies have been reported in audit findings for six consecutive years.

Some deficiencies such as the absence of authorization forms for DHS users, which would appear to be simple to correct, have been reported for several years. Other deficiencies are eventually corrected, but new ones are discovered. As indicated within the finding, management has often stated that certain corrective measures have been taken. Subsequent audits would prove that those statements were not accurate.

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Section III–Federal Award Findings and Questioned Costs

Finding Number	03-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 and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

The department did not obtain required agreements with business associates prior to disclosing protected health information

Finding

The Department of Human Services (DHS) did not obtain 14 of 224 Business Associate Agreements (6%) prior to disclosing protected health information to service providers. These agreements are required by the Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule regulations. DHS has determined itself to be a covered entity under HIPAA regulations. HIPAA Privacy Rule regulations require "that a covered entity obtain satisfactory assurances from its business associate that the business associate will appropriately safeguard the protected health information it receives or creates on behalf of the covered entity." However, Business Associate Agreements for contracts with effective dates beginning July 1, 2003, between DHS and its service providers were not obtained for periods between three and seven months after the effective date of the contracts.

A business associate is defined as a "person or entity that performs certain functions or activities that involve the use or disclosure of protected health information on behalf of, or provides services to, a covered entity." Business associate services include legal, actuarial, financial, accounting, consulting, data aggregation, management, administrative, and accreditation services. Business Associate Agreements must be completed when the contract between the department and the service provider is initiated, renewed, or otherwise modified.

Failure to obtain required Business Associate Agreements violates HIPAA regulations, increases the risk that protected health information could be exposed to unauthorized individuals, and exposes the department to potential federal penalties as determined by the Secretary of Health and Human Services.

Recommendation

The department's HIPAA Compliance Officer should ensure that required Business Associate Agreements from the department's service providers are obtained when contracts are initiated, renewed, or otherwise modified. These agreements should be completed prior to disclosure of protected health information from the department to service providers.

Management's Comment

We concur. The Department has received, to date thirteen HIPAA Compliant Business Associate Agreements (BAA) from contractors that had either a renewal or an amendment to their contract since April 14, 2003. The Department is currently awaiting one missing BAA, which is required under the HIPAA Privacy Rule, and has not been executed. This Business Associate will be subject to remedial action. A corrective action plan has been implemented to ensure that all BAAs for the next year will be signed and collected concurrently with the signature of the contract or contract amendment. All BAAs will be issued and returned to the HIPAA Compliance Officer, who will conduct internal audits for the Department.

Finding Number	03-DHS-02
CFDA Number	Various
Program Name	Various
Federal Agency	Department of Agriculture, Department of Health and Human Services, Department of Education
State Agency	Department of Human Services
Grant/Contract No.	Various
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

The department did not reconcile the Schedule of Expenditures of Federal Awards or the related federal reports to the state's grants accounting records

Finding

Total disbursements shown on the department's Schedule of Expenditures of Federal Awards for State Administrative Grants for Food Stamp Program (State Administration), Temporary Assistance for Needy Families (TANF), Rehabilitation Services-Vocational Rehabilitation Grants to States (Voc Rehabilitation), and Child Support Enforcement (Child Support) for the year ended June 30, 2003, were not reconciled to the related quarterly federal financial status reports or the State of Tennessee Accounting and Reporting System's (STARS) Schedule of Grant Activity (Report 830) at the time of the audit.

The Department of Finance and Administration's (F&A) *Year-End Accounting Procedures Manual* contains instructions for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). Section III, A, states that departments who are required to utilize the STARS 830 Report to prepare their SEFA need to submit the STARS 830 Report to F&A to support the SEFA and "**Any reconciling items are to be clearly documented**." In addition, the Office of Management and Budget Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C-*Post Award Requirements*, Sec._20 *Standards for Financial Management Systems*, require that fiscal control and accounting procedures be sufficient to permit the preparation of reports and the tracing of funds to an adequate level to ensure that they have been used properly. The Department of Human Services neither submitted the STARS 830 Report to F&A with its Schedule of Expenditures of Federal Awards nor prepared and submitted reconciliations to document any differences. Also, differences between the federal reports and the SEFA were not submitted. Subsequent to the completion of fieldwork, the department was able to construct for the auditors a reconciliation of the federal reports to the SEFA.

The Department of Finance and Administration issued Policy 20, *Recording of Federal Grant Expenditures and Revenues*, in April 1991. This policy was issued to "establish effective cash management procedures" and "ensure accurate accounting and reporting of financial activity of federal programs." Section 9 states, "Agencies must utilize the STARS "Schedule of

Grant Activity Schedule" Report [Report No. 830] as the basis for preparing the Schedule of Expenditures of Federal Awards." The policy also states that the department is to clearly document any reconciling items. The department did not use the grant module series of reports. Instead, the department used other information in STARS to prepare information for presentation in the Schedule of Expenditures of Federal Awards.

The Director of Fiscal Services responsible for the proper compilation, preparation, and submission of the Schedule of Expenditures of Federal Awards did not obtain reconciliations of the STARS 830 Report to the SEFA or reconciliations of the federal reports to the SEFA. Several factors appear to have contributed to the differences between the SEFA and the STARS 830 report. Federal matching rates for particular grant codes were changed during the year. The department did not properly change these rates in the STARS grant module. In some instances, federal funds were transferred from one federal program to another and not accounted for properly in the STARS grant module. There were also timing differences in the quarterly allocation of disbursements, and amounts that offset expenditures were not always properly recorded in the STARS grant module. All reconciling items should have been documented and resolved or corrected on a monthly basis, if possible. Any items that had not been corrected should have been shown as reconciling items at year-end and sent as required to F&A.

If the department does not perform reconciliations of the Schedule of Expenditures of Federal Awards or the related federal reports to the state's accounting records and does not use the STARS 830 Report, the department is not complying with year-end closing procedures, federal regulations, and Policy 20. The department also increases the probability that errors will occur and not be detected. Also, information presented in the SEFA and the federal reports may not be accurate.

The prior audit report contained a finding, which in part, addressed the department's lack of a reconciliation of the disbursements per the SEFA and the Federal Cash Transaction Report. Management did not concur with the prior audit finding; however, management stated that "The department always reconciles the Schedule of Expenditures of Federal Awards (SEFA) to the appropriate federal expenditures reports." However, as noted in this finding, a reconciliation was not performed.

Recommendation

The Commissioner should ensure that the required steps are taken to reconcile the Schedule of Expenditures of Federal Awards to the state's grants module reports. Management should review the STARS 830 report and verify that disbursements have been entered properly, at least on a quarterly basis. This would include an ongoing review of the federal matching percentages for each grant code and the establishment of new grant codes or subgrant codes when needed. When the SEFA is prepared, a reconciliation should be prepared between the amounts on the SEFA and the amounts on the applicable federal reports and the amounts in the STARS grant module. The applicable reconciliations should be forwarded to the Department of Finance and Administration at year-end with the Schedule of Expenditures of Federal Awards.

The Commissioner should ensure that the department complies with Policy 20 or that it requests a written exception to Policy 20 from the Department of Finance and Administration.

Management's Comment

We concur. The department will ensure that required steps are taken to reconcile the Schedule of Expenditures of Federal Awards to the state's grants module reports. The applicable reconciliations will be prepared at intervals consistent with the department's cost allocation plan and submitted to the Department of Finance and Administration at year-end.

Finding Number	03-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.	Various
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	None

Monitoring of subrecipients' audit reports is not adequate

Finding

The Department of Health has not adequately monitored subrecipients' audit reports. This same problem was noted in nine consecutive audit reports from 1992 through 2000. The department had taken corrective action and the finding was not repeated in 2001 and 2002. However, attention to the monitoring function has again become lax. Testwork for the year ended June 30, 2003, revealed the following deficiencies:

- In response to prior findings, management had developed draft procedures governing subrecipient audit reports, but has failed to finalize and follow these draft procedures.

- The Office of Internal Audit did not send "Audit Report Request" letters to subrecipients for audits performed for the year ended June 30, 2002, until June 2, 2003, two months after the audit reports were due. The department's draft procedures indicate that the request letter should be sent six months after the end of a subrecipient's fiscal year.

- Based on interviews with internal audit staff, findings and questioned costs contained in audit reports received were not forwarded to the applicable program personnel, so that management decisions, if necessary could be made. In addition, amounts noted as "Due to Grantor" in audit reports were not forwarded to the appropriate fiscal personnel so that collections of amounts due to the department could be made.

Testwork on 25 subrecipients' audit reports selected for testing that were subject to the *Office of Management and Budget (OMB) Circular A-133* reporting standards, revealed the following deficiencies:

- Fourteen audit reports (56%) were not received within the nine-month deadline. Seven of the fourteen reports were not submitted at all and the remaining seven

reports were submitted late. The late reports were received from 1 to 133 days late and averaged 102 days late.

- One audit report (4%) did not include the required Schedule of Findings and Questioned Costs.

OMB Circular A-133 states that it is the pass-through entity's (Department of Health's) responsibility to "issue a management decision on audit findings within six months of receipt of the subrecipient's audit report." The circular requires that the management decision "shall clearly state whether or not the audit finding is sustained, the reasons for the decision, . . . any appeal process," and the audit finding reference numbers. The management decision shall also include "the expected auditee action to repay disallowed costs." Furthermore, the circular requires that "in cases of continued inability or unwillingness to have an audit conducted in accordance with this part, . . . pass-through entities shall take appropriate action using sanctions such as . . . withholding a percentage of Federal awards until the audit is completed satisfactorily" or "suspending Federal awards until the audit is conducted." The circular also states that the audit report should be submitted within nine months after the end of the audit period, and that "the auditor's report(s) shall . . . include . . . a schedule of findings and questioned costs."

Recommendation

The department should take all necessary measures to try to ensure that subrecipients' required audit reports are received no later than nine months following their fiscal year end. The reports should be reviewed for completeness and the management decisions on audit findings should be issued as required by *OMB Circular A-133*.

Specifically, the Commissioner should ensure that draft policies are finalized; that appropriate staff comply with the policies, including sending letters and forwarding findings and questioned costs to program staff; that program and fiscal staff follow-up with subrecipients regarding findings and questioned costs; and that the department has an adequate tracking system to identify any slowdown in the process.

The Commissioner should consider appropriate action using such sanctions as withholding a percentage of funding from any subrecipient when the required audit is not conducted or the audit report is not submitted to the department timely.

Management's Comment

We concur. The Division of Internal Audit has already developed and instituted measures to correct this finding. Letters to all subrecipients requesting audit reports have been sent for the current fiscal year. A tracking of letters sent and responses received will be maintained and follow-up requests will be made in a timely manner as necessary. Once the audit reports are received, the Division will review and forward any findings noted to the responsible

Health Department division for further action. Internal Audit will request that the responsible Health Department division require corrective action plans from the subrecipients.

Finding Number	03-TDH-02
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency	Department of Agriculture
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

The department did not account for the disposition of all Food Instruments within the period required by federal regulations

Finding

The department did not account for the disposition of all Food Instruments (FIs) within 150 days as required by federal regulations governing the reconciliation of FIs for the Women, Infants, and Children (WIC) program. The *Code of Federal Regulations* (CFR), Title 7, Part 246, Section 2, defines "Food Instrument" as ". . . a voucher, check, electronic benefits transfer card (EBT), coupon or other document which is used by a participant to obtain supplemental foods." Title 7 CFR 246.12(q) also requires the department "to account for the disposition of all food instruments as either issued or voided, and as either redeemed or unredeemed." In addition, the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* for the WIC program states,

> A State agency must account for the disposition of all FIs within 150 days of the FI's first valid date for participant use. The State agency must identify all FIs as either issued or voided; and identify issued FIs as either redeemed or unredeemed. Redeemed FIs must be identified as one of the following: (1) validly issued, (2) lost or stolen, (3) expired, (4) duplicate, or (5) not matching valid enrollment and issuance records.

The department reconciles the disposition of FIs using the WIC Voucher Reconciliation report that identifies the issuance of FIs. Based on interviews with the department's Data Project Consultant in charge of the FI reconciliation, and a review of the activity in the WIC Voucher Reconciliation for the year ended June 30, 2003, the department failed to promptly purge expired unredeemed vouchers from the Patient Tracking Billing Management Information System. The Data Project Consultant maintains an informal checklist during the reconciliation process that prompts her to purge unredeemed vouchers quarterly; however, this was not done for any quarter for the year ended June 30, 2003.

By not reconciling and accounting for all FIs within the required time limit, an individual may present the voucher for WIC approved items after the expiration date. Thus, if the

department has not identified the vouchers as expired, it may incur costs associated with these vouchers.

Recommendation

The Director of the WIC program should ensure that FIs are fully reconciled within 150 days of the first valid date for participant use and ensure that the Data Project Consultant fully documents compliance with the federal WIC requirements through the "WIC Voucher Reconciliation." The Director should investigate any unreconciled expired unredeemed vouchers to ensure they were not used after the expiration date.

Management's Comment

We concur. Even though the program was reconciling food instruments in accordance with the federal regulations, unredeemed food instruments were not voided timely. Action has already been taken to void any aged unredeemed food instruments.

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

The department did not inform subrecipients of all CFDA numbers, program names, and amounts of federal funds awarded

Finding

As noted in the prior audit report, the Department of Health has not informed subrecipients of all *Catalog of Federal Domestic Assistance* (CFDA) Numbers and federal program names. Management concurred with the prior finding and stated that it would ensure that all recipients were furnished with the applicable CFDA numbers and program names. However, management stated in the current audit that rather than modify existing contracts no action was planned until new contracts with subrecipients were initiated beginning in January 2004.

The department has entered into contracts with a nonprofit organization, community services agencies (CSAs), human resource agencies (HRAs) and counties to assist in implementing different state and federal grant programs. When these entities invoice the department, the department pays and accounts for expenditures in a clearing account, which is reallocated to all of the different programs provided at the appropriate county health department. Once the reallocation is performed, appropriate federal funds are drawn to cover these expenditures. The department reallocates and draws down grant money from multiple federal programs. However, the department has informed these subrecipients of only one CFDA number and program name, which is mentioned in the grant contracts. Therefore, the local agencies are not aware of the sources of their funding.

Office of Management and Budget (OMB) Circular A-133, Section 400 (d)(1), states that the pass-through entity is responsible for identifying all "federal awards made by informing each subrecipient of CFDA title and number."

In addition, current year testwork revealed that the department does not inform subrecipients of the amount of federal funds the entities will receive. Although the subrecipients' contracts provide a total award amount, the contract does not specify the percentage of federal funds the subrecipient will receive. As a result, the subrecipient cannot properly report expenditures on their Schedule of Expenditures of Federal Awards and may not

be able to determine whether an audit in accordance with OMB Circular A-133 is required. Also, without specific information as to the federal funds received, subrecipients can not establish that federal funds have not been used in violation of the restrictions and prohibitions of applicable statues.

The *Code of Federal Regulations*, title 45, part 92, section 20(b)(2) states "grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures and income."

Recommendation

The Fiscal Services Director should take steps to ensure that subrecipients are timely informed of all required federal information, including CFDA numbers, program names, and the federal financial assistance associated with each program.

Management's Comment

We concur. The department has already added the CFDA numbers and program names through an attachment to some of the WIC contracts that became effective October 1, 2003. The other WIC contracts will be amended to include a similar attachment. Since the WIC contracts are specifically intended to cover WIC services, it is anticipated that no other federal funds will be used to fund those contractual expenditures. However, if it is determined at a later date that federal funds, other than WIC, will be used to fund contractual expenditures, the contractors will be notified of the federal grant being used and the amount.

Finding Number	03-TDH-04
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.	Various
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	None

One WIC clinic did not maintain the required documentation for participants, and therefore eligibility could not be substantiated

Finding

Because one Women, Infants, and Children (WIC) clinic did not maintain Informed Consent Forms, which are used to document participants' eligibility during certification/ recertification for the WIC program, it was not possible to determine if the participants were eligible for the program.

According to the *Code of Federal Regulations*, Title 7, Part 246, Section 7(i), "All certification data for each person certified shall be recorded on a form (or forms) which are provided by the State agency." Furthermore, to comply with 7 CFR 246.7(i), the department uses the Informed Consent Form to document whether participants have been certified for nutrition risk. The form is also used to document other eligibility criteria such as residency and income and provides space for the applicant's signature certifying the accuracy of information provided.

Testwork consisted of a review of 60 participants files selected from four clinics chosen at random from four counties with the highest WIC expenditures for the year ended June 30, 2003. The review revealed that two of the WIC participant files at one of the clinics tested (3%), did not contain the Informed Consent Form for the certification or recertification date. While there was no documentation of the participants' WIC eligibility at the Department of Health, further testwork revealed that the two participants were Medicaid eligible, and therefore automatically eligible for WIC. Therefore, there are no questioned costs associated with this lack of documentation.

Without maintaining the documentation, the Department of Health cannot ensure that the WIC recipients are eligible at the time benefits are awarded.

Recommendation

The Commissioner should ensure that the proper procedures are followed in determining eligibility and documenting eligibility for WIC participants. In addition, the WIC Director should ensure that the WIC program staff and internal audit adequately monitor all clinics to ensure that clinic staff is properly maintaining eligibility forms.

Management's Comment

We concur. The Metro Health Department Director and the WIC director, who have responsibility for the clinic where the deficiency was noted, have been notified of this problem and are working with the contracted agency to assure better documentation in the future. At a recent in-service, the importance of properly completing and maintaining eligibility documentation was stressed with regional WIC staff from across the state. The WIC Manual, Chapter 1 has been revised to provide a more focused assessment of eligibility.

Finding Number	03-LWD-01
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	N/A
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	None

For the fiscal year ended June 30, 2003, controls over the Unemployment Insurance Program need to be strengthened

Finding

The Department of Labor and Workforce Development is responsible for administering the state's Unemployment Insurance Program. This program provides benefits to unemployed workers for periods of involuntary unemployment. Testwork on the program for the fiscal year ended June 30, 2003, revealed the following weaknesses:

a. The department did not always document or maintain documentation of the initial verification of identity of unemployment compensation claimants, nor has the *Unemployment Insurance Procedures Manual* been updated to reflect current procedures. Claimants may apply for unemployment compensation in person at a local unemployment office, over the phone, or via the Internet. Interviewers who interview claimants at the local unemployment office are required to see each claimant's social security card and one other form of identification. The types of identification observed are required to be recorded on the initial claim form. The Call Center, which is located in Nashville, processes all phone and Internet applications. Claimants who apply for unemployment compensation benefits in this manner are required to provide their social security number and employment history. An interviewer verifies the claimant's identity by matching the information provided by the claimant with information in the department's ESCOT (Employment Security Combined Online Technology) system. The ESCOT system contains information from employer wage reports, which give details of the claimant's previous employers and total wages received from these employers. If the information provided by the claimant agrees with the information in ESCOT, the interviewer is not required to observe a social security card as stated in the *Unemployment Insurance Procedures Manual*. This procedure would also apply to claimants who are interviewed at the local employment office, and the interviewer's agreement of claimant-provided information with employer-provided information in ESCOT would also be documented on the initial claim form. Per the Call Center Manager, the interviewer should note this agreement in the interviewer comment section of the unemployment application in ESCOT for all phone and Internet claimants. However, the

Unemployment Insurance Procedures Manual has not been updated to include written procedures for documenting verification of identity of claimants through ESCOT, when a social security card and one other form of identification are not observed. Testwork was performed on 60 initial claims for unemployment compensation. The interviewer did not document the method of verifying a claimant's identity on the initial claim form for nine claimants (15%) who applied for unemployment compensation at a local office. Also, the interviewer did not document agreement of claimant-provided information with employer-provided information in ESCOT for nine claims taken over the phone or via the Internet (15%). This information should have been noted in the interviewer comment section of the unemployment application.

The *Code of Federal Regulations,* Title 20, Section 603.3(a), states:

> The State unemployment compensation agency shall require, as a condition of eligibility for unemployment benefits, that each claimant for benefits furnish to the agency his/her social security number . . . and the agency shall utilize such numbers in the administration of the unemployment compensation program so as to associate the agency's records pertaining to each claimant with the claimant's social security number.

Section 3210 of the *Unemployment Insurance Procedures Manual* states:

> When an individual files an initial claim for unemployment insurance benefits, the local office will attempt to verify the claimant's identity. This verification will include asking to see the Social Security Card. In addition to the Social Security Card, ask the claimant to produce one other form of identification. The type of ID used will be recorded on the initial claim form.

Section 3211 of the *Unemployment Insurance Procedures Manual* states:

> If the claimant does not have his social security card but the [ESCOT Preliminary Monetary Determination Inquiry screen] PEQ1 indicates a match between his name, SSN, and employment history, verification by looking at the card will not be necessary.

b. Controls over the processing of unemployment compensation benefit claims need improvement. The interviewer can make changes to the claimant's records on the Change Benefit Screen in the ESCOT system. This screen contains the claimant's address, employer number, benefit decision date, and benefit decision code. Almost all interviewers have capabilities to update this screen. The benefit decision code is used to document approval or disapproval of a claimant's receipt of unemployment compensation benefits. Based on discussions with the Nashville Call Center Director and the Internal Audit Director, no specific field on this screen is restricted and even though an interviewer may have access to a particular screen, the interviewer may not have authority or permission to change a particular field within the screen.

Interviewers do not have authorization to change the final benefit decision code; however, the interviewers are not restricted within the ESCOT system from changing the benefit decision code. The lack of restriction leaves this area open for potential inappropriate authorization of benefits for ineligible claimants or denial of benefits for eligible claimants. The Nashville Call Center Director stated that the ESCOT system prints a daily report that shows all changes made and who made the changes; however, it does not appear that management reviews the report daily to make sure only authorized changes were made.

If interviewers do not verify the identity of unemployment compensation claimants and document the process used to identify the claimant, there is an increased risk of fraud and ineligible claimants could receive benefits that they are not entitled to. These procedures are essential controls over the integrity of the unemployment insurance program. Also, if interviewers are given access to screen fields and the ability to change information that they are not authorized to change, claimants may receive benefits for which they ineligible. There is also an increased risk for errors and fraud to occur and to go undetected.

Recommendation

The Commissioner should instruct the Director of Benefit Operations to review and update the *Unemployment Insurance Procedures Manual*, where applicable. The manual should include written procedures for documenting verification of identity of claimants through agreement of claimant-provided information with employer-provided information in ESCOT, when a social security card and one other form of identification are not observed. The Director of Benefit Operations should ensure that all local unemployment offices and the Call Center comply with the *Unemployment Insurance Procedures Manual.* Verification of the identity of all claimants should be documented. In addition, the Commissioner should assign an Information Systems Manager to make appropriate changes to the ESCOT system to restrict screen field access to what is appropriate for the interviewers. Exception reports should be generated on a regular basis and reviewed by an appropriate level of management.

Management's Comment

We concur. We have reminded departmental staff of the importance of documenting the verification of claimant identity.

Updating the *Unemployment Insurance Procedures Manual* occurs routinely. We will notify the Director of Benefit Operations of the concerns of the auditors so these concerns can be included in the updating process.

We will discuss with UI Information Technology staff the issue of changing ESCOT to restrict access to certain decision codes. While it is more common for Adjudicators to issue decisions and update final decision codes, authorization to do so is not restricted to Adjudicators. There are instances when Interviewers must and do make these decisions, and are required to

change final decision codes to insure timely payment of benefits. This is a management decision based on staffing levels, work flow, and the experience of individual Interviewers. Staffing levels in local offices make the restriction of decision code fields unworkable at this time. Once all claims are consolidated at the Claims Center, it will be more practical to establish levels of access based on the classification and experience level of the employee.

Finding Number	03-LWD-02
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	N/A
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

For the fiscal year ended June 30, 2003, controls over federal reports for the Unemployment Insurance Program needed improvement

Finding

The Department of Labor and Workforce Development did not properly prepare and submit federal reports, in a timely manner, in accordance with the requirements of the United States Department of Labor.

The department uses the Standard Form 269, *Financial Status Report,* to report the status of funds for the Unemployment Insurance program. Testwork performed on the *Financial Status Reports* submitted by the department revealed the following instances of noncompliance with the grantor's reporting requirements.

a. The indirect cost rate shown on 17 of 20 *Financial Status Reports* tested (85%) for the period July 1, 2002, to June 30, 2003, was incorrect. The instructions for the *Financial Status Reports* require the department to report the approved indirect cost rate for the reporting period. The Indirect Cost Negotiation Agreement states that the approved indirect cost rate for the period July 1, 2002, to June 30, 2003, was 10.82%. However, the rate shown on 17 reports and used to prepare the *Financial Status Reports* ranged from 11.01% to 12.25%.

b. Twenty of 20 *Financial Status Reports* tested (100%) for the period July 1, 2002, to June 30, 2003, were not submitted according to the grantor's reporting deadline. The *ET Handbook,* No. 336, instructs the department to submit the *Financial Status Reports* to the United States Department of Labor within 30 days after the end of the reporting quarter. However, all 20 of the *Financial Status Reports* tested were not submitted timely. Testwork determined that the *Financial Status Reports* were submitted within 31 to 57 days after the end of the reporting quarter.

The department's failure to properly prepare and submit the *Financial Status Reports* in a timely manner was caused by the Accounting Manager's failure to follow the reporting instructions. Also, there was no review of the reports submitted by the Accounting Manager by

the Unemployment Insurance Report and Compliance Supervisor and no comparison of the information in the department's accounting records with the information reported on the *Financial Status Reports*. In addition, the Accounting Manager stated the 30-day filing deadline imposed by the United States Department of Labor is impractical because the departmental reports used to prepare the *Financial Status Reports* are not available until approximately 25 days after the end of each month. The Accounting Manager felt that five days was not sufficient time to prepare and submit the quarterly *Financial Status Reports.*

Inaccurate and untimely *Financial Status Reports* hinder the department from presenting usable information to its grantor and prevent the department's compliance with the grantor's reporting requirements. Also, when staff fails to comply with the grantor's reporting requirements, the department could be subject to disciplinary measures and/or sanctions. To blame the federal government for requiring timely reports reflects a tone at the top which is not only inconsistent with an appropriate control environment, but suggests a serious flaw in management's identification of the fundamental problem.

Recommendation

The Commissioner should ensure that the Accounting Manager follows the instructions for completing the Financial Status Reports. The Accounting Manager's work should be reviewed and reconciled to the department's accounting records prior to submission to the United States Department of Labor. All reports should be submitted in a timely manner, in accordance with reporting requirements established by the grantor.

Management's Comment

We concur.

The calculated indirect cost rate was used instead of the approved rate in effect for the quarter reported. We did this to report the actual indirect cost charged to the Unemployment Insurance program as shown on CAS Report 61, *Status of Obligational Authority*. The calculated rate will always be different from the approved rate because our process is to estimate indirect cost based on the prior month's expenditures. However, we will begin using the approved rate.

Also, the SF 269 reports have not been submitted within 30 days after the end of the reporting quarter. However, our reports have usually been submitted within 40 days. We will increase our efforts to prepare the reports in the 30-day time period. The challenge to doing this is that the report from which we get the information is scheduled to be run 25 days after the end of the month but sometimes is run even later. In federal fiscal year 2004, we received the necessary reports with only a day or two to prepare the *Financial Status Reports*.

For Quarter Ending	CAS 61 Report*	SF 269 Due Date	Time to Prepare
December 2002	1/29/03	1/30/03	One day to submit
March 2003	4/28/03	4/30/03	Two days to submit
June 2003	7/31/03	7/30/03	61 report late one day
September 2003	10/28/03	10/30/03	Two days to submit

* Status of Obligational Authority

Finding Number	03-LWD-03
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	N/A
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Cash Management
Questioned Costs	None

For the fiscal year ended June 30, 2003, the Department of Labor and Workforce Development requested and received too much federal funding for the Unemployment Insurance (UI) program's administrative costs and controls over cash drawdowns need improvement

Finding

The Department of Labor and Workforce Development requested and received too much federal funding for the Unemployment Insurance program's administrative costs. Also, written drawdown procedures need to be updated and drawdown duties were not adequately segregated.

Testwork performed on administrative costs drawdowns revealed the following:

a. The department incorrectly calculated the administrative costs cash drawdowns because of various human and computerized worksheet errors. Examples of these errors include the use of incorrect formulas, the use of incorrect allocation percentages, and the use of incorrect numbers from the accounting records. As of June 30, 2003, these errors produced an overdraw of $905,504.81 in federal funds by the department. The *Code of Federal Regulations,* Title 31, Section 205.33(a), states, "The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs . . ." When federal receipts exceed federal disbursements, the state is not in compliance with federal cash management principles and may be required to pay the federal government interest on the excessive receipts. In addition, as of June 30, 2003, this over-draw had accrued an estimated $422.12 interest liability owed by the state to the federal government. This interest liability is in addition to the interest liability that has previously been settled with the federal government for state fiscal year ended June 30, 2003. As of December 2004, the department had not returned the money owed to the federal government and interest will continue to accrue until the funds are repaid.

b. The department does not have updated written procedures that reflect the practices that are currently used for the Unemployment Insurance administrative costs cash drawdowns. These procedures were no longer current and were not being used by the department.

c. There was also an inadequate segregation of duties. One employee performs all aspects of the administrative costs drawdowns. The employee prepares all the documents for the cash drawdowns and performs the drawdowns from the Payment Management System. There is no independent review of the Unemployment Insurance administrative costs drawdowns before the drawdown occurs.

When the department overdraws federal funds, the state becomes liable for any funds drawn in excess of cash disbursements and any related interest. Also, the department is in violation of the *Code of Federal Regulations.* When written drawdown procedures do not reflect current operations and duties are not adequately segregated, there is an increased risk that errors will occur and go undetected.

Recommendation

The Administrator for Administration and the Accounting Manager should update the written procedures describing the appropriate administrative costs drawdown process, and duties should be segregated appropriately. The Administrator for Administration and the Accounting Manager should also assign a staff member to conduct an independent review of all administrative costs drawdown calculations before the drawdown occurs to ensure that correct data are used in the drawdown calculation. The drawdown calculation should be free of human and worksheet errors.

Management's Comment

We concur.

We have made changes to the program that is used to calculate administrative drawdowns. These changes should reduce both human and computerized errors. We have addressed the following concerns that you expressed:

1. **Incorrect formulas were used at times.** Inadvertently, values were keyed where formulas were, resulting in an over-write of the formula. As a safeguard, the cells having formulas have been protected to disallow input to them.

2. **Incorrect allocation percentages were used.** The percentages utilized in the drawdown spreadsheets had been rounded due to the concerns of previous auditors that the sum of the percentages did not equal 100%. As a result, the amount of payroll costs allocated did not equal to 100% of the payroll costs. Due to their concerns, the percentages had been rounded to six decimal places. We have now made changes so that the percentages are no longer rounded.

3. **Incorrect numbers were used from the accounting records.** Incorrect numbers were obtained at different times for different reasons. (a) Previously, when listing the amounts from our Cost Accounting System (CAS), there was no check figure to assure that all programs had been input. There is now a summary page that has been

created to check the total of the programs input. (b) Although a general review of the support papers was performed, there was no detailed review of the entire draw process. There is now a detailed review of the draw process, with a review checklist that is to be signed and dated. (c) At times, staff used the CAS 91 *Costs by Program Report* (the alternative report used for drawdowns during time constraints) and the manual addition of monthly closing entries. This led to differences with the final CAS 61 *Status of Obligational Authority Report*, which has all costs included. The detailed review checklist will also address this issue.

We have updated the written procedures and reassigned staff to assure that there is a proper segregation of duties. We have established an independent review of drawdowns so that if any errors occur they can be found and corrected quickly.

We have completed an analysis of the UI draw-downs, and determined that there was an excess of cash receipts in the Unemployment Insurance administrative program from Fiscal Year 2003 to January 2005, (the latest CAS report available at the time) in the amount of $121,733.17. This amount was returned to the U.S Department of Labor on March 31, 2005. In addition, an under-draw in the UI benefit costs draw-downs was requested for a receipt date of April 4, 2005.

Finding Number	03-TSAC-01
CFDA Number	84.032
Program Name	Federal Family Education Loans (FFEL) - (Guaranty Agencies)
Federal Agency	Department of Education
State Agency	Tennessee Student Assistance Corporation
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

The student loan information reflected in the corporation's system was not always correct

Finding

As stated in a previous audit, the Tennessee Student Assistance Corporation (TSAC) has not ensured that the status of outstanding loans is correct in the student loan information database. Management concurred with the previous finding and stated they were working with lenders and servicers to improve the reporting of status changes of loans. Improvement was noted in the prior audit and the audit finding was not taken. However, results of the current audit indicate that problems with the reporting of student loan status have reoccurred.

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 audit procedures performed, for 7 of 40 loans (18%) tested, the student status shown in the corporation's system did not agree with the status reported by the lender. Furthermore, for one of the 40 loans (3%) tested, the lender could not confirm a record of the loan; therefore, the authenticity of the loan could not be verified.

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 not correctly shown in a repayment status in the corporation's system, then the amount reflected on NSLDS may be in error, and the amount paid to TSAC for reinsurance may be incorrect.

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. However, it should be noted that section *A.4.a* of the corporation's contract with the loan servicer requires that all loan maintenance activities either electronically or manually received be processed, returned for correction, or rejected within a maximum turnaround time of five (5) business days, measured from the servicer's initial receipt of the loan maintenance activity to the posting of the activity on the corporation's database.

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 testwork 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 *Code of Federal Regulations*, Title 34, Part 682, Section 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. TSAC has worked diligently with our lenders and lender servicers regarding the reporting of status changes in loans. Also, TSAC utilizes a national reporting system (NSLDS) that provides for the reporting of all status changes submitted by a lender servicer through our contracted servicer, Guarantec. Likewise, Guarantec does consistently process all status changes well within the timeframe referenced in Section A.4.A of our servicing contract.

Status changes that have been rejected back to the lender or lender servicer for additional information will be closely monitored by the Loan Division at TSAC. This issue will also be addressed at TSAC's Annual Lender Conference in April. The Loan Division at TSAC will also begin a systematic review of older loans in the portfolio to identify those loans with incorrect status information.

Finding Number	03-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.	V048A010042
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	None

The department did not adequately document its monitoring of subrecipient activities related to the Vocational Education Program

Finding

The Department of Education did not adequately document its monitoring of subrecipient activities related to the Vocational Education Program. The department has developed a monitoring cycle, based upon risk criteria, that uses a five-part evaluation instrument to document the monitoring visit. The evaluation instrument includes a fiscal review, Carl Perkins compliance assessment, business/industry assessment, vocational program assessment, and an applied academics program assessment, if applicable. However, management did not have a tracking system for ensuring that all portions of the evaluation instrument were completed and that improvement plans were received. Also, testwork on documentation covering 28 monitoring visits revealed the following:

- The department could not provide 17 of 129 applicable parts (13.2%) of the evaluation instrument documenting monitoring visits conducted during the audit period. The missing parts included the fiscal review, Carl Perkins compliance issues, and business/industry assessment. Also, some of the completed portions did not have the evaluator's name listed.

- Improvement plans either were not received or were received late by the department. Eighteen improvement plans (64.3%) were not received by the department, as of November 19, 2003. The cover letter associated with the monitoring report stated that the "system's plan for improvement should be developed and ready to submit in approximately four to six weeks." Of the ten improvement plans that were received, five were dated after the six-week deadline. The date of these plans ranged from one to 101 days late (with an average of 48 days late). Also, no sanctions were imposed on subrecipients for not submitting an improvement plan.

- The department did not always date stamp improvement plans when they were received. Without the date stamp, the department has no way of determining whether or not the responses were received in a timely manner.

Office of Management and Budget Circular A-133, Section 400(d)(3), requires the pass-through entity to "monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved." The department cannot determine subrecipient compliance with applicable regulations without an adequate system of monitoring. Furthermore, funds could be used for objectives not associated with the grant, and subrecipient errors and fraud could occur and not be detected.

Recommendation

The Assistant Commissioner over the Vocational Education Program should ensure the development of an adequate tracking system. This tracking system could be used to ensure that the monitoring visits are documented using all of the applicable portions of the evaluation instrument and that improvement plans are received in a timely manner.

Management's Comment

We concur. A checklist has been developed for regional consultants to use to insure that all required forms are included when finalizing a monitoring report. In addition, a system is now in place to document receipt of improvement plans from school systems. Further, no monitoring report will be approved as completed until the improvement plan is received. A follow-up procedure to be performed by the regional consultants is now in place to provide additional assurances that improvement plans are received. An annual follow-up will be conducted until it is determined that all recommendations are addressed by the local school systems. The improvement plans are now being date stamped by the department as we receive them from the local systems.

Finding Number	03-DHS-03
CFDA Number	84.126
Program Name	Rehabilitation Services-Vocational Rehabilitations Grants to States
Federal Agency	Department of Education
State Agency	Department of Human Services
Grant/Contract No.	H126A020063, H126A030063
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	None

The Department of Human Services again failed to comply with Subrecipient Monitoring requirements contrary to instructions from the Department of Finance and Administration

Finding

As noted in the prior audit, the department did not identify and report all of its subrecipients to the Department of Finance and Administration (F&A) as required by Policy 22. The Division of Rehabilitation Services has grant agreements with city and county school systems and with certain other quasi-governmental agencies across the state for the provision of vocational rehabilitation services to individuals with disabilities (Transition School to Work, or TSW). During the fiscal year ended June 30, 2003, the department incurred expenditures of over $4,125,000 for this program. However, the department did not include these subrecipients in its annual monitoring plan as required by F&A Policy 22.

Management did not concur with the prior audit finding and stated that it had determined that these city and county schools and certain other quasi-governmental agencies that provide vocational rehabilitation services to individuals were not subrecipients. This determination was based on management's review of the criteria in Section 10 of the Department of Finance and Administration's Policy 22. Management's response also tried to address characteristics which distinguish a subrecipient and a vendor.

As the rebuttal to management's comments stated in the prior audit report, Policy 22 says, "In making the determination of whether a subrecipient or vendor relationship exits, the substance of the relationship is more important than the form of the agreement. It is not expected that all subrecipient characteristics will be present."

The department asserts that the Transition-School-to-Work (TSW) programs and other grants do not meet the criteria of subrecipients based on certain characteristics from OMB Circular A-133, Section 210 and Section 10 of the Department of Finance and Administration Policy 22, Subrecipient Monitoring Manual. However, it is the opinion of the auditors that the substance of the agreements more closely conforms to that of a subrecipient.

Additional testwork was done on the Division of Rehabilitation Services' expenditures to determine if there were other organizations that should have been reported. We reviewed agreements with the 25 organizations that had the most expenditures during the audit period. We found 18 (72%) which were classified as vendors which should have been classified as subrecipients. Total expenditures charged to these organizations amounted to $18,922,325.03.

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 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's plan did not identify the Division of Rehabilitation Services' subrecipients and document other plan requirements for the audit period.

In addition, the department is required to submit an annual report summarizing the department's monitoring activities to the RDS by October 31 of each year. This report was submitted but did not include these subrecipients of the Division of Rehabilitation Services.

Policy 22 was written to help ensure that departments comply with federal requirements regarding subrecipient monitoring. Office of Management and Budget Circular A-133, "Compliance Supplement" states that the pass-through entity is responsible for "monitoring the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

By failing to include all subrecipients in the department's annual monitoring plan and annual report, the department is not complying with F&A Policy 22 and federal subrecipient monitoring requirements. As a result, the department is not adequately monitoring its subrecipients.

Recommendation

The Commissioner should ensure that the required monitoring of subrecipients is performed in accordance with federal regulations for all applicable programs.

Management's Comment

We concur. While the definition of a vendor/sub-recipient relationship is not clear in this circumstance, we agree with the finding that benefits can be derived by monitoring these entities from a sub-recipient perspective. The department will identify these entities as sub-recipients and follow the guidelines of Policy 22 to ensure that each receives appropriate monitoring.

Finding Number	03-TDH-05
CFDA Number	93.268
Program Name	Immunization Grants
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	H23/CCH422528-01
Finding Type	Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

The department understated expenditures for the Immunization Grants program on the Schedule of Expenditures of Federal Awards for fiscal year ended June 30, 2003, by $1.5 million

Finding

The Department of Health failed to report all program expenditures for the Immunization Grants program on the *Schedule of Expenditures of Federal Awards* (SEFA). For the fiscal year ended June 30, 2003, the department failed to report $1,526,245.79.

The Communicable and Environmental Disease Services (CEDS) section prepares an expenditure report, which should include all expenditures used for the purchase of vaccine for the Immunization Grants program, and sends the report to Fiscal Services for supporting documentation to be used in the preparation of the department's SEFA. CEDS appropriately reported expenditures of all private providers that administer vaccines. However, CEDS did not include all expenditures for the state's county health departments in the expenditure report sent to Fiscal Services. This resulted in an understatement of expenditures on the SEFA. The Department of Finance and Administration's instructions for compiling the SEFA define the value of cash disbursements, including non-cash assistance, as the "actual cash disbursements made or fair market cash value of non-cash assistance used during state fiscal year. . . ." Office of Management and Budget Circular A-133 requires the inclusion of the value of non-cash assistance in the SEFA or disclosure of the amount in the notes to the SEFA. After this was brought to management's attention by the auditors, management prepared a revised SEFA.

The omission of a portion of the federal assistance provided through the Immunization Grants program affects the determination of major federal programs for purposes of the state's Single Audit. It also provides misleading and inaccurate information to users of the Single Audit.

Recommendation

The CEDS Director should ensure that staff prepare accurate expenditure reports for vaccines ordered with Immunization Grants funds. The Fiscal Services division should establish proper accounting controls for all vaccine ordered and received, and ensure that accurate records are maintained by all responsible parties so that the Schedule of Expenditures of Federal Awards is properly prepared.

Management's Comment

We concur. The basis of the under reporting of non-cash assets of the program was due to a misunderstanding of the information requested by an accountant from the department's Fiscal Services staff. The SEFA has been corrected and an amended report on the non-cash assets was filed with the Department's Fiscal Office. That report showed a non-cash disbursement from the Immunization Program of $17,303,699.66 for FY 2003.

Finding Number	03-TDH-06
CFDA Number	93.268
Program Name	Immunization Grants
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	H23/CCH422528-01
Finding Type	Noncompliance
Compliance Requirement	Eligibility and Special Tests and Provisions
Questioned Costs	None

The department did not comply with program requirements and special test provisions for the Immunization Grants program for fiscal year ended 2003

Finding

The Department of Health has not ensured that providers in the Immunization Grants program have maintained adequate documentation of vaccinations given. Documentation has not been adequate to ensure vaccinations were provided to eligible individuals and to ensure that the vaccinations were administered in accordance with program regulations.

The Department of Health contracts with private clinics to obtain vaccination services for individuals who are eligible for the Immunization Grants program. We performed testwork at 3 of 456 clinics (Madison Meharry Family Medicine Clinic, Metro Nashville General Hospital, and Vanderbilt Clinic) for the program and found the following problems:

- For 6 of 90 uninsured immunization patients tested (7%), the provider (Madison Meharry Family Medicine Clinic) charged the patient a vaccine fee greater than the maximum fee established by the United States Department of Health and Human Services (DHHS). The Tennessee Vaccine for Children policies and procedures, Section 1, VFC provider enrollment, 1.2(f), states that providers are, "not to impose a charge in any amount higher than the maximum fee established by DHHS for the administration of the vaccine." The fee limit was $13.70 for fiscal year ended June, 30, 2003, but the amount charged was $15.00.

- For another 13 of 90 patient files tested (14%), the providers did not have all of the vaccination information documented. Madison Meharry Family Medicine Clinic did not include the lot numbers of the vaccine administered for twelve files, and of those files, all 12 did not list the person administering the vaccine as required and 1 file did not document the types of vaccine administered to the patient on the date of service tested. Metro Nashville General Hospital could not provide the "Patient Immunization Form," which documents the immunization received, the manufacturer, and the lot number of the vaccine, for one file. *The United States Code*, Title 42, Chapter 6A, Subchapter XIX, Part 2, Section 300aa-25(a), requires,

> Each health care provider who administers a vaccine set forth in the Vaccine Injury Table to any person shall record, or ensure that there is recorded, in such person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) with respect to each such vaccine—
>
> (1) the date of administration of the vaccine,
> (2) the vaccine manufacturer and lot number of the vaccine,
> (3) the name and address and, if appropriate, the title of the health care provider administering the vaccine, and
> (4) any other identifying information on the vaccine required pursuant to regulations promulgated by the Secretary.

To ensure the integrity of the Immunization Grants program, the department must monitor to ensure that all providers comply with all provisions of the program.

Recommendation

The Commissioner and staff of the Communicable and Environmental Disease Services section should provide additional training of and oversight over providers administering vaccinations in order to ensure that providers are knowledgeable of and comply with program requirements.

Management's Comment

We concur. We have education and audits in place as part of the Vaccine for Children's (VFC) Program. This education and on-site formal compliance reviews in VFC practices have been markedly enhanced this year as directed by the CDC. We believe this will result in improved documentation of vaccine information.

The federal VFC Program has not permitted the Tennessee Department of Health to enforce the Medicaid fee cap rule for providers. The CDC has recently told us this policy is under review and that a change will be forthcoming though they were not able to share the details with us at this time.

Finding Number	03-TDH-07
CFDA Number	93.268
Program Name	Immunization Grants
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	H23/CCH422528-01
Finding Type	Material Weakness
Compliance Requirement	Activities Allowed or Unallowed
Questioned Costs	None

The controls over the VACMAN computer system need improvement

Finding

The department's controls over access to the federal Vaccine Management System (VACMAN), which is the computer system that the department uses to place vaccine orders with the federal Centers for Disease Control (CDC), need improvement. The VACMAN system was first installed in 1994. A review of the VACMAN system revealed the following weaknesses:

- All employees in the department's Communicable and Environmental Disease Service (CEDS) section with access to VACMAN can enter new providers into the system and can generate orders for vaccine.
- CEDS management does not approve Provider Agreements, which are used as the documentation to set up providers in the system.
- CEDS staff did not reconcile the providers listed in the VACMAN system to the actual provider agreements.

When controls over the VACMAN system are weak, the risk of misappropriation, misuse, or waste of vaccine is increased.

Recommendation

The CEDS Director should improve controls over the VACMAN computer system which include segregating duties and restricting access to the system as appropriate, performing reconciliations of provider agreements to providers entered into the system, and increasing oversight of providers to ensure vaccines are administered appropriately.

Management's Comment

We concur. The Immunization Program will take further steps to minimize the possibility of fraud or abuse. First, the Immunization Program will institute a process whereby a provider's medical license is verified as on file with the state and current before the provider is

authorized to enroll in the program; this verification will be dated and initialed on the enrollment form. Additionally, the person responsible for verification and authorization of credentials will not generate orders in the VACMAN system. No orders will be generated until the credentials check and authorization is completed.

Purchases of vaccine off the federal contracts through the VACMAN 3 system are restricted to individuals who possess a CDC-issued digital certificate for VACMAN and a password – a two-factor authentication system. This security approach markedly enhances physical security of the software/hardware.

Finding Number	03-DHS-04
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, G0101TNTANF, G0201TNTANF, G0301TNTANF
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	$2,569

The Department of Human Services did not reduce Temporary Assistance for Needy Families for participants who failed to cooperate with child support requirements

Finding

As noted in the two prior audit reports, the department did not comply with federal regulations by reducing the assistance to recipients of Temporary Assistance for Needy Families (TANF) who failed to cooperate with child support requirements. Temporary Assistance for Needy Families is a federal program established for the purpose of providing time-limited assistance to needy families with children. The Department of Human Services (DHS) administers the TANF program in Tennessee under the name Families First. One of the important features of this program is the requirement that the head of the household must cooperate with child support enforcement efforts. Those recipients who do not cooperate are subject to having their benefits reduced.

Management concurred with the prior audit finding and stated that the Tennessee Child Support Enforcement System (TCSES) was not sending an alert to the Automated Client Certification and Eligibility Network of Tennessee (ACCENT) when it was determined that a TANF recipient was not cooperating with child support enforcement efforts. As a result of this interface failure, staff were not receiving the alerts that would have notified them of the non-cooperation. In July 2002, the department made changes to the TCSES-ACCENT interface to ensure that alerts related to instances of non-cooperation with child support were being correctly generated to staff. Also, in a memorandum dated July 31, 2002, field staff were advised of the interface correction and reminded of their responsibilities when they are notified of a participant's failure to comply with child support requirements. In spite of these changes, problems persist.

During the fiscal year ended June 30, 2003, TCSES issued 22,791 child support "non-cooperation" alerts to ACCENT. A sample of 39 cases was selected to determine if the TANF assistance was reduced by at least 25% if the recipient continued not to cooperate with the department's child support enforcement efforts. Of these 39 cases, 28 were determined to be applicable; 12 of the 28 cases (43%) did not have benefits reduced appropriately. This was a result of staff not properly following through with recipients who were determined to be non-

cooperative. The amount of the overpayments for these 12 cases was $2,569.25. The likely federal questioned cost associated with this condition could exceed $10,000.

The *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. . . ." The *Code of Federal Regulations*, Title 45, Section 264.31(a)(3), further explains that the state may be penalized up to 5% of the State Family Assistance Grant if it does not substantially comply with this child support cooperation requirement.

The department contracts with the University of Tennessee to provide Active Case Review (ACR) services. This review is intended to provide a measure of the TANF program staff's effectiveness in administering the program. The ACR Guide seeks to determine if benefits were appropriately reduced when a child support non-cooperation alert has been sent. However, the ACR form, used by case reviewers to document the review results, does not indicate whether DHS staff had properly reduced benefits to non-cooperative TANF recipients.

Failure to properly apply the prescribed penalty for non-cooperation is a violation of program requirements and could result in a reduction of federal funding for the TANF program.

Recommendation

The Assistant Commissioner for Adult and Family Services should again remind field staff of their responsibility when they are notified of a participant's failure to comply with child support requirements. Where applicable, benefits should be appropriately reduced. Also, supervisors in the field offices should periodically review cases which have received an alert to determine if benefits should have been appropriately reduced or if cooperation by the recipient has begun.

The Director of Families First should be instructed to revise the ACR review form used by the University of Tennessee case reviewers. This form should document whether the case reviewer has determined that TANF benefits have been properly reduced, where applicable.

Management's Comment

We concur. The Commissioner will send a memorandum to all Family Assistance staff reinforcing the importance of working on the ACCENT alerts timely. In addition, the alerts will be directed to the supervisor as well as the caseworker to ensure appropriate action is taken.

The Active Case Review form will be modified as recommended.

Finding Number	03-DHS-07
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G9901TNTANF, G0101TNTANF, G0201TNTANF, G0301TNTANF
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$1,179

As noted in the prior audit, the department did not always report alleged employee fraud to the Comptroller of the Treasury and did not always calculate the final pay of terminated employees correctly

Finding

As noted on the prior audit, the Director of Program Integrity did not always notify the Comptroller of the Treasury, as required by state law, about the department's knowledge of and subsequent investigation of employees for possible fraud. The department terminated four employees during the year ended June 30, 2003, for gross misconduct. Termination of two of the four employees (50%) was not reported immediately to the Comptroller of the Treasury. One of the employees was terminated effective July 8, 2002; however, the department did not realize that this had not been reported until the state auditor reported the oversight to the director during fieldwork. Another employee was terminated effective August 26, 2002, but this termination was not reported until May 28, 2003. The department concurred with the prior audit finding and in March 2003 began making a more conscientious effort to report this type of termination as required by the *Human Services Administrative Manual*, revised October 1994.

The department's Director of Investigations indicated that three of the four employees had fraudulently obtained program benefits for themselves or personal friends. As a result, the department had paid $9,487 from the Food Stamps program, $1,179 from the Temporary Assistance for Needy Families program, and $22 from the Medicaid program to people who were not eligible for family assistance. One of the employees has signed an administrative waiver agreeing to repay the money, one employee has been indicted and is awaiting trial, and the applicable district attorney has declined to prosecute the other employee. As of December 31, 2003, $450 of these amounts had been repaid. Section 8-19-501, *Tennessee Code Annotated*, states,

> It shall be the duty of any official of any agency of the state having knowledge of shortages of moneys of the state, or unauthorized removal of state property, occasioned either by malfeasance or misfeasance in office of any state employee, to report the same immediately to the comptroller of the treasury.

The purpose of the statutory requirement to notify the Comptroller is to ensure a thorough investigation and appropriate resolution in the best interest of the state. Failure to report fraud could cause unnecessary delays in prosecution and could result in the state not being able to recover the misappropriated funds.

Also, the department has not been correctly calculating the final pay for employees terminated for gross misconduct. Section 1120-10.07(7)(c), *Rules of the Tennessee Department of Personnel*, states,

> Before an employee can be dismissed, he must be given ten (10) calendar days paid notice. During the notice period an employee will not be required to report for duty. The employee's accumulated annual leave may be used during this notice period only if dismissal was for gross misconduct.

The department interpreted this rule to mean that if an employee was being terminated for gross misconduct, the ten-calendar-day notice period would be charged against the employee's annual leave balance. If the leave balance was not sufficient to cover the notice period, the uncovered portion would be charged to leave without pay. The rule, however, requires that an employee be paid for the ten-calendar-day notice period, regardless of whether or not the employee has enough accrued annual leave to cover it. The four were underpaid in amounts ranging from $459.00 to $555.27. The total underpayment for the four amounted to $2,016.18.

Recommendation

The Commissioner should ensure that the Director of Program Integrity reports all instances or suspected instances of fraud immediately to the Comptroller of the Treasury. Employees who are terminated for gross misconduct should be given ten calendar days of paid notice, regardless of whether or not they have enough accrued annual leave to cover the notice period.

Management's Comment

We concur. The department's Office of Program Integrity and Office of Personnel are working together to ensure instances or suspected instances of fraud are immediately reported to the Comptroller of the Treasury.

The rule regarding the pay for the ten-calendar-day notice for employees terminated due to gross misconduct has been clarified and communicated with Personnel staff. Any amounts owed to these former employees as a result of this finding will be paid.

Finding Number	03-DHS-05
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.	G0204TN4004, G0304TN4004
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

The department has not completed its reconciliation of undistributed child support collections

Finding

As noted in the three prior audit reports, the amount of undistributed child support collections reported in the Tennessee Child Support Enforcement System (TCSES) does not reconcile to the State of Tennessee Accounting and Reporting System (STARS) or to the related federal Office of Child Support Enforcement quarterly report. At June 30, 2003, the balance of undistributed collections in TCSES was $13,690,301; the balance in STARS was $26,068,404; and the balance on the federal quarterly report was $14,278,567.

TCSES is maintained by the maintenance contractor Accenture. However, due to problems with TCSES and Accenture personnel, data obtained from TCSES have been found to be inaccurate. Another reason for the lack of a reconciliation is that the contingent revenue account in STARS that is used to account for undistributed collections also contained interest earnings, administrative fees paid by non-custodial parents, and federal incentive funds. Management concurred with the prior audit finding which was released in May 2003 and stated that the reconciliation between the amount of undistributed child support collections reported in TCSES is now reconciled to the quarterly collection report. The balance in TCSES was agreed to the quarterly report that was due September 30, 2003. Management also stated that they expected to complete the reconciliation of TCSES to STARS during calendar year 2003; however, this reconciliation still has not been completed.

If the department cannot reconcile the state's accounting records to the applicable federal reports, the state could be required to repay some of the grant funds that it has received.

Recommendation

The Commissioner should instruct the Director of Child Support Fiscal Services to ensure that the amount of undistributed child support collections reported in TCSES is reconciled to STARS as quickly as possible.

Management's Comment

We concur. The amount of undistributed child support collections reported on the Tennessee Child Support Enforcement System (TCSES) is now reconciled to the quarterly reports of collections submitted to the Federal Office of Child Support Enforcement. However, the same amount of undistributed collections is not reconciled to the STARS reports. The department continues to work on the reconciliation process until the amount of undistributed collections is reconciled to the STARS reports. Currently, the department is making corrections and changes to TCSES in order to continue the reconciliation process. The changes to TCSES will be completed in May 2004.

Finding Number	03-DHS-06
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.	G0204TN4004, G0304TN4004
Finding Type	Reportable Condition, Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles, Cash Management, Reporting
Questioned Costs	$278,237

Child Support Enforcement program contract terms have not always been followed, resulting in an overpayment exceeding $421,000 to the contractor

Finding

The Department of Human Services did not always pay a Child Support Enforcement program contractor based on actual collections. The department contracted with Maximus, Incorporated, a for-profit corporation located in McLean, VA, to provide child support enforcement services in Davidson County. The contract states that Maximus, Incorporated, would be paid nine percent of child support collections, which would be reduced or increased by penalties or incentives. The contract also states that Maximus, Incorporated, would submit a monthly invoice to the department which would, at a minimum, include the amount of child support collections during the period and the total amount due the contractor for the period invoiced. However, the contractor's monthly billings were based on an estimate of the annual child support collections rather than actual collections. Management was not aware of the fact Maximus, Inc. was being paid based on an estimate until the state auditor brought this to their attention during fieldwork.

Also, the department did not perform a reconciliation between the amount the contractor was actually paid and the amount the contractor should have been paid. Based on departmental records, Davidson County child support collections during the year ended June 30, 2003, were $46,056,870.57. Nine percent of these collections is $4,145,118.35; however, Maximus, Incorporated, billed and was paid $4,566,690.00. Without regard to adjustments for penalties and incentives, as of December 15, 2003, Maximus, Inc., was apparently overpaid $421,571.65, of which $278,237.41 was federal funds.

This contract also states that the Department of Human Services will monitor contractor performance through monthly on-site visits; however, the department was unable to present evidence that on-site visits were performed. If the department does not monitor Maximus, Inc., it is not complying with the terms of the contract, nor has it obtained assurance that the contractor is fulfilling the requirements of the contract.

Recommendation

The Commissioner should ensure all contractors are paid in accordance with contract terms. As stated in the contract with Maximus, Incorporated, payments should be based on actual child support collections, not an estimate made by the contractor. Also, monthly on-site visits should be performed in accordance with contract terms to ensure that the contractor is fulfilling the requirements of the contract.

Management's Comment

We concur. The department will take steps to ensure that contractors are paid according to the contract terms. A complete review of the contract in question is underway and the apparent overpayment will be investigated. A correct cost to the department will be determined and any overpayment or potential additional liability will be identified and addressed appropriately.

Finding Number	03-DCS-02
CFDA Number	93.658
Program Name	Foster Care – Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9601TN1401 through 0301TN1401
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$98,899

The department charged the Title IV-E program for children not eligible for Title IV-E reimbursement, had no documentation of criminal background checks of foster parents, and appeared to place children with individuals unfit to be foster parents

Finding

As noted in the prior audit finding covering the period July 1, 2001, through June 30, 2002, the Department of Children's Services (DCS) charged the Title IV-E Foster Care program for children who were not eligible for Title IV-E reimbursement. The Adoption and Safe Families Act of 1997 requires documentation that efforts were made to preserve the family and that removal of a child from his/her home was appropriate and necessary to ensure the child's safety, health, and welfare. To meet these requirements, DCS Policy 16.36, "Title IV-E Foster Care Funds, Court Orders and the Initial Eligibility Determination Process," states,

> DCS legal staff and/or case managers shall ensure that the first court order sanctioning the removal of the child shall include a judicial determination to the effect that continuation in the home is "contrary to the welfare of the child" or that "placement is in the best interest of the child" or words to that effect.

Furthermore, DCS Policy 16.35, "Title IV-E Foster Care Funds and On-Going Reasonable Efforts to Finalize Permanency Plans," requires DCS to secure a new court order at each permanency hearing that includes a judicial determination that reasonable efforts have been made to finalize the goal of the permanency plan. Permanency plan hearings are to be held no later than 12 months after a child enters custody and every 12 months thereafter. Absent the required language in judicial determinations, the department may not receive Title IV-E Foster Care reimbursement for the care and maintenance of an otherwise eligible child. Policies 16.35 and 16.36 provide specific instructions for case managers to follow in recording the child's benefit status in the appropriate computer systems and documenting the child's status in the case files.

Management concurred with the prior audit finding and stated:

> The Assistant Commissioner for Fiscal and Administrative Services, in conjunction with divisional management staff, will prepare a formal request to the

department's Information Resources Section to provide programming to enable automated data matches between the computer application used by fiscal to determine funding and ChipFins. As eligibility status is not fixed, manual review and adjustment cannot be performed timely and is not practical due to the volume of children in custody. Although performing data matches between the funding database and ChipFins will provide immediate correction of the problem, it is management's goal to continue to aggressively pursue the Placement Re-Design and Title IV-E Eligibility module development and implementation in the TNKIDS system. These modifications along with the implementation of the Oracle Financial System will correct this problem going forward from a fiscal perspective.

Based on discussion with management, DCS has implemented a new program to retroactively review the changes in status of the children by comparing status information between the ChiPFinS and the funding databases. According to management, this retroactive review is to be performed quarterly. DCS performed its first review during the first quarter of the 2003 – 2004 fiscal year. As of December 15, 2003, there had been no review performed during the second quarter.

During a review of 120 children's case files by the auditor, it appeared the department received Title IV-E funds for 34 children (28%) during periods when they were not IV-E reimbursable. This is a significant increase from the prior audit, when the error rate was 3%.

- Twenty of the children's case files did not contain documentation that a permanency plan hearing was held within the 12-month requirement to document for the court the reasonable efforts made by the department to achieve permanency for the child. The department's legal staff was subsequently able to document that permanency plan hearings were held within the required time frames for seven of these children. However, since there was no documentation for the other thirteen children to indicate a hearing was held, the federal requirement that a court order with a judicial determination that reasonable efforts (or words to that effect) has been made to finalize the permanency plan has not been met. This makes the child ineligible to receive Title IV-E federal funding for that 12-month period. In addition, one of these children was on runaway status for much of the fiscal year. The federal questioned costs for these payments totaled $20,807, with an additional $11,887 in state matching funds.

- Twelve of the children's case files did contain a court order as documentation that the annual permanency plan hearing was held; however, the court order did not contain a judicial determination that reasonable efforts (or words to that effect) on behalf of DCS were made to finalize the permanency plan. This makes the child ineligible to receive Title IV-E federal funding for that 12-month period or until a judicial determination has been made. The federal questioned costs for these

payments totaled $61,575, with an additional $34,121 in state matching funds.

- One child was not IV-E reimbursable according to the ChiPFinS eligibility history screen; however, the department charged the IV-E program for that child for that period. The federal questioned costs for these payments totaled $226 with an additional $124 in state matching funds.

- One child was on runaway status for 40 days. The federal questioned costs for these payments totaled $27, with an additional $15 in state matching funds.

- One child was not in state custody during the time period that federal funding was used. The contract agency billed the state for services when this child was not in state custody, and the department charged the IV-E program. The federal questioned costs for these payments totaled $547, with an additional $300 in state matching funds.

- One child's case file contained a court order documenting a permanency plan hearing; however, it was not signed by a judge. The federal questioned costs for these payments totaled $3,526, with an additional $1,953 in state matching funds.

The remaining five cases were ineligible for federal funding because the department had no documentation of background checks for foster parents as required by DCS policy and federal guidelines. Eligibility requirements for the Foster Care program under Title IV-E state:

> The foster family home provider must have satisfactorily met a criminal records check with respect to prospective foster and adoptive parents (45 CFR 1356.30(a) and (b)).

Also, DCS Policy 16.4, Foster Home Study, Evaluation and Training Process, states:

> A criminal background check to include fingerprinting and sex offender registry check must be completed on each foster parent applicant, as well as any other adult member of the household, and documented in the foster home record.

The sample of 120 case files represented 91 foster homes. For 5 of the 91 foster homes' files tested (5%), the files did not contain documentation that the background checks were performed. The prior audit finding disclosed that in 4 of 81 foster home files tested (5%), the file did not contain documentation that the background checks were performed as described in DCS policy.

- Four files contained no evidence that criminal background checks were performed on the foster parents. Also, one of these files did not document that the foster parents received Parents As Tender Healers (PATH) training. Recordings in the case file indicated that case managers were aware of the lack of documentation since 1999. Furthermore, a case recording in May 2000 stated that, at a hearing

for the foster parent's biological son's probation violation, a judge expressed concern regarding the fitness of the foster mother's being a foster parent. In October 2002, the child was removed from the home. The federal questioned costs for these payments totaled $10,017, with an additional $5,551 in state matching funds.

- One case file did not contain evidence of a criminal background check on the foster mother. The foster father's background check with the county sheriff's department noted several law violations and charges of attempt to commit a felony (the file did not include information from the county court regarding conviction) and numerous violations for driving while licenses were revoked. Both foster parents had revoked drivers' licenses; therefore, neither parent could lawfully operate a vehicle to transport the child. DCS policy 16.3, I.6., states "Prospective foster parent(s) shall have the ability to . . . provide routine transportation for the foster children placed in their home." While there was no evidence that a background check was performed on the foster mother, there were authorizations completed by both foster parents for their background investigations. However, these authorizations were dated after the court order that placed the child in the home. The federal questioned costs for these payments totaled $2,174, with an additional $1,192 in state matching funds.

In addition, our review of one case file indicated that DCS did not adequately monitor foster care placement with its contracted agency. A child was placed in a foster parent's home by a contracted agency with DCS. According to case recordings, this child's placement was due to downsizing of the group home services provided by the contracted agency. Prior to placement with the foster mother, case recordings stated the woman would not be a possible placement because of her background. The case recordings also stated that, prior to placement, the individual was arrested for criminal trespassing, disorderly conduct, and assault. Furthermore, the foster parent did not always maintain telephone service and did not provide transportation for the foster child. Numerous appointments for health and other services were not kept. In addition, the foster parent appeared to avoid contact with the case manager. DCS policy 16.3, I.6., states "Prospective foster parent(s) shall have the ability to . . . provide routine transportation for the foster children placed in their home." DCS policy 16.3, H.9., states, "Foster homes must be equipped with a telephone," and DCS policy 16.3, I.1., states, "Prospective foster parent(s) shall . . . work constructively within the Department's framework and directly with the case manager in developing plans and meeting the needs of the child and his/her family." Notwithstanding these serious issues, a waiver for PATH classes prior to placement was provided by DCS, and the contracted agency proceeded with the foster care placement.

In summary, foster care payments of $154,042 were made during periods when the children were not IV-E reimbursable and are questioned costs. The federal questioned costs total $98,899, and the remaining $55,143 is state matching funds. Total Title IV-E payments to foster care parents for the year were $24,053,123.

During the period July 1, 2003, through December 15, 2003, management refunded $9,774 of the federal amount questioned above.

Recommendation

In accordance with departmental Policies 16.35 and 16.36, case managers should ensure the eligibility of children for Title IV-E Foster Care is adequately documented in the case files and prompt and accurate status changes are recorded in the department's computer systems. As part of the department's prepayment authorization process, case managers should review information in the eligibility database and ensure that the Title IV-E reimbursement status is correct prior to payment. Furthermore, the Assistant Commissioner of Program Operations should ensure that criminal background checks are performed on all foster parents prior to a foster child being placed in the home, and after placement, he should ensure that foster parents comply with DCS foster care policies.

The Commissioner of the Department of Children's Services should require staff to review all foster parent files. Any foster parents found to be unfit as foster parents by virtue of their failure to meet the minimum qualifications prescribed by the department should be removed from the program. Children should not be placed with prospective foster parents who do not meet the eligibility requirements for providing a good foster home. Furthermore, the department should ensure that adequate follow-up on expedited placements is performed, and that PATH training and related requirements waived prior to placement are completed and documented.

Management's Comment

We concur. To address the Permanency Plan issues, DCS will implement the following controls. The department will revise its policy 16.35, "Title IV-E Foster Care Funds and Ongoing Reasonable Efforts to Finalize Permanency Plans," and policy 16.36, "Title IV-E Foster Care Funds, Court Orders, and the Initial Eligibility Determination Process," to include the directive that all case files must contain a signed copy of any court orders. The revisions will be effective March 15, 2004. In addition, training will be completed for all appropriate staff by April 15, 2004. Designated staff will provide the training regionally. The training will focus on the importance of reasonable efforts and the need for compliance with existing laws and policies. All Regional Administrators will be briefed on the Title IV-E Regulations and the importance of compliance. These requirements will be communicated at the monthly Regional Administrator's meetings. The Director of Quality Assurance will ensure that the training is completed by April 2004. In addition, Federal IV-E Regulations will be addressed during exit interviews for the foster care file reviews. These reviews are performed quarterly and are ongoing.

DCS Child Benefit Specialists will provide a list of any orders that do not include the required language each month to the DCS supervising attorney. The supervising attorney will contact the judge that issued the order to address the reasonable efforts language required by the department. DCS lawyers will offer to draft a revised order if the proof supports a finding of

reasonable efforts. The departments' lawyers will assure that all orders drafted by staff attorneys contain the required language.

In the finding, twelve cases were cited for failure to include the required reasonable efforts language. DCS Legal has been in contact with the Shelby County Courts. Beginning February 10, 2004, Shelby County Courts has agreed to allow DCS attorneys to prepare the permanency hearing orders and include the reasonable efforts language. This should eliminate this portion of the finding.

Four exceptions were noted regarding eligibility and Title IV-E reimbursement. Eligibility for Title IV-E is maintained in CHIPFINS. The errors noted were due to changes in eligibility that were not updated to CHIPFINS in a timely manner. As a result, DCS received Title IV-E reimbursement for these expenditures. During the audit period, the department implemented programs to detect and refund Title IV-E reimbursements for children subsequent to retroactive adjustments of eligibility in CHIPFINS. Periodically these programs electronically compare each claim for each child in the funding database to eligibility information from CHIPFINS. If the Title IV-E eligibility status of a child has changed in CHIPFINS subsequent to the funding of the original transaction, adjustments are recorded to either claim or refund Title IV-E funds as required. Effective for the month of March 2004, these programs will be processed on a monthly basis to facilitate a more timely adjustment of claims to Title IV-E.

The remaining five cases were ineligible due to the lack of documentation of background checks and insufficient Parent As Tender Healers (PATH) training. Current policy is clear on the requirements for criminal background checks and thirty hours of PATH training prior to having children placed in the foster home. DCS policy 16.4 states, "A criminal background check to include fingerprinting and sex offender registry check must be completed on each foster parent applicant…" and it must be documented in the foster home record. It is apparent that DCS staff is not consistently complying with this policy. The department contracted with a vendor to complete computerized fingerprinting. To further improve fingerprinting procedures, the Commissioner has appointed a committee to review the current process and make recommendations for improvements. In addition Regional Administrators, with the aid of the Director of Foster Care, will develop regional plans for monitoring and review of Foster homes to ensure that background checks are performed and PATH training is received per DCS policy. Regional Administrators will be notified of the regional plans at the RA meeting scheduled for April 2004. All regional plans must be completed by April 30, 2004. At the same time, central office foster care staff will compile a list of all foster homes lacking a background check or PATH training. Any foster home lacking either a background check or PATH training has ninety days to meet all Title IV-E requirements. If established requirements are not met, the foster home will be closed. DCS contracts with The University of Tennessee for all training on background checks and PATH requirements. DCS staff will meet with the University of Tennessee staff in March 2004. At that time, the department will stress the importance of criminal background checks and PATH training during the foster home approval process. DCS will communicate the significant role they play in educating and training DCS field staff, new and current, on the PATH requirements and background checks.

One exception was reported regarding inadequate monitoring of foster care placements with a contract agency. In this case a child was placed in an inappropriate foster home by the contract agency. Departmental staff feels that this is an isolated occurrence due to the contracted agency downsizing group home placements. To ensure that this is an isolated instance, the department has established a Quality Assurance Division. They monitor contracting agencies, respond to complaints or concerns regarding placements, and oversee licensing of all agencies providing foster care services. The Quality Assurance Division monitors the frequency of visitations and the documented results of the visits by private agency caseworkers. DCS Quality Assurance Division and Program staff will more closely monitor contract placements to prevent further instances.

The CHIPFINS system contains eligibility databases that play a key role in the accurate and timely submission of claims to Title IV-E. As discussed above, policies and procedures related to the documentation of the completion of key activities necessary to determine or maintain the Title IV-E eligibility status of the child and their timely update to CHIPFINS are being reviewed to determine their adequacy. DCS information systems will be modified to provide an indicator of the approval status of each foster home. Provisional foster homes will not be billed to Title IV-E subsequent to the modification of our systems. Claims will be adjusted retroactively to refund any claims for provisional foster homes. Management will establish procedures to monitor compliance with these policies and procedures to ensure the timeliness and accuracy of the eligibility data in CHIPFINS.

Management continues to actively pursue the goal of enabling the Financial Management, Placement Re-Design and Title IV-E Eligibility modules in TNKIDS. The first phase of the Financial Management segment of TNKIDS for Residential Treatment placements is in testing. The Placement Re-Design module is currently scheduled to be completed in January 2005. The Eligibility module is currently scheduled for completion in January 2006.

Finding Number	03-DCS-03
CFDA Number	93.658
Program Name	Foster Care – Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9601TN1401 through 0301TN1401
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	None

Case files did not contain adequate documentation of case manager compliance with departmental policies regarding contacts, timeliness of case recordings, and permanency plans for foster children

Finding

As noted in the prior four audits covering the period July 1, 1998, to June 30, 2002, 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. In addition, DCS did not maintain timely case note recordings and permanency plan hearings. DCS Policy 16.38 regarding face-to-face visits with children in foster homes or other DCS residential facilities states,

> If a child moves to a new DCS placement at any time following his/her initial placement, the child shall be visited as if he/she were just entering care and shall be visited and seen face-to-face: (a) Six (6) times during the first eight (8) weeks of the new placement, (b) Once every two weeks for the second eight (8) weeks, and (c) Not less than two (2) times per month thereafter. The home county case manager shall have face-to-face contacts with the foster parents or agency staff as often as necessary, but no less than once each month.

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. Seventeen of 127 case files tested (13%) did not contain adequate documentation of case manager contact in accordance with DCS policy at the time the file was reviewed. In all 17 instances, there were gaps in dates between case manager contacts as documented in the case recordings, indicating noncompliance with applicable policies. Time lapses between documented contacts ranged from 34 to 81 days (averaging 47 days) in the files tested. The prior audit finding disclosed inadequate documentation of case manager visits in 7 of 115 case files examined (6%), with gaps ranging from 37 to 195 days (averaging 62 days).

In addition, DCS Policies 31.5, 9.2, and 9.9 indicate that a child's case file shall have a section titled "Case Recordings." Policy 31.5 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 findings and stated, ". . . Management will continue its emphasis on making required contact with children in state custody and to document this contact timely in TNKIDS . . ."

As previously mentioned, DCS Policy 31.5 requires that case recordings and all other documentation shall be added to the case file within 30 days of case work activity. The TNKIDS system electronically records the date of each case recording entry to the file. Testwork comparing the date of entry with the date of activity disclosed several instances of untimely entries. Thirty-nine of 127 case files tested (31%) contained instances of case notes being recorded in TNKIDS more than 30 days after case activity, contrary to DCS Policy 9.1. Time lapses between the case activity and the date that the information was entered into TNKIDS ranged from 3 to 133 days past the 30-day deadline (averaging 30 days). The prior audit finding disclosed that time lapses between the case activity and the date that the information was entered into TNKIDS for 49 of 115 case files tested (43%) ranged from 2 to 265 days past the 30-day deadline (averaging 51 days).

Our review of case files indicated that permanency plan hearings for children in foster care were again not always performed in accordance with DCS policy. Permanency plans are used to document the services to be provided and the permanency goals for a child while in state custody. According to DCS Policy 16.33, Foster Care and Permanency Planning Hearings, "The court shall hold a permanency planning hearing within twelve (12) months of the date of a child's placement in foster care and every 12 months thereafter until permanency is achieved or until the child reaches the age of majority." Permanency planning hearings are used to review the appropriateness of the established goals for a child and to determine what progress has been achieved in obtaining the stated goals. In 20 of 120 foster care case files tested (17%), the child's file did not contain evidence that the permanency planning hearing was held within the 12-month criteria as described in DCS policy. DCS Policy 16.33 further states, "A copy of the court order reflecting the hearing's outcome shall be obtained and filed in the child's case record." The department's legal staff was subsequently able to document that permanency plan hearings were held within the required time frames for seven of these children, supporting their Title IV-E funding eligibility. However, since the documents were not in the child's case file as prescribed by DCS Policy 16.33, all twenty files were out of compliance with the department's policies. It was noted that the permanency planning hearings occurred at least from one to 16 months after the required hearing date for the other children. The prior audit finding disclosed that 5 of 115 foster care case files tested (4%) did not contain evidence that the permanency planning hearing was held within the 12-month criteria as described in DCS policy.

Recommendation

The Assistant Commissioner of Program Operations should continue to 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 31.5. Permanency planning hearings should be conducted according to DCS policy, and documentation of the hearing should be included in the child's case record.

Management's Comment

We concur. The department continues to improve its performance regarding contacts, timeliness of case recordings, and permanency plans for foster children. DCS is encouraged that the average number of days between documented contacts was reduced from 62 days to 47 days. Also, the department has reduced the percentage error rate for entering case recordings into TNKIDS within thirty days by 12% and decreased the average number of days to enter recordings to 30 days. In the prior audit it was averaging 51 days. To continue to improve the process, DCS began production of a TNKIDS report on contacts in December 2003. The report is based on case recordings that document case manager-child visits, parent-child visits, sibling visits, and case manager-parent visits. This is a live report on TNKIDS available to all TNKIDS users. Supervisors can use this report to easily identify case managers who may be struggling to comply with contact and visitation standards. Quality assurance will continue to review 120 cases each month for compliance with contact and visitation standards. Regional Administrators will be required to use available data to more closely monitor case manager and team performance, and to provide support and leadership in this area. Job Performance Plans will be revised for case managers and supervisors specifically listing contact and visitation standards. In occurrences of extended non-compliance progressive discipline can be exercised. In the six-month follow-up dated September 16, 2003 the Permanency Plan Support Unit was conducting statewide training to all case management staff on quality case recordings. This training was completed statewide in December 2003. In addition, Policy 31.14, "Case Recordings for Foster Care, Adoption Services, and Juvenile Justice Cases," became effective September 1, 2003.

In order to address the timeliness of permanency plan hearings, the department will continue to send notice or file motions to set permanency plan hearings sufficiently in advance of the 12-month date. DCS will track the due dates of the hearings and re-schedule hearings one month earlier in rural counties to allow for scheduling issues. When the court staff sets permanency hearings, the department will work with the court staff to assure the court is scheduling hearings timely. When parties are missing at the annual hearings, DCS staff will urge the court to hear the evidence from the people that are present and enter an order regarding reasonable efforts by DCS. If necessary, the Court can continue the hearing until the next month in order for the absent parties to be heard and amend or supplement the order to reflect any new testimony. DCS will contact the Tennessee Juvenile and Family Court Judges Association and

request their cooperation in holding hearings and issuing order that mirror the statutory requirements, including Title IV-E reimbursement.

Finding Number	03-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.	9901TN1407 through 0301TN1407
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	$41,565

Adoption Assistance files did not contain adequate documentation

Finding

As noted in the prior-year audit covering the period July 1, 2001, through June 30, 2002, adoption assistance case files did not contain adequate documentation to support the adoption assistance subsidies paid to the adoptive parents. The total federal share of payments made for Adoption Assistance Program was $12,288,933.

Management concurred with the prior audit finding and stated, "The Department of Children's Services will draft a policy to govern adoption assistance case files that parallels the current DCS Policy 31.5 for foster care case files. This policy will include a listing of items located in the file, procedures for periodic case file review and scheduled redeterminations of eligibility for adoption assistance." However, the draft policy was not implemented during the year. As of September 16, 2003, management stated that the policy would be submitted for official review and comment by October 1, 2003. Although the staff had drafted a policy, as of December 15, 2003, the policy had not been submitted for official review and comment.

The Adoption Assistance Program contributes financially to assist families, otherwise lacking the financial resources, in adopting eligible children with special needs. Adoption assistance payments are to be based on the child's needs and the family's circumstances. Families must renew assistance annually by completing an application, agreement, and a notarized affidavit. Federal regulations require the state to make reasonable efforts to place a child for adoption without a subsidy. According to departmental policy, the case manager must ask prospective adoptive parents if they are willing to adopt without Adoption Assistance payments. If the family says they cannot adopt without Adoption Assistance payments, the department considers the reasonable efforts requirement to have been met, and the process for obtaining Adoption Assistance begins. Title IV-E federally funded Adoption Assistance is available until the child reaches age 18 or up to age 21 if the child has a mental or physical handicapping condition as established in the initial Adoption Assistance Agreement. If the child does not meet handicapping conditions at age 18, the Title IV-E Adoption Assistance payments cease. However, the adoptive parents may receive state-funded adoption assistance if the child remains in high school and the original adoption assistance agreement was created after October 1997. The adoptive parents may also receive state-funded adoption assistance if the child is in

any full-time school and the original adoption assistance agreement was created prior to October 1997. Department of Children's Services Policy 15.10, "Adoption Assistance Agreements Created Prior to October, 1997," states, "School attendance or handicapping condition must be verified and documented in the adoption assistance case file."

Adoption Assistance files did not contain adequate documentation related to the applications, agreements, and yearly renewal affidavits that must be completed by the adoptive parents, as required by the department's *Adoption Services Procedures Manual*. In addition, documentation supporting payments for children over 18 was missing. Based on a review of 129 Adoption Assistance case files, 25 case files (19%) did not have adequate documentation as mentioned below.

- Two files were missing the applications, agreements, and renewal affidavits. The federal questioned costs for these payments totaled $3,169, with an additional $1,781 in state matching funds.

- Two files were missing the agreement and the renewal affidavit. In addition, one of the two children was over 18, and the file did not have documentation to indicate that the child continued to have a physical or mental handicap that warrants federal Adoption Assistance funding. The federal questioned costs for these payments totaled $3,491 with an additional $2,362 in state matching funds.

- One file did not have the renewal affidavit notarized. In addition, the case manager's documentation indicated the child was not eligible for federal Adoption Assistance funding as of March 14, 2003. The federal questioned costs for these payments totaled $1,397 with an additional $766 in state matching funds.

- Eight files were for children over 18 and did not have documentation to indicate that the children continued to have physical or mental handicaps that warrant federal Adoption Assistance funding. The federal questioned costs for these payments totaled $23,707, with an additional $13,586 in state matching funds.

- Five files contained agreements and/or applications that indicated the children's Adoption Assistance should be state funded; therefore, the children were not eligible for federal Adoption Assistance funding. In addition, one child's agreement and affidavit were signed late. Also, one case file included an agreement that was not dated by the adoptive parents. The federal questioned costs for these payments totaled $9,801, with an additional $5,461 in state matching funds.

- Two files contained renewal affidavits that were notarized after the effective dates of the agreements.

- One file contained an agreement that was not dated by the adoptive parents, and the renewal affidavit was notarized late.

- One file contained an agreement that was signed by the adoptive parents after the effective date of the agreement.

- Three files contained agreements that were not signed by the case manager.

The total federal questioned costs for these payments were $41,565, with an additional $23,956 in state matching funds.

Recommendation

The Commissioner should finalize a formal policy to delineate the required contents of adoption assistance case files, similar to the current policy, "Administrative Policies and Procedures 31.5," which governs foster care case files. The Assistant Commissioner of Program Regional Services and the Director of Adoptions should develop procedures to ensure that Adoption Assistance case files are complete and that renewals and extensions of agreements are current and adequately supported, especially with regard to the conditions justifying agreements which extend past the child's 18th birthday. Any changes in eligibility for Adoption Assistance funding should be documented in the case file, and related adjustments in funding should be made immediately.

Management's Comment

We concur. The Department of Children's Services will implement more internal controls over adoption assistance case files by instituting the following procedures. Beginning February 2004, regional staff will perform a desk review of all current Adoption Assistance Agreements against a list of current payments made through fiscal services. Regional staff will be required to provide a report of the findings and suggest a corrective action plan for all discrepancies. To ensure the accuracy of payment rates, field staff will be required to submit copies of all new agreements and any renewals or revisions with the Subsidized Adoption Turnaround Document (Form 16) to fiscal services for payment and funding verification purposes.

In addition to the above procedures, Adoption Services staff is reviewing all policies, procedures, and Adoption Assistance form instructions. These documents will be revised to clarify the requirements for review, approval, and signatures by supervisory staff. Also, Policy, "Contents of Adoption Assistance Case File" has been drafted. This policy addresses the requirement of the notarized affidavit and outlines all requirements for Adoption Assistance files. This policy will be finalized in March 2004. Beginning March 2004, training for all DCS staff and provider agency staff will be conducted. All training will be completed by December 2004.

To address payments made for children turning 18, 21, or 3 years of age, the department plans to implement better internal controls and more communication between the fiscal services staff and adoptions services staff located in the field. In April 2003 the department began distributing a monthly report of all children who will turn three, eighteen, or twenty-one within three months of the report date. Beginning March 2004, Adoption Services Team Coordinators are required to review the adoption assistance case file to ensure that payment adjustments are appropriate for children turning three years of age and that appropriate documentation is included for continuing eligibility for children turning eighteen years of age. The regional list of three and eighteen year olds and any supporting documentation must be submitted to Central Office Adoption Services staff. When all items are correct and have the proper documentation, the regional report and documentation will be submitted to Fiscal Services. All information must be submitted prior to the payment period. Fiscal Services will make no payments until the regional list of three and eighteen-year olds and any supporting documentation are submitted. Policy " Contents of Adoption Assistance Case File" will include the above process. In addition, the CHIPFINS system will be enhanced to automatically stop payments for children twenty-one years of age and for children turning three years old where there is no decrease in the regular and special circumstances rate. This will begin in April 2004. Finally, revisions will be made to the Adoption Assistance Agreement. The current adoption assistance agreement will be revised to emphasize the parents' responsibilities in reporting changes within the family's circumstances that would impact the child's eligibility for adoption assistance. It will also state that failure to comply could result in personal liability and legal action.

Finding Number	03-DCS-07
CFDA Number	93.674
Program Name	Chafee Foster Care Independent Living
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9701TN1420, 0001TN1420, 0201TN1420
Finding Type	Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	$19,252

The department has inadequate controls to prevent payments from exceeding the established limits in the Chafee Foster Care Independent Living program

Finding

The Department of Children's Services (DCS) does not have adequate controls to prevent students receiving financial assistance from exceeding the established limits for payments in the Chafee Foster Care Independent Living program. The Chafee Foster Care Independent Living program was designed to offer assistance to young adults transitioning out of foster care and into independent living. The federal Chafee grant has established programs that states may implement. The grant includes programs to identify children likely to remain in foster care until 18 years of age and to provide them with services aimed at helping them obtain a high school diploma, vocational training, career exploration, job placement and retention skills, daily living skills, financial management skills, and preventive health training.

Additionally, the program is to assist children likely to remain in foster care until 18 years of age to prepare for and enter post-secondary educational and training institutions and programs to provide personal and emotional support, through mentors and the promotion of interactions with dedicated adults. The Chafee grant also has programs to provide financial, housing, counseling, employment, education, and other appropriate support and services to children between 18 and 21 years of age who have formerly received foster care.

DCS has determined the types of services allowable under the program in DCS Policy 16.53, which states,

> In order to assist young people to meet their post secondary educational goals, DCS will provide limited monetary assistance for tuition, campus room and board, books and supplies to both youth in custody and those receiving voluntary/services post custody as they pursue post secondary education. These financial aid supports will complement state, federal, and privately endowed scholarship programs.

Student Financial Assistance Expenditures

The Chafee program provides funding of up to $5,000 per year for youth to attend a four-year college or university, up to $850 per year for community college, and up to $700 per year for a Tennessee Technology Center. Through the use of analytical procedures, we determined that DCS had exceeded its established limits in providing financial assistance to students participating in the Chafee Foster Care Independent Living program. Questioned costs for these students totaled $14,832.

- One student received financial assistance in the amount of $18,503 from November 2002 to March 2003. The student was eligible to receive up to $5,000 per year; however, this student received an additional $13,503. The claims for payments were approved by the former Director of Foster Care; however, there was no evidence as to why the former director approved them.

- Two students received $5,448 and $5,881, respectively, in financial assistance. This was $448 and $881 above the $5,000-per-year limit to attend four-year institutions.

Other Independent Living Expenditures

DCS also provides for developmentally appropriate services to prepare youth for independent living. The DCS case manager identifies needs for youth and uses the region's approved Community Services Agency's (CSA's) request, approval, and authorization form to request provision and payment of independent-living services, goods, or incentives. The Independent Living Coordinator is responsible for approving any purchase of a service identified as a unique need. According to Policy 16.54, "Purchasing Independent Living Services," DCS has established the following lifetime expenditure limits:

Description	Lifetime expenditure limit
Car Insurance	$600
Car repairs	$750
High School or GED diploma	$100
Phone, utilities, rental	$500
Positive Start	$650
Start Up	$250

Positive Start is entitlement given to youth 18 years old or older who are leaving foster care voluntary services. Start Up is given to youth receiving voluntary services who are accepted into the program and are starting college or a training program. Under certain circumstances, Regional Administrators may grant a waiver to exceed the above lifetime limits.

As a result of the analytical review of expenditures for the Chafee Foster Care Independent Living program, it was determined that of 53 expenditures tested, 16 expenditures (30%) exceeded the established limits for assistance through the Chafee Foster Care Independent Living grant. These payments to youth exceeded the established lifetime limits, and there was no documentation of an approved waiver. In addition, one of 53 expenditures tested (2%) did not contain backup documentation that the Independent Living Coordinator had approved the purchase.

- Nine youth had claims submitted by the CSA on two different service dates for the same type of expenditure. The second standard claim invoice caused the youth to exceed the established lifetime limit in that procedure code; however, the standard claim invoice processing system did not detect this and allowed the claims to be paid. There was no documentation indicating that a waiver had been approved. Eight of these transactions, totaling $3,300, were duplicate payments for Positive Start Grants, Start Up Grants, and Graduation. These duplicate payments are questioned costs. The other transaction, for $120, was for transportation. This cost, although allowable under the program, was erroneously submitted by the CSA under the Positive Start Grant procedure code, making it appear that Positive Start had exceeded the lifetime limit by $120.

- Two transactions totaling $1,120 were keyed incorrectly as car repairs by Tennessee Rehabilitative Initiative in Correction (TRICOR) and charged to the Chafee Foster Care Independent Living grant by DCS. TRICOR is on contract with DCS to perform data entry. These expenditure transactions were not applicable to the program, and should have been assigned to another grant. These costs are questioned. Additionally, as recorded, the second transaction put the youth over the approved limit of $750 lifetime expenditures for car repairs. The standard claim invoice processing system did not detect this and allowed the claim to be paid. There was no documentation indicating that a waiver had been approved.

- Three other transactions were keyed incorrectly by DCS's contracted agency, TRICOR. The procedure codes were keyed incorrectly into the standard claim invoice processing system, making it appear that the lifetime limits for the procedure codes were exceeded. One transaction, for good grades, was miscoded to Positive Start, which made it appear that the limit in Positive Start was exceeded by $60. The remaining two transactions, for car repairs and other special needs, were submitted on one standard claim invoice; their incorrect data entry made it appear that the youth had exceeded the limit for car insurance by $700. Although these specific expenditures appear allowable and within the prescribed limitations of the program, the standard claim invoice system did not detect that the amounts as recorded exceeded the lifetime limits and allowed the claims to be processed. There was no documentation indicating that a waiver had been approved.

- Two expenditure transactions were initially coded for Transitional Living funds and apartment deposits as part of the Chafee Foster Care Independent Living program by the CSA; however, during processing, the standard claim invoice was assigned other procedure codes by DCS. It appears that there was confusion between the CSA and DCS on the coding of child-specific expenditures for this part of the program. According to

management, approval is obtained from the CSA through the CSA liaison prior to any change in procedure codes. There was no documentation for these changes. The changes to deposits and Positive Start made it appear that the youths had exceeded the established lifetime limits in the respective procedure codes. Although the costs appear allowable and within limits if they had been coded correctly, the standard claim invoice system did not detect that the recorded amounts exceeded the limits and allowed the claims to be processed. There was no documentation indicating that a waiver had been approved.

- One expenditure transaction did not contain documentation that an approval was obtained from the Independent Living Coordinator prior to the fiscal office at DCS paying the CSA. This expenditure of $1,092 was for a computer. Although the expenditure appears allowable, its payment without evidence of prior approval is against DCS policy and is the result of a weakness in controls.

Other Control Deficiencies

DCS does not have an edit check within the standard claim invoice processing system that would prevent claims from being processed multiple times. In addition, the standard claim invoice processing system does not track purchases by youth; therefore, expenditure limits established in policy for each youth can be exceeded. DCS relies on the CSAs to track all lifetime limits for each youth and does not have adequate independent controls in place to reject standard claim invoices that exceed the limits in the Chafee Foster Care Independent Living program. Finally, DCS does not ensure that the CSAs obtain prior approval from the Independent Living Coordinator, for purchases requiring that approval.

Recommendation

The Executive Director of Program Support should ensure that controls are put in place to enforce the expenditure limitations set by policy and to prevent duplicate payments for the same services made to youth participating in the Chafee Foster Care Independent Living program. Furthermore, the Executive Director of Family and Child Well-Being should ensure that the Independent Living Coordinator approves all unique purchases under the Chafee program as well as student financial assistance for post-secondary education. In addition, management should apply analytical procedures and computer assisted audit techniques to monitor for departures from policy, and management should take appropriate action when violations are discovered.

Management's Comment

We concur that there were inadequate controls to prevent payments from exceeding the established limits of the Chafee Foster Care Independent Living Program. The following corrective actions were instituted June 25, 2004. All applications for this program must include an Independent Living Plan and students' eligibility will be determined prior to any notifications. Educational institutions are now required to respond within thirty (30) days of any award to confirm registration and attendance to all classes or programs. In addition, any request for

financial assistance must be submitted with an invoice from each service provider detailing the service type, date of service, student name and social security number, and a copy of the award letter. Requests will not be approved for payment until all required documentation is submitted. These documents will be matched with internal systems to ensure that all payments are appropriate and within the established limits. In the audit report, exceptions were noted regarding expenditures exceeding the $5,000 limit for post secondary education assistance. The department has established Delegated Purchase Authority (DPA) guidelines in addition to program and departmental policy. The DPA expenditure limits are not consistent with DCS policy or program guidelines. DPA expenditure limits exceed departmental and federal expenditure amounts. The department has revised DCS policy to coincide with federal program guidelines and any applicable DPA expenditure limits. To address Independent Living expenditures for the Positive Start and Start Up programs the department now requires that all requests exceeding the established limits (Code 406) be approved by the Director of Independent Living. The Director of Independent Living must receive support documentation for the following criteria: explanation and documentation of the need, assurance that all other resources have been exhausted, and the case manger and youth must submit and sign a plan to prevent reoccurrence of the need. All expenditures under Code 406 exceed the established limits and require the Director's approval. The Community Services Agencies (CSA's) are required to submit the same documentation for expenditures. Beginning July 2004, all claims from the CSA are reviewed for proper procedure codes and duplicate payment. The department has begun using an automated system to track expenditures by youth and more effectively monitor expenditure limits. The CSA's use the same automated system, Kids Trax. The corrective actions listed above were developed and initiated by the Director of Independent Living. To address deficiencies in systems controls, the Executive Director of Finance and Program Support is evaluating all current system controls to enforce policies and regulations for the Chafee and the Education Training Voucher Programs. Business rules will be developed to enforce all appropriate controls. System modifications will also be requested to provide timely access to expenditure history by child to field staff responsible for the obligation of the department to preclude obligations in excess of established limits. Corrective actions listed above are being prioritized for assignment of information technology resources.

Finding Number	03-DCS-08
CFDA Number	93.674
Program Name	Chafee Foster Care Independent Living
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	9701TN1420, 0001TN1420, 0201TN1420
Finding Type	Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$850

The department did not maintain adequate case file documentation for youth in the Chafee Foster Care Independent Living program and one youth was found to be ineligible for services

Finding

The department did not maintain adequate case file documentation for youth participating in the post-secondary part of the federal Chafee Foster Care Independent Living program. The Foster Care Independence Act of 1999 offers assistance to young adults transitioning out of foster care and into independent living. DCS has defined eligibility of this program by stating in DCS Policy 16.53, "Post Secondary Educational Support – Bright Futures Program," that "Youths considered to be in foster care who are between the ages of 14 and 16 and who have the goal of a permanent living arrangement, and all youth age 16 and older are eligible for all needed services. Youths who were adopted at age 15 or afterwards are eligible for developmentally appropriate services from the transitional living program." Additionally, DCS has determined the types of services allowable under the program in DCS Policy 16.53, which states,

> In order to assist young people to meet their post secondary educational goals, DCS will provide limited monetary assistance for tuition, campus room and board, books and supplies to both youth in custody and those receiving voluntary/services post custody as they pursue post secondary education. These financial aid supports will complement state, federal, and privately endowed scholarship programs.

The department's policy provides funding of up to $5,000 per year for youth to attend a four-year college or university, up to $850 per year for community college, and up to $700 per year for a Tennessee Technology Center. The department's policy indicates that to participate in the post-secondary program, the youth must complete an Application for Post Secondary Funding and sign the Release of Information for Post Secondary Assistance.

To receive funding under the program, youth must meet certain requirements in the policy, which states,

The youth and the Department must mutually agree to a service contract that details the tasks that must be accomplished and life skills that must be obtained in order to receive Bright Future payments. The agreement shall include:

- The agreed upon tasks by the youth and the Department;
- The terms of payment that the Department will make; and
- The time limits to achieve specific goals for the contract to continue and eventually be completed.

The service plan will be reviewed minimally with the youth every six months and updated, if needed. The youth shall participate in the six-month reviews. The Regional Independent Living Specialist must be included in the plan development and review process.

To further monitor the youth's progress, the policy states,

The Case Manager shall ensure:

a) Contact is made with the student in person at least every two (2) months to verify continuing school attendance and to provide whatever supportive assistance may be necessary

b) On the months, when there is not a face-to-face visit, there must be a phone contact with the youth. . . .

We selected a nonstatistical sample of 25 post-custody expenditures. Of the 25 expenditures, there were 21 youth receiving post-secondary educational assistance through the Chafee Foster Care Independent Living program. We tested case files for these 21 youth to determine compliance with state policies and procedures with regard to application and eligibility. The following case files were found to be noncompliant.

- None of the 21 files contained service contract agreements between the youth receiving post-secondary education assistance and DCS, as required by written policy. In fact, the department has not developed and implemented a service contract/agreement; therefore, notwithstanding the policy, there are no agreements for students to sign as a part of the application process. According to management, the department does require youth to complete a Rights and Responsibilities form; however, the form only lists the services that DCS may provide to the youth.

- For five of the students, documentation in TNKIDS was not adequate. According to TNKIDS, the case manager had not made monthly contact with the student to verify the student's continuing school attendance or to provide whatever supportive assistance may be necessary.

- Five files were missing the release of information form which gives consent to DCS to obtain financial aid information regarding the student and class schedules, attendance, and grades. Without access to this information the department cannot know if students have received financial assistance from other sources, or failed to meet other requirements, that would have disqualified them for Chafee assistance.

- One youth was not eligible to receive post-secondary educational assistance. Based on documentation in the case file, this youth was adopted at age 13 and therefore was not eligible to receive assistance. The results of our sample and additional testwork disclosed assistance of $850 from the Chafee Foster Care Independent Living Program was paid to a community college on behalf of this ineligible student. These costs are questioned.

- For one foster child, a post-secondary educational assistance case file was not maintained in the central office. Post-secondary educational assistance of $3,000 was provided for this student. In addition, there was no application form provided for this youth.

Recommendation

The Executive Director of Family and Child Well-Being should ensure that compliance with the policies and procedures concerning the eligibility to receive post-secondary educational assistance is monitored and the policies and procedures are being followed. Proper documentation; including case files, applications, contracts, and release of information forms should be maintained as a basis for determining the amount of the grant award and to ensure that youth are eligible for the funds received. Contact should be maintained with participants to provide additional encouragement to them and to ensure that the objectives of the program are being achieved. Furthermore, management should develop the service contract as referenced in its policy and establish procedures to monitor completion of the agreement prior to awarding post secondary assistance.

Management's Comment

We concur. To address this issue of the service contract agreements the department is reviewing policy and is in the process of developing an appropriate service contract agreement. A service contract agreement will be developed and implemented by October 1, 2004. The Director of Independent Living was appointed in June 2004 and is actively taking steps to address control deficiencies. In addition, the department is working with the Regional Administrators to address issues regarding monthly contact and the proper documentation in TNKIDS and requirements for Independent Living assistance and eligibility. The department is encouraged that the number of children with monthly case recordings has improved by 73%. The department distributes monthly reports of all children in state custody stating the last date of case recording activity to all regional administrators and central office staff. DCS staff uses this report to monitor the timeliness of case recordings and ensure that monthly contact is made with all required youth. The department continues to assess and implement best practices and controls over case management activity.

Finding Number	03-UTS-01
CFDA Number	Various
Program Name	Research and Development Cluster
Federal Agency	Various
State Agency	University of Tennessee
Grant/Contract No.	Various
Finding Type	Reportable Condition and Noncompliance,
Compliance Requirement	Equipment and Real Property Management
Questioned Costs	None

Failure to properly record serial numbers and tag numbers for federal equipment

Finding

The university's equipment records are maintained on its accounting system, the Integrated R/3 Information System (IRIS). As reported in the prior audit, the university is not properly recording serial numbers and tag numbers on the university's equipment system. For 16 of 40 equipment items tested which were purchased with federal research and development funds during the year ended June 30, 2003 (40%), the serial number of the item was not entered in the system. For 13 of the 40 items tested (33%), the tag number was not entered in the system.

The university's *Fiscal Policy* requires that departments "promptly tag equipment and record the tag (inventory) numbers into the accounting system."

Office of Management and Budget Circular A-110, .34f, requires that "equipment records shall be maintained accurately and shall include . . . [the] manufacturer's serial number, model number, federal stock number, national stock number, or other identification number."

Under the university's IRIS accounting system, equipment items are initially entered in the system during the requisition process. Later, when assets are received, departmental personnel enter the serial number and the tag number for each asset. According to controller's office personnel, departmental staff members are failing to enter this information. The controller's office has begun sending quarterly notifications to department heads and campus chief business officers which list equipment items that do not have tag numbers and serial numbers entered on the IRIS system.

Without the prompt recording of serial numbers and tag numbers on the university's equipment system, the university will lack adequate information to properly safeguard and control its equipment assets.

Recommendation

The university should make revisions to its IRIS accounting system or take other steps to ensure that departmental personnel are consistently and promptly entering serial numbers and tag

numbers on the university's equipment system. Controller's office personnel should continue to send periodic notifications to departmental personnel, and department heads should be held accountable if serial numbers and tag numbers are not promptly entered.

Management's Comment

We concur. All reported missing information has been entered. Also, controller's office staff will send quarterly notifications to departments which list equipment items that do not have tag numbers or serial numbers entered in the IRIS system.

Finding Number	03-UTS-02
CFDA Number	Various
Program Name	Research and Development Cluster
Federal Agency	National Institute of Health
State Agency	University of Tennessee
Grant/Contract No.	Various
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

Federal financial reports were not submitted on a timely basis

Finding

Seven of 25 financial reports tested for the university's federal research and development programs (28%) were not submitted on a timely basis. The seven reports originated on the Memphis campus and were all Financial Status Reports (Form SF-269) for National Institute of Health (NIH) grants. The reports were submitted between 10 and 161 days late.

The *NIH Grants Policy Statement*, Part II, Subpart A, states:

> Reports of expenditures are required as documentation of the financial status of grants according to the official accounting records of the grantee organization. Financial or expenditure reporting is accomplished using the FSR (SF 269 or SF 269A). When required on an annual basis, the report must be submitted for each budget period no later than 90 days after the close of the budget period.

The Memphis departments administering these grants are currently given a 60-day grace period by accounting personnel to make any necessary adjustments to expenses on the general ledger. On many occasions, the grant accounting department must obtain additional information (or documentation) from departmental personnel in order to prepare the reports. There are also delays in obtaining signatures from university officials.

Recommendation

Grant accounting personnel in Memphis should ensure that federal financial reports are submitted in compliance with federal regulations.

Management's Comment

We concur. To ensure that financial reporting is submitted in compliance with federal regulations, the following procedures will be implemented by Memphis grant and contract personnel: (1) Account review of expired grants and contracts will be initiated 30 days after account expiration. (2) The departmental business personnel will be contacted to determine if additional transactions are pending. The department should submit a written response within 15 days, detailing the charges/credits to come. (3) All pending charges/credits should be processed within 60 days following the account expiration. (4) If a departmental response is not provided within the allotted time period, the financial reports will be submitted based upon the information reflected in the university accounting records.

Finding Number	03-TSU-01
CFDA Number	84.007, 84.033
Program Name	Student Financial Aid Cluster
Federal Agency	Department of Education
State Agency	Tennessee State University
Grant/Contract No.	P007A023927, P033A013927
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

The university did not submit correct data on the FISAP

Finding

The Financial Aid Office did not submit correct data to the U.S. Department of Education on the 2002-2003 Fiscal Operations Report and Application to Participate (FISAP) submitted on October 1, 2003, and the revised 2001-2002 FISAP submitted December 2002. The FISAP, which is for campus-based financial aid, consists of the Application for Participation for the upcoming award year and the Fiscal Operations Report for the previous award year. Campus-based financial aid includes Federal Perkins Loans, Federal Supplemental Educational Opportunity Grants, and Federal Work-Study. Volume 4 (Campus-Based Common Provisions), Chapter 1, of the *Student Financial Aid Handbook* and the FISAP Instruction Booklet specify as follows:

> To apply for and receive funds from the Department of Education for one or more of the campus-based programs, a school must submit a FISAP [Fiscal Operations Report and Application to Participate] each award year . . . The information reported on the FISAP must be accurate and verifiable . . . **December 15** - all corrections to FISAP data and resolution of edits must be submitted to the Department.

The university did not report correct numbers in several sections of the FISAP for the 2002-2003 academic year. The total number of undergraduate and graduate students enrolled was reported inaccurately in Part II, Section D. The number of undergraduate students was overstated by 365, and the number of graduate students was understated by 377. The Dean of Admissions had submitted the correct totals to the Financial Aid Office, but those numbers were not used for the report.

In Part II, Section E of the FISAP, the university did not accurately report total tuition and fees, total Federal Pell Grant expenditures, and total expended for state grants and scholarships made to undergraduates. The total tuition and fees for undergraduates was understated by $4,997, and the total tuition and fees for graduates was overstated by $4,997. The total Federal Pell Grant expenditures was overstated by $10,807, and the total state grants and

scholarships made to undergraduates was overstated by $7,935. The *FISAP Technical Reference* instructs universities to:

> Report the total amount expended against your Federal Pell Grant authorization for the period July 1, 2002 through June 30, 2003. This amount should agree with the final cumulative expenditures through June 30, 2003 as entered in the Grants Administration Payment System (GAPS).

Several numbers reported in Part II, Section F of the FISAP, did not agree with the Student Financial Aid Batch Annual (SBA) 680 report. The SBA 680 report is the support for the FISAP that lists financial aid and scholarship information. The information on the report is extracted directly from the Student Information System. In the Dependent section of the FISAP, the number of students reported for item 39 under the (a) column was overstated by 1,383, which also overstated the total for that column. In the Independent section, the number of students reported for item 39 under the (c) column was overstated by 125, the number reported under the (d) column was understated by 1, and the number reported under the (e) column was overstated by 324. These errors also affected the total for each column.

The university also did not report accurate information in Part V, the Federal Work-Study (FWS) section of the FISAP. In Section B, Federal Funds Available for FWS Expenditures, the amount on item 4 was overstated by $109,346, item 5 was overstated by $87,000, and item 7 was understated by $109,346. In Section D, Funds Spent from Federal Share of FWS, item 13 was overstated by $458,070, item 13.a was overstated by $458,070, and item 14 was understated by $144,849. In Section E, Use of FWS Authorization, item 17 was overstated by $7,529, and item 18 was understated by $7,529. These errors were made because the information provided by the Business Office was not used in completing the report. The Director of Financial Aid stated that they had gotten error messages when they attempted to key in some of the information provided by the Business Office. Since they were working on the report very close to the deadline, they did not take time to try and resolve the error messages, but keyed in whatever information would be accepted. In Section F, Information about the Job Location and Development (JLD) Program, the number of students who participated in the JLD Program (item 21) was overstated by 15, and the total earnings of the students (item 22) was understated by $11,807 because Career Services provided estimates when the information was requested by the financial aid office.

The Division of State Audit reviewed the 2001-2002 FISAP as a part of the prior-year audit and discussed the necessary changes with university staff. However, the university did not report the audited totals for the 2001-2002 academic year FISAP report when the revised report was submitted in December 2002. In addition, the university could not provide supporting documentation for the revisions made to the FISAP for tuition and fees, Federal Pell Grant expenditures, state grants and scholarships, and cash on hand. The tables for the Application, Part II, Section F, and the Fiscal Operations Report, Part VI, Section A, were also changed with no support provided. The Director of Finance and Accounting stated that the previous Director of Financial Aid submitted the changes and he is unaware of how she calculated the numbers or which reports were used. No one else reviewed the revised report and reconciled the numbers.

If the Financial Aid Office submits incorrect and unverifiable data on the FISAP, the allocation of funds from the Department of Education could be affected.

Recommendation

The Director of Financial Aid should ensure that information reported on the FISAP is accurate and verifiable, and should properly submit any changes to the FISAP by the deadline and maintain supporting documentation for those changes.

Management's Comment

We concur with the finding and recommendation. September 2003 was the first submission by our new Director of Financial Aid. Corrections were submitted in December 2003. Additional preparation, compilation, and review by the Director will continue to be exercised to ensure the accurate, verifiable, timely, and documented annual submission of the FISAP information.

Finding Number	03-UTH-01
CFDA Number	84.032
Program Name	Student Financial Aid Cluster
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	None
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

Student status changes were not reported on a timely basis

Finding

At the University of Tennessee at Memphis, the university did not properly report student status changes for Federal Family Education Loan (FFEL) borrowers who dropped classes, withdrew, or graduated. According to the *Student Financial Aid Handbook*, volume 8, page 61:

> Student enrollment information is extremely important, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the *out of school status effective date* determines when the grace period begins and how soon a student must begin repaying loan funds.
>
> Changes in enrollment to less than half-time, graduated or withdrawn must be reported [to the National Student Loan Data System] within 30 days. However, if a Roster file is expected within 60 days, [the school] may provide the data on that roster file.

Testwork at the University of Tennessee at Memphis revealed that for 2 of 25 FFEL student borrowers tested (8%), enrollment status changes were not reported within the required time frame. One of the students was dismissed on July 8, 2002, and the university became aware of the other student's withdrawal on July 9, 2002. These status changes were reported on NSLDS on September 16, 2002.

The status changes were reported late because the director of enrollment services and registrar in Memphis waited until the next Roster file submission to report the changes.

The failure to report student status changes could result in inappropriate deferments or the failure to properly begin a student's grace period.

In addition, the director of enrollment services and registrar did not retain NSLDS reports for three years. According to the *Student Financial Aid Handbook*, volume 8, page 4:

A school must keep all records relating to the school's participation in the Direct Loan or FFEL program for at least three years after the end of the award year in which the records are submitted.

Recommendation

The director of enrollment services and registrar should ensure that all student status changes for FFEL loan recipients are reported in compliance with federal regulations. Documentation of reporting should be retained.

Management's Comment

We concur. In some situations, student status changes were not reported on a timely basis. The Roster file has been the mechanism used for reporting these changes to the NSLDS. We incorrectly understood that the quarterly reporting of the Roster file was in compliance.

We now understand that changes in enrollment to less than half-time, graduated, or withdrawn must be reported to the National Student Loan Data System within 30 days. However, if a Roster file is expected within 60 days, the school may provide the data on that Roster file. To ensure that student status reporting is submitted in compliance with federal regulations, the following procedures will be implemented:

- An electronic change of status form has been implemented campus-wide. Notification of withdrawal, leave of absence, and dismissal is provided immediately to the office of enrollment services and registrar via e-mail. This process will expedite the initial notification to the campus reporting office.

- The office of enrollment services and registrar will use the website www.nsldsfap.edu.gov to report student change of status forms within the required 30 day time frame.

- Changes will also be reported on the Roster file that is prepared and submitted on a quarterly basis.

In addition, the NSLDS reports will be kept for at least three years after the end of the award year in which the records are submitted.

Finding Number	03-APSU-01
CFDA Number	84.063
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	Austin Peay State University
Grant/Contract No.	P063P022217
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

Pell Payment Data not reported in a timely manner

Finding

Procedures related to Pell Payment Data Reporting need to be improved. Of 46 students tested to determine if Pell payments were reported to the Department of Education within 30 days from the date of disbursement, payments to five students (10.87%) were not reported in a timely manner.

According to the *Student Financial Aid Handbook*, Volume 3, Chapter 3 – Pell Reporting, Reporting Deadline:

> The institution must submit a disbursement record within 30 days of the date you become aware of a Pell Grant change (for example, a new recipient or an increased award). The 30-day reporting requirement ensures that federal funds won't remain at a school when its students don't need the funds. Schools that don't submit required records on time, and schools that submit incomplete records, will have their Pell allocations reduced and may be fined.

Recommendation

The Financial Aid Director should ensure that the Pell Payment Data is reported within the required time frames.

Management's Comment

We concur with the finding and recommendation. A master reporting calendar has been established and computer programs are being developed that will insure Pell payment data is reported in a timely manner.

Finding Number	03-DHS-07
CFDA Number	10.551
Program Name	Food Stamps Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	N/A
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$9,487

As noted in the prior audit, the department did not always report alleged employee fraud to the Comptroller of the Treasury and did not always calculate the final pay of terminated employees correctly

Finding

As noted on the prior audit, the Director of Program Integrity did not always notify the Comptroller of the Treasury, as required by state law, about the department's knowledge of and subsequent investigation of employees for possible fraud. The department terminated four employees during the year ended June 30, 2003, for gross misconduct. Termination of two of the four employees (50%) was not reported immediately to the Comptroller of the Treasury. One of the employees was terminated effective July 8, 2002; however, the department did not realize that this had not been reported until the state auditor reported the oversight to the director during fieldwork. Another employee was terminated effective August 26, 2002, but this termination was not reported until May 28, 2003. The department concurred with the prior audit finding and in March 2003 began making a more conscientious effort to report this type of termination as required by the *Human Services Administrative Manual*, revised October 1994.

The department's Director of Investigations indicated that three of the four employees had fraudulently obtained program benefits for themselves or personal friends. As a result, the department had paid $9,487 from the Food Stamps program, $1,179 from the Temporary Assistance for Needy Families program, and $22 from the Medicaid program to people who were not eligible for family assistance. One of the employees has signed an administrative waiver agreeing to repay the money, one employee has been indicted and is awaiting trial, and the applicable district attorney has declined to prosecute the other employee. As of December 31, 2003, $450 of these amounts had been repaid. Section 8-19-501, *Tennessee Code Annotated*, states,

> It shall be the duty of any official of any agency of the state having knowledge of shortages of moneys of the state, or unauthorized removal of state property, occasioned either by malfeasance or misfeasance in office of any state employee, to report the same immediately to the comptroller of the treasury.

The purpose of the statutory requirement to notify the Comptroller is to ensure a thorough investigation and appropriate resolution in the best interest of the state. Failure to report fraud could cause unnecessary delays in prosecution and could result in the state not being able to recover the misappropriated funds.

Also, the department has not been correctly calculating the final pay for employees terminated for gross misconduct. Section 1120-10.07(7)(c), *Rules of the Tennessee Department of Personnel*, states,

> Before an employee can be dismissed, he must be given ten (10) calendar days paid notice. During the notice period an employee will not be required to report for duty. The employee's accumulated annual leave may be used during this notice period only if dismissal was for gross misconduct.

The department interpreted this rule to mean that if an employee was being terminated for gross misconduct, the ten-calendar-day notice period would be charged against the employee's annual leave balance. If the leave balance was not sufficient to cover the notice period, the uncovered portion would be charged to leave without pay. The rule, however, requires that an employee be paid for the ten-calendar-day notice period, regardless of whether or not the employee has enough accrued annual leave to cover it. The four were underpaid in amounts ranging from $459.00 to $555.27. The total underpayment for the four amounted to $2,016.18.

Recommendation

The Commissioner should ensure that the Director of Program Integrity reports all instances or suspected instances of fraud immediately to the Comptroller of the Treasury. Employees who are terminated for gross misconduct should be given ten calendar days of paid notice, regardless of whether or not they have enough accrued annual leave to cover the notice period.

Management's Comment

We concur. The department's Office of Program Integrity and Office of Personnel are working together to ensure instances or suspected instances of fraud are immediately reported to the Comptroller of the Treasury.

The rule regarding the pay for the ten-calendar-day notice for employees terminated due to gross misconduct has been clarified and communicated with Personnel staff. Any amounts owed to these former employees as a result of this finding will be paid.

Finding Number	03-DOA-01
CFDA Number	10.569
Program Name	Emergency Food Assistance Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Agriculture
Grant/Contract No.	Various
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Other
Questioned Costs	None

The Department of Agriculture did not comply with federal requirements regarding commodity losses

Finding

The Department of Agriculture administers the Emergency Food Assistance Program (Food Commodities), a federal assistance program. Under the terms of the program agreement, the Department of Agriculture acts as the state distributing agency (SA) for the United States Department of Agriculture's (USDA) donated commodities. The program is operated by eligible recipient agencies (RA) at the local level.

As noted in the prior audit, management has not implemented procedures to ensure that eligible recipient agencies submit commodity loss reports in accordance with federal guidelines. In response to the prior audit finding regarding commodity loss reports, management indicated:

> We concur. Management will re-issue to recipient agencies the state policy memo addressing food loss guidelines with particular emphasis on reporting requirements. Commodity inventory forms will be revised to include an area for explanation of any inventory losses. Upon receipt of monthly inventories, staff will confirm that the recipient agencies have submitted timely loss reports corresponding with the amounts reported on the inventory.

However, based on our review, the commodity inventory forms for food banks were not revised to include an area for explanation of any inventory losses. According to the USDA's Policy Memorandum 250.15-08: "Donated Food Loss Guidelines for State Agencies (SA's) and Recipient Agencies (RA's)":

> At the RA level, one of the most important procedures involves accurate completion of a donated food loss report. Each SA is encouraged to devise its own report form to meet the needs of the SA's, but all of the information contained in Attachment A must be included.

Furthermore, since the inventory forms noted by management are required to be submitted monthly by recipient agencies, any modifications to these monthly reports would not

suffice to meet federal guidelines for timely submission of commodity loss reports. According to Policy Memorandum 250.15-08, "Donated Food Loss Guidelines for State Agencies (SA's) and Recipient Agencies (RA's)", food loss reports should be submitted between three and ten business days after the occurrence of the loss.

The prior year audit finding also indicated an instance in which the department did not initiate the claim and determination process in regard to the disposal of 440 cases of commodities valued at $4,213. In response to the prior year audit finding, management stated:

> A claim will be initiated to resolve the 440 case loss that occurred after a transfer of foods from Memphis Food Bank to Knoxville Food Bank. Management will recommend that the food bank replace the lost commodities with like foods of equal value and will forward the recommendation to USDA for determination as required by federal regulation. If USDA concurs, management will require food bank documentation of the replacement and close the file on the loss.

Based on our follow-up of the prior year audit finding, it appears the claim and determination process was completed for the prior year commodity loss. However, during our current audit we noted that the department did not complete the claim and determination process related to the disposal of 587 cases of commodities valued at $7,795. According to management, the recipient agency notified the Tennessee Department of Agriculture of the loss in December 2002. In addition, management initiated a claim for the loss; however, the department has not forwarded a claim determination to the RA or USDA to complete the process. The *Code of Federal Regulations*, Title 7, Part 251, Section (4)(l)(1)(ii), states in part:

> Except as provided in paragraph (l)(4) of this section, the State agency shall begin claims action immediately upon receipt of information concerning the improper distribution, loss of or damage to commodities, and shall make a claim determination within 30 days of the receipt of information, as described in further detail in FNS Instruction 410-1, *Non-Audit Claims – Food Distribution*.

Recommendation

Management should implement procedures and develop forms to ensure that recipient agencies report commodity losses between three and ten days after the occurrence of a loss. Management should consider developing a separate form for recipient agency loss reports, rather than incorporating required commodity loss reports in existing inventory reports that are required to be submitted monthly. In addition, management should ensure that claims and determinations for commodity losses reported by recipient agencies are processed in accordance within the timeframes established by federal regulations.

Management's Comment

We concur. On March 17, 2004, management mailed an updated donated food loss policy to recipient agencies. The policy reminds agencies of their responsibility to notify the department 3 to 10 days following a donated food loss. Included was a donated food loss report to be completed by the recipient agency at the time a loss is discovered. Monthly inventory reports with adjustments valued at more than $100 will be flagged to confirm that a food loss report has been received.

The outstanding claim for $7,795 was forwarded to USDA on March 16, 2004, for final determination. Management will ensure that all future claims are processed according to the timeframes established by federal regulations.

Finding Number	03-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
Compliance Requirement	Davis-Bacon Act
Questioned Costs	None

DOT management did not ensure departmental policies and procedures were followed regarding 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 15 of the past 19 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 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 16 of 40 closed construction contracts tested (40%), the project engineers had not always conducted a sufficient number of interviews. Of the 16, 12 contracts had no labor interviews conducted. The duration of these projects ranged from one month to 14 months. The number of interviews required by the Circular Letter ranged from at least 2 interviews to 21 interviews. Four contracts did not have a sufficient number of interviews conducted. These 4 contracts were from 4 to 11 interviews short of the number of interviews required by the Circular Letter. Without a sufficient number of labor interviews, management cannot have adequate assurance of compliance with the Davis-Bacon Act.

Management has concurred with the 15 previous findings. In both of the two most recent audits, management stated, "The requirement to perform employee interviews has continued to be a problem." After describing some of the specific obstacles in the interview process, management further stated, "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." Management discussed the Davis-Bacon requirements with the Federal Highway Administration (FHWA) and requested information from other Departments of Transportation. Management indicated that once the information was gathered and reviewed with FHWA, Circular Letter 1273-03 would be revised. However, no changes to Circular Letter 1273-03 have been made.

Recommendation

Management should ensure departmental policies and procedures established to monitor compliance with the Davis-Bacon Act are followed for all projects, including labor interviews providing evidence of on-site visits to monitor classifications and wage rates. If a change to the current interview process is warranted, management should prioritize revision to Circular Letter 1273-03.

Management's Comment

We concur. While this has frequently been a problem in the past, we are committed to developing and following procedures that comply with the Davis-Bacon Act. Therefore, effective January 1, 2004, Circular Letter 1273-03 was revised to require a minimum of one interview per month for each federal aid contract. In addition, the project supervisor will be required to certify that labor interviews for the month have been performed or if not, explain why. A certification statement will be added to the Engineers Estimate of Quantities (EEQ), which must be submitted and signed by the project supervisor before payments are made to the contractor for construction work.

Finding Number	03-DHS-08
CFDA Number	93.575, 93.596
Program Name	Child Care and Development Fund cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0001TNCCD2, G0101TNCCD2, G0201TNCCD2, G0301TNCCD2, G0201TNCCDF, G0301TNCCDF
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs	None

For the fiscal year ended June 30, 2003, the department failed to monitor organizations that provide services for the Child Care program, and the results of monitoring visits did not always agree with conclusions in the monitoring reports

Finding

The review of the Department of Human Services' Child Care program revealed that the department had not always monitored certain child care contractors, some contractors appeared to have been inappropriately given a cash advance of 50% of their budget, and the results of monitoring visits were not always adequately documented in the working papers or in agreement with the monitoring report.

Testwork on a sample of child care program expenditures included 24 contractors and 42 contracts. Program expenditures of 22 of the contractors (92%), which represent 40 of the contracts (95%), were supported only by either an invoice for reimbursement or an Enrollment Attendance Verification Form, and these contractors had not been monitored during the fiscal year.

Nine of the 22 contractors mentioned above (41%) were child care centers which were paid cash advances. The *Code of Federal Regulations*, Title 45, Section 98.60(f) states, "Cash advances shall be limited to the minimum amounts needed and shall be timed to be in accord with the actual, immediate cash requirements of the State Lead Agency, its subgrantee or contractor in carrying out the purpose of the program . . ." The amount of the cash advance was generally 50% of the contractor's budget. In memorandums to the Department of Finance and Administration, the Department of Human Services made requests for payments to various child care centers. The memorandums stated "These payments are being made in accordance with Title 45 Code of Federal Regulations part 98.60." However, the memorandums did not specify the reason for the immediate cash need of the child care centers, nor did the department have any other documentation on file explaining why cash advances were needed.

Twenty-nine child care centers in the program were monitored during the fiscal year ended June 30, 2003 by the Internal Audit Division. In a review of 25 reports and related

working papers, 3 (12%) were found to have a step in the monitoring guide that had been signed as completed; but did not have documentation in the working papers showing that the work had actually been done. Twenty-three (92%) had findings in the report that appeared to result in questioned costs. However, the report did not contain questioned costs related to these findings, nor did the working papers indicate that the conditions noted did not warrant the calculation of questioned cost. Six (24%) appeared to have problems noted in the working papers that should have been mentioned in the report but were not. Also, one of the 25 centers tested had questioned cost of $200 listed in the report; however, as of December 1, 2004, none of the questioned costs had been repaid. The date of the report was July 1, 2003.

This monitoring program is a key internal control. It should be a priority for upper management. Failure to properly monitor contractors increases the probability that the program could be charged for unallowable costs or activities and that fraud could occur and go undetected.

Recommendation

The Commissioner should instruct the Inspector General, in consultation with the Director of Internal Audit and the Director of Program Assessment, to develop policies and procedures which ensure that contractors providing services to the Child Care program are monitored and that they are monitored properly. These procedures should include a formalized risk assessment of the contractors to ensure that, at a minimum, all high risk contractors are monitored each year. The rest of the contractors should be monitored not less than once every two years to three years. The Director of Internal Audit should be instructed to ensure that all required testwork is performed, conclusions expressed in monitoring reports agree with the testwork in the working papers, and questioned costs are calculated and included in the monitoring report where applicable. Also, all questioned costs reported in monitoring reports should be pursed by the department to ensure that they are repaid by the contractor in a timely manner.

The Assistant Commissioner for Adult and Family Services should instruct the Director of Child Care, Adult and Community Programs to carefully consider any requests for advances from child care contractors. The requests should explain in detail why the advance is needed, and the amount of the request should not exceed one month's expected disbursements or the contractor's immediate cash requirement. These requests and the accompanying documentation should be reviewed and approved by the Assistant Commissioner of Adult and Family Services before being sent to the Department of Finance and Administration for final approval. Advances noted in this finding and all others, should be investigated to determine if these has been any misconduct and the Commissioner take appropriate disciplinary action if there is any evidence of fraud.

Management's Comment

We do not concur. Seventeen (17) of the 22 contractors noted in this finding fall under the administration of the Child Care Planning and Development Unit. Each scope of service within the contracts in question requires programmatic reporting and accountability to the contact/program management staff of the Child Care Planning and Development Unit. Through the documentation supplied within these required, periodic reports, contact/program management staff are able to track and account for the services provided by the contractor. Further, any contractor receiving $500,000 or more in public monies are subject to yearly audits by an independent Certified Public Accountant as required by State law.

We do not concur. These were grants to small child care centers used to pay for any improvements necessary in the areas of Report Card, Star-Quality Report Card, and/or Environment Rating Scales. The contractors were required to submit bids for the items being purchased as part of the budget negotiation process for these grants and only half of the grant awarded was advanced. The contract file contains the necessary documentation to explain the grants.

The audit step that had been signed as completed was a four-part step. Three parts of the step were completed and documented as required in the working papers. The part in question is for the auditor to obtain copies of a child's certificate from the provider as a reference when necessary. This step does not require the auditor to exhibit the certificates in the working papers. The certificate is available online in TCCMS.

Two of the twenty-three reports should have included questioned cost. The remaining twenty-one reports were correct. For these twenty-one providers, the department did not pay for absences beyond the 10-day limit; therefore, there were no questioned costs to calculate or note on the work papers.

The six noted are a program policy violation, but do not result in questioned costs. Discount rates offered to the center's employees, members of certain groups/organizations as well as children receiving scholarship are not considered a lower rate than the state rate according to the program policy.

Auditor's Rebuttal

As stated in the recommendation, a formalized risk assessment of the contractors is needed to ensure that, at a minimum, all high risk contractors are monitored each year. The rest of the contractors should be monitored not less than once every two to three years. In performing the risk assessment, one of the risk factors considered should be the amount of funds paid to the center during the previous fiscal year. The more funds received by the center, the greater the potential for fraud.

Also as stated in the finding, " In memorandums to the Department of Finance and Administration, the Department of Human Services made requests for payments to various child

care centers. The memorandums stated "These payments are being made in accordance with Title 45 Code of Federal Regulations part 98.60." However, the memorandums did not specify the reason for the immediate cash need of the child care centers, nor did the department have any other documentation on file explaining why cash advances were needed."

For the four part audit step mentioned in the finding, the working papers did not indicate that all parts had been completed. If non-compliance with a particular rule could result in questioned costs, there should an explanation in the working papers explaining why there were none.

Finding Number	03-DCS-05
CFDA Number	93.778
Program Name	Medicaid Cluster
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
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

For the seventh consecutive year, Children's Services inappropriately requested and received reimbursement from TennCare for children not eligible for TennCare services; total overpayments were $1,742,440

Finding

For the seventh consecutive year, 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.

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, 2000, through June 30, 2001. In the letter, HHS stated:

> This is a repeat finding. We recommend 1) procedures be implemented to ensure Federal funds are not used for health care costs of a) children who are in youth development or detention centers, b) children not in State custody, c) children on runaway status, . . . e) services provided by Children's Services to individuals in hospitals, . . . g) undocumented targeted case management . . .

Although the department had made progress in previous years in reducing reimbursements for services provided outside the scope of its agreement with TennCare, this year, there was a significant overall increase in the total amount of inappropriate reimbursements in the following areas.

Payments for Incarcerated Youth

As noted in the prior six 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.

Management's response to the prior audit stated that the implementation of the new Standard Claim Invoice (SCI) procedure codes for services that are ineligible for TennCare reimbursement, and the associated provider training in the use of these codes, had effectively enhanced controls and resulted in increased compliance by the department. However, using computer-assisted audit techniques, our search of TennCare's paid claims records revealed that once again TennCare was inappropriately billed for and made payments totaling at least $189,598 from July 1, 2002, through June 30, 2003, for juveniles in youth development centers and detention centers. The prior audit finding disclosed inappropriate billings of $77,667 from July 1, 2001, through June 30, 2002.

Children Not in State Custody

As noted in the prior four audits, Children's Services inappropriately billed and received payment from TennCare for children not in state custody. Management's response to the prior audit finding attributed the problem to the use of incorrect procedure codes by the provider on the Standard Claim Invoice (SCI). Management also stated the discrepancies noted that were reviewed by departmental staff were related to youth in placements who had reached the age of majority and elected to continue receiving care from the department in accordance with DCS Policy 16.51, *Provision of Post Custody Services to Youth Exiting Care at 18 or 19 Years of Age*.

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 once again DCS had improperly billed TennCare $1,208,292 from July 1, 2002, through June 30, 2003, for services to children who were not in the state's custody. The prior audit finding disclosed inappropriate billings of $193,266 from July 1, 2001, through June 30, 2002.

Children on Runaway Status

As noted in the prior four 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 that the implementation of the new Standard Claim Invoice procedure codes for this break in custody and the associated provider training in the use of these codes have effectively enhanced controls and resulted in increased compliance by the department. However, 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 once again DCS had improperly

billed TennCare $217,123 from July 1, 2002, through June 30, 2003, for services to children on runaway status. The prior audit finding disclosed inappropriate billings of $86,917 from July 1, 2001, through June 30, 2002.

Hospitalized Children

As noted in the prior three audits, 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. However, Children's Services cannot bill TennCare in either case.

In response to the prior audit finding, management stated that it's their position that the implementation of the new Standard Claim Invoice procedure codes for TennCare reimbursement and the associated provider training in the use of these codes has effectively enhanced controls and resulted in increased compliance by the department. However, the control structure did not adequately reduce noncompliance with these requirements. Using computer-assisted audit techniques, auditors performed a data match comparing TennCare's payment data to encounter data from the MCOs and the BHOs. The results of the data match indicated that for the year ended June 30, 2003, DCS had improperly billed TennCare $127,427 for enhanced behavioral health services for children who are in the state's custody but had been placed in a medical hospital or a behavioral health facility. Of this amount, $15,123 was for children in medical hospitals and $112,304 was for children in behavioral health facilities. The prior audit finding disclosed inappropriate billings for children in medical hospitals of $35,041 from July 1, 2001, through June 30, 2002.

Recommendation

Note: This is the same basic recommendation, for the repeated portions of the finding, made in the prior audit.

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, or placed in hospitals. Effective internal control requires management to 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. DCS has taken the following step to reduce billing errors to TennCare for the Targeted Case Management and Residential Treatment services. The department has developed an extract from TNKIDS to match with transactions to be billed to TennCare. This should eliminate billings for children who were hospitalized, incarcerated, not in state custody, or on runaway status. Computer programs have been developed to facilitate this control feature, however, user testing has not been completed. User testing is expected to be completed during the month of February 2004. Also, the department has requested and the Bureau of TennCare has submitted to the federal government a state plan amendment that would allow the billing of TennCare for voluntary services received by children after they have aged out of custody but are under the age of twenty-one. Currently, billing is only allowed for children who are at risk of being placed or in state custody up to the age of eighteen.

The Commissioner of DCS will immediately appoint staff to serve on a management team from Information Systems, Regional and Central Office Program Operations, and Fiscal to address issues which impact the provision, documentation, and billing of eligible services to TennCare for Targeted Case Management and Residential Treatment. Team members will be charged with ensuring compliance with the terms of the contract between DCS and the Bureau of TennCare, ensuring compliance with the Bureau of TennCare's state plan and all applicable state and federal regulations, and implementing the recommendations of this audit finding.

It should be noted that all claims questioned by the state auditors have been voided by the Bureau of TennCare subsequent to June 30, 2003. Files provided by the Bureau of TennCare indicate that all voids for these claims questioned had processed in TennCare's system by December 5, 2003.

Finding Number	03-DCS-06
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
Pass Through Agency	Bureau of TennCare
State Agency	Department of Children's Services
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed
Questioned Costs	None

The department committed funds without approval

Finding

Since July 1, 2003, the Department of Children's Services (DCS) has committed state and federal TennCare funds before it had a contract with the Department of Finance and Administration, Bureau of TennCare, to provide services. This contract would serve as the legal instrument governing the activities of TennCare as they relate to Children's Services and should specify the scope of services, grant terms, payment terms, and other conditions. As of November 14, 2003, an interdepartmental grant agreement between the Department of Finance and Administration, Bureau of TennCare, and the Department of Children's Services had not been executed for the period July 1, 2003, through June 30, 2004. During this time, TennCare reimbursed the Department of Children's Services $36,270,268 for services provided. Not having an executed contract in place at the beginning of the fiscal year can lead to confusion between the parties regarding the scope of services, grant terms, payment terms, and other conditions.

Recommendation

The Department of Children's Services and the Department of Finance and Administration, Bureau of TennCare, should ensure that a contract between the two departments is in place at the start of each fiscal year before services are provided.

Management's Comment

We concur. Negotiations between DCS and the Bureau of TennCare and the Department of Health began months prior to the end of the interagency agreement that expired on June 30, 2003. DCS agrees that an interagency agreement should have been fully executed prior to the beginning date of the period covered by the agreement. DCS agrees to participate with the Bureau of TennCare and the Department of Health to establish a process that will prevent re-occurrence of the condition described in the finding. The Commissioner of DCS will appoint a

management team to coordinate DCS activities with the Bureau or TennCare and the Department of Health. This management team will keep the Commissioner informed of the status of issues to resolve between DCS, the Bureau of TennCare, and the Department of Health that would prevent timely execution of the agreement.

It should be noted that DCS provides a complex array of services for children who are either in state custody or at risk of coming into the custody of the State of Tennessee. Services provided to TennCare eligible children include medical, educational, social, and other services critical to the well being of each child. DCS must continue to provide these services for TennCare eligible children even while the interdepartmental agreement is in the contract approval process. Activities performed by DCS to facilitate access to these services cannot cease or be delayed without potential harm to children in DCS custody.

Finding Number	03-DFA-07
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Subrecipient Monitoring, Special Tests and Provisions
Questioned Costs	None

Top management needs to continue to address the TennCare program's numerous and serious administrative and programmatic deficiencies

Finding

As noted in the previous four audits, 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 overall recommendations made in the prior audit finding.

We are responsible for reporting on the bureau'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.

Current audit testwork revealed that management has made progress in several areas and has corrected 16 prior-year findings. One finding from the previous audit has been combined with another finding. In addition, there are eight new findings, and management has not corrected 22 findings which are repeated. In some cases, the repeat findings were not as serious as in the past. The repeated findings are as follows:

- One finding has been included in eight previous audits covering the period July 1, 1994, to June 30, 2002.

- One finding has been included in seven previous audits covering the period July 1, 1995, to June 30, 2002.

- Three findings have been included in five previous audits covering the period July 1, 1997, to June 30, 2002.

- Nine findings have been included in four previous audits covering the period July 1, 1998, to June 30, 2002.

- Three findings have been included in three previous audits covering the period July 1, 1999, to June 30, 2002.

- Two findings have been included in the previous two audits covering the period July 1, 2000, to June 30, 2002.

- Three findings have been included in the previous audit covering the period July 1, 2001, to June 30, 2002.

Information System Concerns

In the prior audit, we noted that TennCare's information system was old and outdated and needed to be updated. Management concurred with the prior audit finding and stated,

> We agree that the information system needs to be replaced and considerable resources have been put into developing a replacement model that will employ sophisticated, up-to-date strategies for assuring that data is reported, collected, and analyzed efficiently. This new system is due to be operational on October 1, 2003.

As of January 2004, the new system has not been implemented. The program is still dependent upon a large and complex computer system, the TennCare Management Information System (TCMIS), that is outdated and inflexible. During fieldwork, we noted extensive efforts by TennCare staff toward implementation of the new system. These efforts included widespread staff involvement in system testing, the development of training, and the creation of system documentation. We also noted during the audit period that TennCare installed and implemented the new telephone system that will be a part of the new TCMIS. See finding 03-DFA-32 for further details regarding this matter.

Although Internal Audit was heavily involved in the testing of the new system, we noted that Internal Audit had not conducted a review of system security over the existing TCMIS aside from checking the forms collected by the Department of Human Services for users. We also noted that there were numerous system security problems. See finding 03-DFA-34 for further details regarding this matter. Furthermore, we also noted that the Director of Information

Systems attempted to control the flow of information to the auditors and was an impediment to the audit process (see finding 03-DFA-33).

Recommendation

For the TennCare program to improve and succeed over the long term, the Director of TennCare and his staff should continue to address the long-existing problems within and external to the administrative structure of the program. The Director should continue to pursue implementation of the new TennCare information system. The Director should ensure that periodic audits of system security for the new system are conducted. In addition, the Director should ensure that the Director of Information Systems does not attempt to control the flow of information to the auditors and is not an impediment to the audit process.

Management's Comment

We concur with the overall recommendations made in this finding. However, for certain matters referenced in the finding, we do not concur or we concur in part and these matters are addressed in the responses to individual findings. Management has provided comments on the Information Systems Director in the separate finding on that matter.

As noted by the auditors, 16 of the previous findings have been corrected during the last year and others have been reduced in severity. These improvements are a result of the seriousness with which TennCare management approaches audit findings. We are diligently addressing and correcting these problems. Management has continuously stressed in executive staff meetings the importance of correcting audit findings and assuring that TennCare business processes are performed correctly to prevent additional findings. However, TennCare management is aware that some problems continue to be identified, as evidenced by the repeat findings, and it should be recognized that some of these issues will require additional time to correct.

To ensure findings were adequately addressed, TennCare management established a process in the prior year where corrective action plans were developed by staff responsible for the processes and these were followed up with periodic updates. During the current year, this process is being modified. Each finding will be assigned to a member of the executive staff and they are responsible for ensuring that a corrective action plan is developed, that corrective actions are taken and that the results are reported routinely to the Director of Financial and Program Review. Each of the findings will also be assigned to a TennCare internal auditor who will perform a follow-up review on the corrective actions implemented by evaluating new or improved processes and identifying any issues that still must be addressed. Results on the status of the finding will be reported to the TennCare Director, Chief of Operations and Director of Financial and Program Review. We believe this process will assure that finding issues are addressed.

The new TCMIS will be implemented as soon as appropriate. Components of the new system have been implemented (Computerized Telephony System and the Oracle Accounting, Financial, and Premium Management System). All other components of the new system have been going through extensive testing to ensure that the new system satisfies the complex requirements of the program and the needs of the various users. TennCare staff, F&A-OIR and the contractor all have key roles in the successful implementation of the new system. The system will be implemented when each party has fulfilled their role and we are satisfied that any system implementation issues are minimized.

In conjunction with the implementation of the new system, TennCare is in the process of performing a comprehensive review, through a consulting contract, of the needed support and staffing for the operation of Information Systems. This review will also focus on the support and staffing needed to ensure adequate security for the new system. This review is particularly critical as TennCare moves into a new relational systems approach for information processing.

TennCare Internal Audit performed a review of the TCMIS security documentation maintained by the Department of Human Services (DHS) during the year ended June 30, 2003. In addition, Internal Audit is currently performing an audit of security access to the TCMIS by all user groups. Also, as noted by the auditors, Internal Audit has been involved in monitoring the implementation and testing of the new system; currently, this includes a review of the audit and security features of the new system components. Internal Audit has considered and will continue to consider other audits of the system in the future. An electronic data systems auditor position for Internal Audit has been included in the budget recommendation for fiscal year 2005, with the intent to provide additional system expertise to the audit group.

Finding Number	03-DFA-08
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Procurement and Suspension and Debarment
Questioned Costs	None

For the third consecutive year, TennCare did not approve contracts before the beginning of the contract period

Finding

As noted in the prior two audits, TennCare did not approve contracts before the beginning of the contract period.

We first reported that contracts relating to graduate medical education were not approved timely during the June 30, 2001, audit. Management concurred in part and stated,

> 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.

However, in the audit for the year ended June 30, 2002, we again noted that not all contracts were approved before the beginning of the contract period. Management concurred with that finding and stated, "Every attempt will be made to ensure contracts are signed before the effective date."

For the current audit period, we again performed testwork on contracts and contract amendments to determine timeliness of approvals. Our testwork revealed that 23 contracts or amendments to contracts were signed after the contract period began. These contracts were approved from 7 days to 345 days after the effective date of the contract with an average of 85 days after the beginning of the contract period. Of the errors noted, four contracts for graduate medical education were valued at $50,000,000 in total. Thirteen were contracts initiated during fiscal year 2003. These contracts were single and multi-year contracts with a total value of $371,388,327 for all years. It appears that TennCare only made payments related to one of these contracts prior to approval: a contract with the Division of Mental Retardation Services in which TennCare paid $103,896,656 prior to the contract approval. Additionally, we noted six contract amendments (no additional dollars to the original contract) that were not signed prior to the effective date of the amendment.

Additionally, as of November 14, 2003, an interdepartmental grant agreement between the Department of Finance and Administration, Bureau of TennCare and the Department of Children's Services had not been executed for the period of July 1, 2003 through June 30, 2004. During this time, TennCare reimbursed the Department of Children's Services $36,270,268 for services provided. This contract serves as the legal instrument governing the activities of TennCare as they relate to Children's Services.

Chapter 0620-3-3-.06(3) of the *Rules of the Department of Finance and Administration* states, "Upon approval by the Commissioner of Finance and Administration a contract shall be fully approved. . . ." A contract should serve as the legal instrument governing the activities of TennCare as they relate to the contractor and should specify the scope of services, grant terms, payment terms, and other conditions.

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 TennCare should assign to appropriate staff the responsibility of ensuring contracts are signed before the effective dates. The Director should then monitor staff's performance and take corrective action as necessary.

Management's Comment

We concur in part. We concur that certain contracts were not fully executed before their effective dates. However, we have been advised by the Attorney General's office that contracts, once executed, are effective for the period stated in the contract and that transactions occurring between the effective date and the execution date are covered by the contract. In addition, it should be noted that State contracting guidelines do not require contracts between state agencies; therefore, we disagree that payments made to DMRS and DCS were unauthorized. If any unallowable expenses are paid to state agencies, they will be recouped. Payments were not made to other contractors before the contracts were signed. We do recognize the benefits of having contracts in place timely and will continue to attempt to ensure that contracts are signed before the effective dates.

Auditor's Rebuttal

We did not state in the finding that "payments made to DMRS and DCS were unauthorized." We said that the failure to have a contract in place before the contract period begins could obligate the state to pay for unauthorized services, i.e., services provided in good faith that did not correspond to the services ultimately agreed upon in the final contract. This

could lead to unnecessary litigation that could have been avoided if the contracts were finalized prior to the effective date of the contract. Or, in the case of state agencies, costs that would have been born by federally funded programs may have to be covered with state funds. Four of the 23 contracts addressed in the finding were with state entities.

Finding Number	03-DFA-09
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Other
Questioned Costs	None

TennCare did not revise its own rules related to home and community based services to reflect current operating procedures

Finding

As noted in the prior seven audits, the Bureau of TennCare has not revised its own rules related to Home and Community Based Services (HCBS) to reflect the Bureau's current operating procedures. Management did initiate steps in the prior-year audit to revise its rules related to this area to conform with current practices. However, during the current-year audit, the revisions to the HCBS waiver rules were still not in effect.

Testwork revealed the following recurring discrepancies:

- Not all of the rules contained in the *Rules of the Tennessee Department of Finance and Administration Bureau of TennCare* pertaining to Home and Community Based Services waiver programs were followed during the audit period. The existing HCBS Rule 1200-13-1-.17 has been effective since April 15, 1988; however, management has failed to modify this rule to reflect current operating practices since we originally reported this discrepancy in 1996. It was noted in the prior audit finding that on November 18, 2002, TennCare had a public hearing for Rule 1200-13-1-.17. TennCare received comments to respond to as a result of this hearing. Responses to the comments received were prepared by July 8, 2003, and appropriate changes were made to the rules based on thecomments received. Now that the comments are addressed, the rules must be approved by the Director of TennCare, the Commissioner of Finance and Administration, the Attorney General, and the Secretary of State.

- As of July 1, 2003, Rule 1200-13-1-.26 pertaining to the American Disabled for Attendant Programs Today (ADAPT) Elderly and Disabled Waiver and Rule 1200-13-1-.27 pertaining to the Shelby County Elderly and Disabled Waiver have been written and are being reviewed by the Medical Director of the Long Term Care Division. These rules, when approved by the Director of TennCare and the Commissioner of Finance and Administration, will also be sent to the Attorney General and the Secretary of State for approval. Management concurred with the

> prior finding and stated, "We also anticipate that responses to HCBS rule 1200-13-1-.17 will be completed shortly and the three HCBS waiver rules (1200-13-1-.17, 1200-13-1-.26, and 1200-13-.27) will be promulgated within six months."

However, it has been over six months, and the HCBS waiver rules have not been completed or promulgated.

Recommendation

Regarding Rule 1200-13-1-.17, the Director of TennCare should promptly approve the rules and forward the rules to the Commissioner of Finance and Administration, the Attorney General, and the Secretary of State for approval.

For ADAPT waiver rules, the Director of TennCare should ensure the Medical Director of the Long Term Care Division reviews the rules. When the Medical Director of the Long Term Care Division completes his review, the Director should promptly approve the rules and forward them to the Commissioner of Finance and Administration, the Attorney General, and the Secretary of State for approval.

Management's Comment

We concur. Final revisions have been made to the rules and they have moved to the next step in the process. With respect to the ADAPT rule and rule 1200-13-1-.17, during the late fall of 2003, all HCBS rules were verified for accuracy and use of common terms/requirements between programs. Additionally, response letters to persons who commented on proposed rule 1200-13-1-.17 were completed to accurately reflect decisions made with respect to program implementation. The rules were then signed by the TennCare Director on January 13, 2004 and forwarded to the Commissioner of Finance and Administration for signature and processing through the Attorney General and Secretary of State. They will become effective 75 days after approval by the Secretary of State. The completion of the rules will depend on the time necessary to go through the rule-making process.

Finding Number	03-DFA-10
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness
Compliance Requirement	Eligibility
Questioned Costs	None

After acknowledgement by TennCare management of their responsibility to take action in this matter, TennCare still does not have a court-approved plan to redetermine or terminate the TennCare eligibility of SSI enrollees who become ineligible for SSI

Finding

As noted in prior audit findings in the previous three audits, TennCare does not redetermine or terminate the TennCare eligibility of Supplemental Security Income (SSI) enrollees who become ineligible for SSI. This is because TennCare still does not have a court-approved plan which allows TennCare to make a new determination of the eligibility of these enrollees. According to 1200-13-13-.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. Tennessee residents determined eligible for SSI benefits are automatically eligible for and enrolled in TennCare Medicaid benefits." 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. Currently, 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. This issue was first reported in the audit for year ended June 30, 2000. Management concurred in part with that 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. . . .

However, in the audit for the year ended June 30, 2001, we reported that TennCare still did not have a court-approved plan which would allow TennCare to make a new determination of the eligibility of these enrollees. Management concurred with this finding and stated:

> The Director will ask the Attorney General to take action to bring this issue back before the court for final disposition. . . . 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.

In the previous audit finding for year ended June 30, 2002, we reported that TennCare had drafted a plan dated July 12, 2002, that would allow the Bureau to make a new determination of the eligibility of enrollees who become ineligible for SSI, once the court approves the plan. Management stated in the prior audit that the plan would be submitted to the Attorney General, who will in turn present the plan to the court for court approval. Also, in response to the prior finding, management stated:

> We concur. In an effort to obtain Court approval, the proposal referenced in the finding was submitted to the Attorney General with a request that it be submitted to the Court for approval. The Attorney General has requested additional information regarding systems and programmatic implementation of the proposal. This information is to include such things as a detailed methodology for systems matching to determine current addresses for persons terminated from SSI who have not utilized TennCare benefits. In addition, the Department of Human Services is developing a process to provide the reviews required by the Daniels Order to determine if persons who have been terminated from SSI qualify for other distinct categories of benefit eligibility. The Attorney General will submit the proposal to the Court when the implementation plans are complete. When the Court has reviewed the proposal and approved or modified it, it will be implemented.

Based on our review, we determined that TennCare added the additional information to the proposal as requested by the Attorney General and in June 2003, TennCare presented the proposal to counsel for the Daniels' class action lawsuit. According to TennCare, an agreement could not be reached with counsel for the Daniels' class. TennCare is currently working on a new proposal. Once the proposal is complete, TennCare will again present the proposal to counsel for the Daniels' class, and if an agreement is reached, the Attorney General will submit the proposal to the court. After the court approves the proposal for the court-approved plan, TennCare will implement the court-approved plan.

The *Cluster Daniels et al. vs. the Tennessee Department of Health and Environment et al.* 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 determine whether or not the recipient's termination from SSI was made in error.

Management has stated that TennCare follows the direction of the Attorney General's office concerning 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, the Court will have to approve 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 having 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.

According to TennCare management, there were approximately 147,000 SSI enrollees at June 30, 2003. According to management, the average cost per enrollee per month for fiscal year 2003 was approximately $240.00. Based upon the average cost per enrollee, the approximate cost for the SSI enrollees was $423 million for year ended June 30, 2003.

Recommendation

The Director of TennCare should work closely with the counsel for the Daniels' class action lawsuit to 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.

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

Management's Comment

We do not concur. TennCare management has approached Plaintiff's attorneys numerous times and thus far, Plaintiff's attorneys have been unwilling to accept any plan dealing with de novo eligibility determinations for the SSI class. TennCare management has been involved in ongoing discussions with the Plaintiff's attorneys regarding all TennCare related lawsuits. While settlement agreements have been reached in several of these cases, the parties have not come to an agreement related to the Daniels' Order. Although it is not possible to determine whether Plaintiff's attorneys will ever accept a plan submitted by TennCare, TennCare management will continue to work with the Plaintiff's attorneys and when the parties reach an agreement, it will be submitted to the court for approval. TennCare is continuing to terminate these individuals due to death and when the individual is receiving Medicaid in another state or requests termination in writing.

Auditor's Rebuttal

Management has stated "we do not concur"; however, nowhere in its response has management taken issue with any statements made in the finding or the recommendation. As stated in the audit finding, management concurred with this repeated condition the past two years and concurred in part with this issue in a finding for the year ended June 30, 2000. Management acknowledges in its response that TennCare still does not have a court-approved plan to terminate these enrollees. Currently, individuals who have lost their SSI eligibility remain on TennCare for services indefinitely until the individuals die, move out of state and receive Medicaid in another state, or request in writing to be disenrolled. In light of the state's budget problems and the high costs of TennCare to the citizens who ultimately pay these costs, efforts should continue to be made to obtain a court-approved plan to allow termination of these enrollees.

Finding Number	03-DFA-11
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$9,660

Since 1995, there have been weaknesses in internal control over TennCare eligibility

Finding

The prior eight audits of the Bureau of TennCare have noted internal control weaknesses over TennCare eligibility. Management concurred in part with the prior audit findings, as discussed throughout this finding. Management corrected weaknesses regarding inadequate staff to verify information on uninsurable applications and the lack of verification of applications for individuals losing Medicaid by shifting the related eligibility functions to the Department of Human Services (DHS). The issues noted regarding invalid social security numbers and ineligible enrollees remain uncorrected. We also noted a new issue related to enrollees' eligibility reverification.

DHS has the responsibility for eligibility determinations for TennCare Standard and TennCare Medicaid. The Department of Children's Services (Children's Services) is responsible for eligibility determinations of children in state custody. Children's Services enrolls children in state custody in both TennCare Standard and TennCare Medicaid. TennCare receives daily eligibility data files from DHS' eligibility system, the Automated Client Certification and Eligibility Network (ACCENT), which update information in the TennCare Management Information System (TCMIS).

Invalid and Pseudo Social Security Numbers Again Discovered

This issue was first reported in the audit for the year ended June 30, 1997. In that audit, we discovered that some TennCare participants had fictitious or "pseudo" social security numbers. For purposes of this finding, pseudo social security numbers are those numbers beginning with 888 that are assigned by TennCare to individuals that enroll without social security numbers. Invalid social security numbers include all other numbers where the first five digits indicate a range of numbers that have not been assigned by the Social Security Administration. In response to that finding, management stated that the reverification project would help to ensure that valid numbers are obtained from enrollees. The audit report for year ended June 30, 1998, reported that there were still some enrollees on TennCare's system with uncorrected "pseudo" social security numbers. In response to that finding, management stated that "Health Departments included information in their training that addressed validation of

Social Security Numbers and obtaining a valid number for enrollees with pseudo numbers." In the audit report for year ended June 30, 1999, we reported that there were still some enrollees on TennCare's system with uncorrected "pseudo" social security numbers. The response to that finding ignored the "pseudo" social security numbers issue. In the audit report for the year ended June 30, 2000, we again reported that TennCare had some enrollees with uncorrected "pseudo" social security numbers. In response to that finding, management stated that it "is our intent to address this issue as a part of our planning for the new TCMIS." (It should be noted that current and former TennCare management have been referring to the new TCMIS as the solution to a myriad of findings for years.) In the audit report for year ended June 30, 2001, we again reported that some individuals had uncorrected "pseudo" social security numbers in TennCare's system. In response to that finding, management stated, "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)." In the audit report for year ended June 30, 2002, we again reported that there were enrollees on TennCare's system with uncorrected invalid or "pseudo" social security numbers.

TennCare Management concurred in part with the 2002 audit finding and stated,

> The TCMIS assignment of pseudo social security numbers occurs for newborns to the system. Benefits for illegal/undocumented aliens are issued with pseudo numbers, since they cannot get a SSN legally. These are the only cases that will never have a 'real' SSN.
>
> Effective July 1, 2002, all eligibility determinations are made by DHS where eligibility information is entered into the ACCENT system. If a number is blank or invalid, ACCENT does an automatic front end match of SSNs entered into the system and provides an 'alert' to the case worker if an adjustment needs to be made. DHS also has a systems report of individuals for those that cannot be matched (usually newborns) that workers are to check. DHS also uses State on-line Query (SOLQ) to verify a number if an individual does not have a card. ACCENT does not allow two individuals to use the same SSN.

Although we determined that there was a process in place at DHS to identify individuals with invalid social security numbers, we determined that a problem still exists.

Similar to results noted in the six previous audits, we used computer-assisted audit techniques (CAATs) to search TCMIS. Our search revealed that 26,587 TennCare participants received benefits at some time during the year ended June 30, 2003, and had an invalid or pseudo social security number recorded in TCMIS in July 2003. We analyzed this file and eliminated participants that appeared to be newborns or illegal/undocumented aliens eligible for emergency services. As a result, 14,687 TennCare participants remained with apparent invalid or pseudo social security numbers. From the population of 14,687, a sample of 60 enrollees was selected for testwork. All 60 enrollees had "pseudo" social security numbers. Results indicated TennCare had correctly updated TCMIS or ACCENT to reflect valid social security numbers for 13 enrollees. For 47 of 60 enrollees, we noted that neither TCMIS nor ACCENT had been updated to reflect a valid social security number as of September 30, 2003. Of the 47 enrollees,

42 had been terminated from TennCare prior to December 2003 but had received benefits during the year ended June 30, 2003, and five enrollees were not terminated from TennCare as of December 2003.

The total amount paid during the audit period for the 47 individuals with uncorrected pseudo social security numbers was $15,990. Federal questioned costs totaled $9,335. The remaining $6,655 was state matching funds. We believe likely questioned costs exceed $10,000 for this condition.

According to the *Code of Federal Regulations*, Title 42, Part 435, Section 910(a), "The agency must require, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish each of his or her social security numbers (SSNs)." In addition, according to the *Code of Federal Regulations*, Title 42, Part 435, Section 910(g), "The agency must verify each SSN of each applicant and recipient with SSA [Social Security Administration], as prescribed by the Commissioner, to insure that each SSN furnished was issued to that individual, and to determine whether any others were issued." TennCare is also required to follow *Rules of the Department of Finance and Administration, Bureau of TennCare*, Chapter 1200-13-14-.02(2)(a), which states, "To be eligible for TennCare Standard, each individual must: . . . 5. Present a Social Security number or proof of having applied for one, or assist the TDHS [Tennessee Department of Human Services] caseworker in applying for a Social Security number, for each person applying for TennCare Standard." Also, according to *Rules of the Tennessee Department of Human Services, Division of Medical Services*, Chapter 1240-3-3-.02 (10), "As a condition of receiving medical assistance through the Medicaid program, each applicant or recipient must furnish his or her Social Security Number (or numbers, if he/she has more than one) during the application process. If the applicant/recipient has not been issued a number, he/she must assist the eligibility worker in making application for a number or provide verification that he/she has applied for a number and is awaiting its issuance."

Ineligible Enrollees Discovered

This issue was first reported in the audit for the year ended June 30, 2001, and reported again in 2002. In these audits, we discovered 13 enrollees in 2001 and three enrollees in 2002 who were not eligible for Medicaid during the sample time period. Management did not concur with either finding and in 2002 stated,

> 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, business rules (Member Services Policy – MS-002) allowed 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 DHS to ensure these pended applications are reported

> accurately to TennCare, and TennCare reviews any incomplete/pended uninsured/uninsurable applications. Beginning in November 2001 TennCare identifed 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.
>
> In our rebuttal to management's comment for year ended June 30, 2002, we noted:
>
> Regarding the ineligible enrollees discovered we did not state that all individuals eligible under Medicaid categories in the TCMIS and not eligible in ACCENT represent ineligible TennCare enrollees. However, we did identify individuals in TCMIS who appear to be ineligible. Although management does not concur, it again has not provided any documentation to support the eligibility of those enrollees in question. Furthermore, there is no provision in the rules, written policies, or written "business rules" that allows individuals who submit incomplete applications to remain eligible for program services indefinitely. As stated in the audit finding, one enrollee's Medicaid should have ended on December 31, 1997, but was not ended until four years later on December 31, 2001.

We also noted that management did not address the part of the recommendation concerning the recovery of capitation payments made to the MCOs for ineligible enrollees.

In addition, our review of the Member Services Policy – MS-002, cited in management's previous comments to support the "business rules," revealed that this policy does not state that certain categories of eligibles can be extended for up to 12 months of eligibility within the TCMIS as management described in their comment.

During the audit period, TennCare reimbursed all managed care organizations (MCOs) for services provided to enrollees. In addition, TennCare paid an administrative fee to the MCOs for these enrollees. Furthermore, TennCare paid the behavioral health organizations (BHOs) a monthly capitation payment to provide services to these enrollees until January 2003. Beginning in February 2003, TennCare started reimbursing both of the BHOs for all behavioral health services provided to TennCare enrollees, and TennCare started paying an administrative fee to the BHOs for these enrollees. TennCare continued to pay for other services on a fee-for-service basis. These services included Medicare cross-over claims, claims for enrollees in the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled, nursing home claims, and claims paid to the Department of Children's Services for services provided for children in state custody or at risk of state custody.

A sample of 60 TennCare Standard enrollees with periods beginning on or after January 1, 2003, and TennCare Medicaid enrollees, excluding Supplemental Security Income (SSI) enrollees who had MCO administrative fees paid on their behalf, was identified in order to test whether the enrollees were eligible for TennCare during the periods covered by the administrative fee.

Of the 60 periods of time covered by the administrative fee for TennCare Standard and TennCare Medicaid enrollees tested, testwork revealed two enrollees (3.33%) who were not eligible for TennCare on the period covered by the administrative fee.

Specific details from the sample testwork were as follows:

- For one enrollee, whose administrative fee was paid from April 1, 2003, through April 30, 2003, the TennCare Standard eligibility was opened on September 4, 1998, in TCMIS. The enrollee's TennCare eligibility should have ended on October 26, 2002. However, because the TennCare eligibility was not closed until May 31, 2003, on TCMIS, this person was allowed to continue receiving TennCare services an extra seven months.

- We determined that one enrollee, whose administrative fee was paid from June 1, 2003, through June 7, 2003, was not eligible. This enrollee's TennCare eligibility should have ended on March 18, 2003. However, this enrollee was not terminated in TCMIS until June 7, 2003. This error allowed the individual to continue to receive TennCare services for over two months longer than allowed.

The total cost (administrative fees and services) paid by TennCare during the period of time covered by the administrative fee for the two ineligible enrollees was $14. The total cost (administrative fees and services) paid for the period of time covered by the administrative fee for the 60 enrollees tested was $19,748. Federal questioned costs totaled $7. The remaining $7 was state matching funds. We estimate that total costs paid for enrollees in the population sampled was $4.992 billion. We believe likely questioned costs exceed $10,000 for this condition.

In addition to the above problems, we found one enrollee of the 60 who was eligible for TennCare Medicaid for the period covered by the administrative fee payment (March 1, 2003, through March 31, 2003) but was not eligible after that period. In November 2002, this enrollee applied for TennCare Medicaid based on a disability. According to Chapter 7, "Medical Evaluation Unit," Number IV, "Overdue Disability Determinations / Interim Benefits" of the *DHS Policies and Procedures Volume I*, "An application for Medicaid based on disability must be processed within 90 days of the filing date. If not processed within 90 days of application, coverage for interim benefits begins on the 91st day." On the 91st day, DHS put the enrollee on TennCare for interim benefits because DHS had not received the disability decision from the Disability Determination Services (DDS) section within DHS. At the end of March 2003, DDS determined that the enrollee was not disabled and that DHS should have ended the interim benefits on March 31, 2003. At the time of testwork, we determined that this enrollee was still on TennCare. Shortly after we asked management at DHS about this matter, this enrollee's eligibility was ended on September 30, 2003. This allowed the enrollee to continue receiving benefits for six months after his eligibility had ended.

The amount paid for this ineligible enrollee from April 1, 2003, through June 30, 2003, totaled $134. The amount paid for July 1, 2003, through September 30, 2003, totaled $369. The questioned cost for April 1, 2003, through September 30, 2003, totaled $503. The federal

questioned amount totaled $300. An additional $203 of state matching funds was related to the federal questioned costs.

Furthermore, because TennCare has not ensured that only TennCare-eligible individuals are enrolled in TennCare, 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).

Enrollee Not Reverified (This portion of the finding was not reported in the prior year)

A sample of TennCare enrollees was tested to determine if the enrollees were reverified the required number of times during the audit period. Of the 126 enrollees tested, testwork revealed one enrollee (1%) was not reverified the required number of times during the audit period. According to the *Code of Federal Regulations*, Title 42, Part 435, Section 916, "The agency must redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months. . . ." Per review of ACCENT, the last time the enrollee was reverified was March 18, 2002. Therefore, the enrollee should have been reverified by March 18, 2003. As of December 8, 2003, this enrollee is still on TennCare and has not been reverified. Without reverifying enrollees every 12 months, TennCare cannot ensure that the enrollees continue to be eligible for TennCare as individual circumstances change over time.

The total amount paid during the audit period for this enrollee after the date the enrollee should have been reverified was $36. Federal questioned costs totaled $18. The remaining $18 was state matching funds. Based on an average cost of $410.68 per enrollee per month, the total cost related to this sample would be $561,310. We believe likely questioned costs exceed $10,000.

Recommendation

Note: For the issues that have been repeated in this finding over the years, this is the same basic recommendation that has been made in many past audits.

The Director should ensure that valid social security numbers are obtained for all individuals in a timely manner. The Director should ensure that only eligible enrollees are receiving TennCare, and all ineligible enrollees should be removed from the program. When contracts permit, TennCare should recover payments made to the MCOs for ineligible enrollees. The Director should ensure that all TennCare recipients are reverified at least once every 12 months.

Management's Comment

Bureau of TennCare

The Bureau of TennCare streamlined the eligibility process by contracting with the Department of Human Services (DHS) to provide a single point of entry for all TennCare eligibility determinations, a reasonable approach to serving the program members and applicants. Modifications to the TennCare waiver were approved by the U.S. Department of Health and Human Services on May 30, 2002 and the modified waiver became effective January 1, 2003 with eligibility determinations beginning July 1, 2002 at the county DHS offices. The application process includes a face-to-face interview with a DHS caseworker and verification of critical eligibility components.

Invalid and Pseudo Social Security Numbers

We concur in part. As described below, procedures have been implemented to continue to identify and correct invalid and pseudo social security numbers (SSN) through research and outreach activities or through the annual redetermination process. The TCMIS assignment of pseudo social security numbers (SSN) occurs correctly when newborns are entered into the system prior to issuance of a social security number and when emergency benefits are provided for illegal/undocumented aliens, since they cannot obtain an SSN legally. Illegal/undocumented alien cases are the only cases that will never have a 'real' SSN. Except for the aforementioned cases, TennCare requires that DHS have the enrollee/applicant's SSN unless there is documentation presented to DHS that an enrollee/applicant has applied for an SSN. Under federal regulations, a service to an eligible enrollee/applicant cannot be denied while waiting for an SSN; however, DHS is expected to provide updates to TennCare for SSNs once they are obtained. As part of our follow-up to this finding, we will work with DHS to ensure procedures for such cases are being handled appropriately.

Analysis of the auditor's complete group of 14,687 individuals indicated that 3,448 of these enrollees continue with pseudo SSNs and currently exceed 1 year of age or are not an illegal/undocumented alien or refugee. The remainder of the group had been corrected by TennCare in the normal course of operations.

As stated by the auditors, their testwork on a sample of 60 individuals in the group indicated that 13 enrollees' SSNs had been corrected by September 30, 2003 and 42 additional enrollees had been terminated from the program by December 31, 2003. Of the 42 terminations, 37 of them occurred by the end of the audit period, June 30, 2003. Many of the terminations resulted because the enrollee failed to respond to the redetermination notice. Enrollees were given 90 days to contact DHS to schedule appointments. In December 2002, TennCare delayed terminating individuals that were scheduled for termination due to "no response" because of a federal court order. These enrollees were later termed in March 2003. Terminating eligibility is an appropriate process that is in addition to any other steps TennCare takes to update and replace pseudo social security numbers. The redetermination/renewal process is a mechanism designed to assure enrollees remain eligible and that TennCare has current and correct information.

The process to identify and correct invalid or pseudo social security numbers begins with the eligibility process. Eligibility determinations are made by DHS where eligibility information is entered into the ACCENT system. If a number is blank or invalid, ACCENT does an automatic front end match of SSN's entered into the system and provides an 'alert' to the case worker if an adjustment needs to be made. DHS also has a systems report of individuals for those that cannot be matched (usually newborns) that workers are to check. DHS also uses State on-line Query (SOLQ) to the Social Security Administration's database to verify a number if an individual does not have a card. ACCENT does not allow two individuals to use the same SSN.

To further assure that invalid and pseudo SSNs are corrected and/or updated appropriately and timely, TennCare Information Systems and Member Services have developed additional procedures. Monthly reports are generated of recipients in the TCMIS with current eligibility who have invalid and/or pseudo social security numbers. Reports on invalid social security numbers are based on Social Security Administration (SSA) web-site criteria. Reports on pseudo social security numbers provide information based on whether an enrollee is an alien or a non-alien and also based on whether the enrollee is under 1 year old or 1 year and older. The TennCare Information Systems staff quality check the reports and send the invalid social security numbers to the TennCare Member Services Troubleshooting Unit.

Member Services validates and performs outreach to assure that the incorrect social security number is corrected through the social security number on SOLQ (the Social Security Administration's database) or the DHS ACCENT system. If the social security number is verified, then no additional action is taken. If ACCENT indicates another social security number, the staff person again goes to SOLQ for verification. If verification is still not possible, outreach is made to the individual to verify the social security number.

Once a number is verified through SOLQ, TCMIS may then be updated with the correct number. Social security numbers that are active DHS or SSI (Supplemental Security Income) cases must be corrected by the appropriate agency. For any records that Member Services cannot validate, the record is referred back to the source agency for validation. This follow-up process was implemented after our previous audit findings and we will continually work to improve the process to gain and maintain acceptable results in an appropriate and timely manner.

Ineligible Enrollees Discovered

We do not concur. TennCare does not disagree that there were ineligible enrollees discovered in TCMIS. However, as supported by our explanation of the processes we describe below, it is not TennCare's intent to allow an ineligible enrollee to remain on the program indefinitely but it is our intent for the processes to identify potential ineligible enrollees for resolution. Further, there are several federal requirements (in addition to the MEQC requirements, as described below) that recognize errors and/or delays that may occur in eligibility determinations (specifically for terminating eligibility) that are designed to protect an enrollee and prohibit the State from terminating an individual until such matters can be determined (in particular, 42 CFR 435.911(c) allows for unusual circumstances for timely determination of eligibility requirements; 42 CFR 435.911(e)(2) prohibits a State from denying eligibility because it has not determined eligibility within time standards; and 42 CFR 435.930(b)

requires the State to continue to furnish eligibility until an individual is determined to be ineligible).

TennCare has continued to follow existing procedures, in accordance with federal regulations to monitor eligibility errors. 42 CFR 431.810 addresses basic elements of a traditional MEQC (Medicaid Eligibility Quality Control) plan. TennCare operates under an alternative plan as approved by CMS in August 2000. The concept of an MEQC plan recognizes that a certain level of error may exist in any eligibility determination system and within certain limitations is acceptable. TennCare has consistently provided results of MEQC reviews to the Centers for Medicare and Medicaid Services, which indicate that we are below the 3% threshold included in federal regulations. In addition to this ongoing program, TennCare has continued to implement and work towards improvement of additional processes designed to detect and correct eligibility errors, including but not limited to the following:

- Outdate Process—This process is performed periodically by TennCare Information Systems (IS) and is designed to sweep the files and look for incomplete applications. Beginning in November 2001 TennCare identified the population who have been extended for greater than 12 months of eligibility with aged/pended or incomplete applications, loaded end dates to those records and resent the 30-day advanced termination notice.

- Transfer of Enrollment Process—Enrollment is now handled by DHS for the TennCare Standard population as well as Medicaid enrollees so that current DHS/TennCare interfaces adequately monitor incomplete application files.

- DHS/TennCare Eligibility Error Reports—There are processes in place in which TCMIS quality checks information coming to TennCare from DHS. If any piece of the pertinent information appears flawed, TennCare rejects the transaction back to DHS for review and resubmission. (With TennCare Standard, individuals are identified in a Case and incorrect information regarding one individual will reject the entire Case appropriately since the dynamics of a case mix can change circumstances.)

- DHS Pended Applications—Recipients' eligibility that has been opened as a result of the daily DHS pended application process and remains open beyond the acceptable length of time is researched. If it is discovered that the application which opened the eligibility end date has been processed and is no longer pending, action is taken to close the eligibility segment.

Of the three items that were reported in the finding, two were detected by TennCare processes that were in place, worked appropriately and resulted in termination of ineligible enrollees' eligibility prior to the sample being pulled for the audit. As discussed during the audit, the following two examples of the three described above were corrected upon verification from internal controls that identified the errors:

1. Regarding the enrollee whose eligibility should have ended on October 26, 2002 and in fact ended on May 31, 2003 – TennCare began running a periodic "Outdate Process" performed by Information Systems (designed to sweep the files and look for incomplete applications). Through this process, we identified this enrollee as having an incomplete application on file which would cause the system to otherwise overlook the record for termination. The "outdate process" allowed us to identify the record, review the information and take appropriate steps to process the enrollee's eligibility. This enrollee was terminated as a result of this process prior to the sampling for this audit.

2. Regarding the enrollee whose eligibility should have ended on March 18, 2003 and in fact ended on June 7, 2003 – This enrollee was a member in a TennCare Standard case that was reviewed by DHS. When DHS reviews a case, they transmit each individual's record to the TennCare system for a specified disposition based on TennCare policies and procedures. The TennCare system is designed with internal controls to review certain demographic information coming from the DHS ACCENT system and to flag certain transactions with "edits" and reject the transactions back to DHS for further review. Since several dynamics of TennCare Standard eligibility are based on the entire demographics of a "case," when more than one enrollee per TennCare Standard Case is transmitted, the TennCare system rejects the entire case. This enrollee had children within the same case, and therefore each individual in the case was sent back to DHS for proper disposition. DHS reviewed the records and transmitted each back to the TennCare system appropriately and the enrollee's eligibility was terminated accordingly and the children remained eligible based on current eligibility policy.

The third test case was an error made by DHS and was corrected by DHS when it was addressed by the audit team.

Enrollee Not Reverified

We concur. DHS reported that the case cited was both a Families First and Tenncare Medicaid case due for review. The TennCare Medicaid component of the case was not reviewed within the specified timeframe. Supervisory reports are now generated indicating overdue reviews. This should ensure that Medicaid cases are reviewed on a timely basis.

The finding indicated that: "According to the *Code of Federal Regulations*, Title 42, Part 435, Section 916, "The agency must redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months. . . ." However, federal regulations further include the following requirements: 42 CFR 435.911(c) allows for unusual circumstances for timely determination of eligibility requirements; 42 CFR 435.911(e)(2) prohibits a State from denying eligibility because it has not determined eligibility within time standards; and 42 CFR 435.930(b) requires the State to continue to furnish eligibility until an individual is determined to be ineligible.

As evidenced by the processes implemented by TennCare (as described in the aforementioned issue), it is not TennCare's intent to allow enrollees to remain eligible without reverification of eligibility. Based on the processes in place, TennCare will continue to reverify enrollees based on current proactive and/or look behind processes.

Questioned Costs

As noted previously, based on the terms of our MEQC plan, TennCare is relieved of liability for errors resulting from eligibility determinations.

Department of Human Services

Invalid and Pseudo Social Security Numbers Again Discovered

We concur.

The department will continue to monitor invalid and missing social security numbers to ensure that all individuals have valid numbers and that this information is transferred to the TennCare system. Data matching is automatically done when a social security number is entered into ACCENT and an alert is sent to the caseworker if the number is invalid or incorrect. Reports are also used to identify individuals for whom an incorrect or no social security number has been entered.

The department is required to document a valid social security number for each applicant. In the case of an individual who does not have a social security card, caseworkers are to assist the applicant in applying for a social security number and documenting that an application for a social security number has been made. The application for a social security number allows for the approval of program benefits. When the social security number is received, the client must report the number to DHS. The department does not enter information in the social security number field for the file created for the TennCare TCMIS system until the receipt of the social security number from the client.

Ineligible Enrollees Discovered

We concur.

The department has added edits to ACCENT for the TennCare Standard process to prevent many of the common errors discovered in the beginning of this new program. We have also worked closely with TennCare systems staff to assure that systems interface issues are addressed and changes made as needed.

Interim benefits cases are manually processed and tracked by staff, both to begin and to end benefits. Additional staff are now assisting in tracking reports to ensure that closure of these benefits are processed timely.

Enrollee Not Reverified

We concur.

The case cited was both a Families First and Tenncare Medicaid case due for review. The TennCare Medicaid component of the case was not reviewed within the specified timeframe. Supervisory reports are now generated indicating overdue reviews. This should ensure that Medicaid cases are reviewed on a timely basis.

Auditor's Rebuttal

Invalid and Pseudo Social Security Numbers Again Discovered

It is not clear with which part management does not concur. Management agrees that there continue to be 3,448 enrollees with invalid social security numbers.

Ineligible Enrollees Discovered

Management does not concur but states, "TennCare does not disagree that there were ineligible enrollees discovered in TCMIS."

The MEQC plan and the other regulations referred to by management do not relieve management of the responsibility to terminate ineligible individuals from the program.

According to the *Code of Federal Regulations*, Title 42, Part 431, Section 800, the MEQC is a required program which is designed to "reduce erroneous expenditures by monitoring eligibility determinations…." Furthermore, the *Code of Federal Regulations*, Title 42, Part 431, Section 865, establishes rules and procedures for disallowing federal financial participation in erroneous medical assistance payments due to eligibility errors "as detected through the Medicaid eligibility quality control (MEQC) program." The errors noted in the finding were not errors identified by TennCare's MEQC program but were, in fact, errors resulting from a lack of adherence to procedures to remove enrollees who were clearly ineligible for TennCare services from the program.

As noted in the finding, we found three ineligible enrollees, and we asked management for any documentation or information supporting the eligibility of the enrollees. However, no such documentation was provided.

Enrollee Not Reverified

Regarding the enrollee not reverified, management cites 42 CFR 435.930(b), which states that the agency must "continue to furnish Medicaid regularly to all eligible individuals until they are found to be ineligible." This law further demonstrates the importance of timely reverification of all enrollees, which management's controls failed to accomplish for the enrollee in question.

Furthermore, regarding management's comment that MEQC relieves TennCare of liability for errors resulting from eligibility determinations, we will continue to report, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, costs questioned for ineligible enrollees. The ultimate resolution of these questioned costs is the responsibility of the U.S. Department of Health and Human Services.

Finding Number	03-DFA-12
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	None

TennCare's administrative appeals process needs improvement

Finding

As noted in a performance audit by the Division of State Audit, TennCare's administrative appeals process needs improvement. The issues noted in this finding were originally reported in the performance audit report for the time period February 24, 2003 through March 31, 2003.

Administrative appeals regarding TennCare Standard eligibility are processed by the TennCare Bureau. TennCare Standard applicants and enrollees have the opportunity to appeal and have an administrative hearing regarding the denial of their application, the effective coverage date, cost-sharing disputes, and disenrollment from TennCare. TennCare Standard applicants and enrollees have 40 days from the date of the adverse action to submit an appeal to the TennCare Bureau. By policy and practice in effect during the period February 24, 2003, through March 31, 2003,

- TennCare reinstates coverage for enrollees who have filed an appeal within 20 days of the adverse action and processes the appeal;

- TennCare does not reinstate coverage for enrollees who have filed an appeal between the 21st and 40th days but processes the appeal; and

- TennCare does not process appeals received after the 40th day and notifies the enrollee that the appeal was not filed within the appeal time frame.

Individuals who are identified as seriously and persistently mentally ill (SPMI) or severely emotionally disturbed (SED) are allowed one year from the date of termination to appeal loss of coverage. These individuals are allowed to appeal outside the appeal time frame for reinstatement and can receive coverage beginning with the date of the appeal if they were SPMI/SED-eligible at the time of termination.

The *Code of Federal Regulations* (CFR), Title 42, Part 431, Section 244, requires that TennCare process and resolve administrative appeals within 90 days of receipt of an appeal.

According to TennCare management, if TennCare is unable to resolve the appeal within 90 days, the enrollees are provided interim TennCare coverage until final resolution of the appeal. As a result, TennCare may be continuing to provide coverage to enrolloees who are not eligible for TennCare Standard.

The performance audit cited a report from the TennCare Office of General Counsel (OGC) which revealed that there were 7,861 active appeals during the period February 24 through March 31, 2003 that had not been resolved within the 90-day time frame. At that time, of the 7,861 appeals, approximately 2,000 had been received at OGC, which is the final phase before an appeal is scheduled for hearing.

As noted above, when TennCare fails to resolve an appeal within 90 days, the applicant/enrollee is given interim TennCare coverage. If the appeal has not made it to the OGC as of the 75th day, the enrollee is given interim coverage beginning on or shortly after the 75th day. Furthermore, according to TennCare policy, on the 75th day OGC will identify any case that will not be resolved in 90 days, if it is the fault of the state, and send the case to Member Services for reinstatement until a decision is made. Based on the Bureau of TennCare's estimates that the average cost of coverage per member per month for fiscal year 2003 is $240.47, TennCare has incurred approximately $1.7 million in extra costs for the 7,861 active unresolved appeals to provide interim coverage past the 90-day period permitted by federal regulations in resolving appeals. The Rosen lawsuit requires TennCare to continue to provide services to enrollees when TennCare does not meet the 90-day requirement. These costs will not be questioned in this audit because the *Code of Federal Regulations*, Title 42, Part 431, Section 250, states that the agency may receive federal financial participation for services provided under a court order.

Recommendation

The Director of TennCare should take immediate action to ensure that appeals are processed and resolved within the 90-day federal time requirement so that the federal and state governments do not have to incur hundreds of thousands of dollars in extra costs.

Management's Comment

We concur in part. While the TennCare Deputy Commissioner has taken action to reorganize the administrative appeals system within the Member Services Division to ensure a more efficient process with sufficient controls and prompt administration and proper tracking of appeals, he does not have complete control over administrative decisions being rendered within 90 days. While we attempt to have administrative hearings and the resulting decision within 90 days, it is not always possible for resolution to occur within that time period. There are multiple reasons for hearings and decisions on the appeal to be rendered beyond the 90 days. One example occurs when an enrollee requests a continuance of his/her hearing, and the hearing official grants the continuance over an objection by the state. Another example occurs when the hearing is conducted within 90 days, but the hearing official is delinquent in issuing the order.

Notwithstanding the changes referenced above, the TennCare Bureau is currently working with the Department of Human Services (DHS) to streamline the appeals process for eligibility and other administrative appeals and to set up within DHS an appropriate structure of administrative personnel to process these hearings in a timely manner. DHS will process the appeals and the hearings will be conducted by hearing officials within the Office of the Secretary of State. We believe that this restructuring will result in a more efficient process for enrollees and applicants and will reduce the timeframes that go beyond the 90-day requirement.

Auditor's Comment

A performance audit report dated October 30, 2003, regarding TennCare's administrative appeals process describes the extent of problems with the appeals process, most of which are within the TennCare Director's ability to correct.

Finding Number	03-DFA-13
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$11,801

For the fourth consecutive year, TennCare made payments on behalf of full-time state employees, resulting in new federal questioned costs of $11,801 and an additional cost to the state of $6,856

Finding

As noted in the prior three audits, TennCare made payments on behalf of full-time state employees who are classified as TennCare Standard enrollees in the TennCare Management Information System (TCMIS). The number of state employees improperly receiving benefits has been reduced each year, from 852 in the 2000 fiscal year, to 38 in the 2003 fiscal year.

According to personnel in the Department of Finance and Administration's Division of Insurance and Administration, all full-time state employees have access to health insurance at the time of hire or when they reach full-time status. Prior to July 1, 2002, TennCare Standard enrollees were called uninsured and uninsurable enrollees.

The *Rules of the Tennessee Department of Finance and Administration, Bureau of TennCare*, 1200-13-14-.02(2)(a), state:

> To be eligible for TennCare Standard, each individual must: . . . 9. Not be enrolled in, or eligible for participation in, health insurance . . . , except in the following instances: (i) Has been continuously enrolled in TennCare since at least December 31, 2001, as an uninsured child under the age of nineteen (19) whose family income is below 200% poverty and who continues to meet these requirements. (ii) Was enrolled in TennCare on June 30, 2002, as a dislocated worker, whose family income is within the requirements for waiver eligibles being redetermined during the waiver transition period . . . , and who continues to meet these requirements. Both of the above categories are "grandfathered" eligibility categories for waiver transition purposes only. At such time as a person loses eligibility in either of these categories, s/he will not be able to re-enroll in it.

In addition, rule 1200-13-14-.02(5) states:

> Eligibility for TennCare Standard shall cease when . . . (a) The enrollee is not a member of one of the "grandfathered" groups . . . and becomes eligible for participation in a group health insurance plan, . . . either directly or indirectly through a family member.

This issue was first reported in the audit for year ended June 30, 2000. In that audit, we noted that TennCare made payments on behalf of 852 uninsured and uninsurable TennCare participants who were also full-time employees that were eligible for insurance through their employment with the State of Tennessee. Management concurred with that 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." In the audit for the year ended June 30, 2001, we reported that the court approved policies and procedures for disenrollment of enrollees who have confirmed access to other insurance. We also noted in that audit that TennCare made payments on behalf of 542 uninsured and uninsurable TennCare participants who were also full-time employees that were eligible for insurance through their employment with the State of Tennessee. Management concurred with that audit finding and stated, "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."

In the previous audit finding for year ended June 30, 2002, we reported that the match between the Tennessee Insurance System (TIS) and TCMIS did not identify state employees who have declined state insurance and no matches were performed on data from the Department of Personnel's records and TCMIS during the fiscal year ended June 30, 2002, to identify and terminate full-time state employees who declined state insurance and were on TennCare as uninsured or uninsurable enrollees. We reported that TennCare made payments on behalf of 63 uninsured and uninsurable TennCare participants who were also full-time employees that were eligible for insurance through their employment with the State of Tennessee. Management concurred in part with that audit finding and stated:

> While additional processes are needed and are in development, the Bureau has taken steps to identify and terminate non-eligible state employees. . . . The Division of Insurance monthly sends a data file consisting of new state employees with state sponsored insurance to TennCare. TennCare Information Systems staff then complete an electronic match against the TennCare rolls. The lists of perfect and imperfect matches are submitted to PIU [Program Integrity Unit] for review and follow-up. . . . A new process is being developed and is in the final stages of testing that will allow an automated computer identification match of full time state employees, based on the Department of Personnel records. . . .

During fiscal year ended June 30, 2003, TennCare performed matches between TIS and TCMIS and between the Department of Personnel's records and TCMIS, and the PIU worked these listings. TIS includes only those state employees who have accepted state insurance, and the Department of Personnel's records include all state employees.

Beginning July 1, 2002, all TennCare eligibility determinations became the responsibility of the Department of Human Services (DHS). DHS uses the Automated Client Certification and Eligibility Network (ACCENT) to enroll all individuals into TennCare. Prior to July 1, 2002, DHS enrolled only those eligibile for Medicaid (now known as TennCare Medicaid). Also, prior to July 1, 2002, enrollees classified as uninsured or uninsurable (now known as TennCare Standard) were enrolled through TCMIS through the Tennessee Department of Health. Each day, DHS sends the Bureau of TennCare updates of eligibility information to update TennCare eligibility in TCMIS.

During the audit period, when the PIU determined that an enrollee was ineligible, the PIU recommended termination. We determined that the PIU correctly identified ineligible enrollees for termination to TennCare's Member Services Division or DHS as appropriate, or had documentation supporting continued eligibility of enrollees. However, using computer-assisted audit techniques to search TennCare's paid claim records, we found that TennCare staff did not terminate 38 ineligible enrollees until after we questioned management concerning why the enrollees were still on TennCare. The problems were as follows:

- For one of the 38 enrollees, the PIU worked a case on this enrollee, determined the enrollee had an appeal in process, and correctly did not recommend termination at that time because of the enrollee's outstanding appeal. After the PIU made this determination, the enrollee sent the PIU a letter to cancel her TennCare and withdraw all appeals. The PIU had documentation that they had correctly sent the enrollee's letter to Member Services. However, Member Services staff stated they did not receive the letter. Per review of TCMIS, the enrollee was not terminated from TennCare in TCMIS until October 28, 2003, and continued receiving services for an extra four months.

- For 2 of the 38 enrollees, the PIU worked a case on these enrollees and correctly did not take any further action because they determined that the enrollees had already reported their access to insurance to the Department of Human Services (DHS) and the termination process had already begun. Per our review of ACCENT, DHS had closed eligibility for these enrollees in ACCENT. However, per review of TCMIS, the enrollees were on TennCare until October 26, 2003, five months after they should have been terminated. Per discussion with TennCare Member Services staff, neither of these enrollees appealed. Therefore, that could not have been a reason for not terminating the enrollees

- For 35 of the 38 enrollees, the PIU worked a case on these enrollees and correctly recommended termination to DHS. Per our review of ACCENT, DHS had closed eligibility for these enrollees in ACCENT. However, per our review of TCMIS, the enrollees were on TennCare in TCMIS until as late as December 8, 2003, and continued receiving services for as long as five months after they should have been terminated. Per discussion with TennCare Member Services staff, none of these enrollees appealed. Therefore, that could not have been a reason for not terminating the enrollees.

The questioned cost for the ineligible enrollees paid before June 30, 2003, totaled $799. The federal questioned amount totaled $490. An additional $309 of state matching funds was related to the federal questioned costs. The questioned cost for the ineligible enrollees paid after June 30, 2003, totaled $17,858. The federal questioned amount totaled $11,311. An additional $6,547 of state matching funds was related to the federal questioned costs. The total questioned cost for the ineligible enrollees paid before and after June 30, 2003, was $18,657. Federal questioned costs totaled $11,801. An additional $6,856 of state matching funds was related to the federal questioned costs.

Recommendation

The Director of TennCare should determine why established procedures failed to terminate these ineligible enrollees timely. The Director should assign responsibility for correcting the breakdown in procedures to an appropriate individual to prevent similar problems from occurring in the future.

Management's Comment

We partially concur. The TennCare Bureau has made significant improvements in the identification and termination of state employees inappropriately enrolled in TennCare. It should be noted that some state employees may be eligible under Medicaid regulations or certain other categories of eligibility.

TennCare performs two processes for identifying state employees enrolled in the program. One identification process is performed on a monthly data file provided by the Division of Insurance consisting of new state employees with state sponsored insurance. This process identifies only those employees who enrolled in state insurance and does not identify all employees who have access. Another process is an automated computer identification match of full-time state employees, based on the Tennessee Department of Personnel employment records. The TennCare Program Integrity Unit (PIU) performs review and follow-up on both types of reports and makes recommendations for termination or other actions as determined appropriate.

Numerous state employees were appropriately identified and terminated during the year. However, at the time the state employees identified in the finding were submitted for termination, the system was not programmed to accept them. The system has since been modified to process the closure transactions. After the system modification was made, a manual review of the transactions not processed was performed by TennCare Information Systems staff to ensure all enrollee transactions were processed correctly.

Based on the terms of our approved Medicaid Eligibility Quality Control (MEQC) plan, TennCare is relieved of liability for errors resulting from eligibility determinations.

Auditor's Rebuttal

Management has concurred in part and stated that "it should be noted that some state employees may be eligible under Medicaid regulations or certain other categories of eligibility." As stated in the finding, all of the state employees identified in the finding were TennCare Standard enrollees. None were on TennCare as Medicaid eligibles. As stated in the finding, we determined and the PIU agreed, that the 38 ineligible TennCare Standard enrollees were clearly not eligible for TennCare because of their access to the state's insurance. After the PIU's recommendation to terminate eligibility, TennCare's staff failed to terminate enrollees until auditors brought it to management's attention.

Management has also stated that TennCare is relieved of liability for errors resulting from eligibility determinations based on their approved Medicaid Eligibility Quality Control (MEQC) plan. According to the *Code of Federal Regulations*, Title 42, Part 431, Section 800, the MEQC is a required program, which is designed to "reduce erroneous expenditures by monitoring eligibility determinations…." Furthermore, the *Code of Federal Regulations*, Title 42, Part 431, Section 865, establishes rules and procedures for disallowing federal financial participation in erroneous medical assistance payments due to eligibility errors "as detected through the Medicaid eligibility quality control (MEQC) program." The errors noted in the finding were not errors identified by TennCare's MEQC program but were, in fact, errors resulting from a lack of adherence to procedures to remove enrollees who were clearly ineligible for TennCare services from the program.

Furthermore, regarding management's comment that MEQC relieves TennCare of liability for errors resulting from eligibility determinations, we will continue to report, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, costs questioned for ineligible enrollees. The ultimate resolution of these questioned costs is the responsibility of the U.S. Department of Health and Human Services.

Finding Number	03-DFA-14
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions
Questioned Costs	$486,870

TennCare incorrectly reimbursed managed care organizations, behavioral health organizations, Consultec, and the Department of Children's Services for services that were unallowable or not performed, resulting in federal questioned costs totaling $486,870; also, TennCare still does not have written procedures to address the repeated Children's Services issues and did not comply with utilization of care and suspected fraud requirements

Finding

As noted in the prior four 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 the managed care organizations (MCOs) and the behavioral health organizations (BHOs) that are also under contract with TennCare. During the year ended June 30, 2003, TennCare paid approximately $110 million in fee-for-service reimbursement claims to Children's Services. Although the prior audit noted some improvements and reported $199,809 as improperly paid to Children's Services, the current audit period revealed that improper billings made by Children's Services had increased to $534,148.

The four previous audit findings addressed two specific types of unallowable payments made by TennCare to the Department of Children's Services:

- payments for incarcerated youth, and
- payments for children on leave status.

We also noted two new issues in the previous audit regarding targeted case management and TPL (third-party liability) edits that had been overridden by TennCare. Although there were no problems noted regarding targeted case management for the current audit period, the issues regarding TPL edits being overridden, incarcerated youth, and children on leave status still exist.

Payments for Incarcerated Youth

TennCare has not identified all incarcerated youth enrolled in the program and has paid for the health care costs of youth in the state's youth development centers (YDCs) and detention centers. This issue was first noted in the audit for the year ended June 30, 1997. Management has concurred or concurred in part each year since and has promised corrective action. However, the problem still remains.

Although TennCare has outlined procedures to identify inappropriate billings from Children's Services for youth in YDCs and on runaway status, and although TennCare received monthly listings of children in YDCs and quarterly listings of children on runaway status, discussions with management revealed that TennCare had not performed matches or reviewed these billings consistently during the audit period. As of June 30, 2003, a test program had been developed and TennCare was still in the process of fully developing and utilizing procedures to identify these inappropriate billings.

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.

In addition, although TennCare's management entered into a Memorandum of Understanding (MOU) in fiscal year 1999 with the Department of Finance and Administration's (F&A) Division of Resource Development and Support (RDS) to examine this area, and although TennCare appears to have taken steps toward having adequate procedures in place to identify these types of payments, TennCare still paid for the health care costs of youth in the state's youth development centers and detention centers.

Management could have identified these issues by employing techniques we have previously used to detect these problems. As in the previous audits, we used computer-assisted audit techniques (CAATs) to search TennCare's paid claims records to find that TennCare made payments totaling $426,562 for the year ended June 30, 2003, for juveniles in the youth development centers and detention centers. Of this amount, $67,768 was paid as direct services to MCOs or to Consultec for MCO drug claims; $99,745, to the MCOs in administrative fee payments; $69,451, to BHOs for behavioral health services or to Consultec for BHO drug claims; and $189,598, to Children's Services for services provided to children in the state's custody. Federal questioned costs totaled $262,600. The remaining $163,962 was state matching funds.

In contrast to the normal practice of paying a set fee per enrollee to MCOs and BHOs, TennCare entered into a "stabilization period," where TennCare reimbursed all MCOs for services provided to enrollees during the entire audit period. In addition, TennCare paid an administrative fee to the MCOs for these enrollees. Furthermore, beginning in January 2003, TennCare started reimbursing all the BHOs for all behavioral health services provided to TennCare enrollees. Since TennCare did not have procedures in place for identifying ineligibles

during the entire audit period, TennCare incorrectly made payments to the MCOs and the BHOs on behalf of the enrollees.

Payments for Children on Leave Status

TennCare has paid Children's Services 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*. This issue was first noted in the audit for the year ended June 30, 1999. Management has concurred or concurred in part each year since and has promised corrective action. However, the problem still remains.

In the previous audit for the year ended June 30, 2002, we were told that TennCare was developing a procedures manual and was in the process of reviewing these procedures. However, we were unable to confirm its existence. As a result, the problems in this area continued during the audit period. Management concurred in part with the finding and stated:

> . . . four new policies and procedures have been requested of DCS: One each for identification of children in a YDC or on runaway status and one each to prevent inappropriate billings of children in a YDC or on runaway status. TennCare has also requested the assistance of the Department of Finance and Administration, Office of Program Accountability Review (PAR) to validate the listings as part of the Bureau's monitoring of DCS. TennCare is now in the process of working with DCS to ensure that these policies and procedures are established. . . .

However, based on discussions with the DCS liaison, the four new policies still have not been developed or implemented. In a letter from the Director of TennCare to the Commissioner of Children's Services dated May 19, 2003, TennCare requested information about the status of the following: policies and procedures for reporting children who are both in a YDC and on runaway status and a policy for ensuring that TennCare is not billed by DCS for both services provided on or after the date the child entered the YDC and during the time the child is on runaway status. TennCare also requested a corrective action plan that would further reduce (if not prevent) unallowable billings. In a letter dated May 28, 2003, DCS responded to TennCare and stated, "It is our position that these are process issues performed to verify data accuracy and to request funding from TennCare and that a policy statement governing this process is not necessary." Although DCS did not submit the requested policies and procedures, it did submit to TennCare on May 28, 2003, a Corrective Action Plan for TennCare Billing Errors along with a timeline for completion of the stated actions. However, the problems in this area continued during the audit period. 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. In related findings in Children's Services audits for the previous four audits, Children's Services' management concurred in part

with the audit findings. Auditor inquiry revealed that Children's Services had begun to notify TennCare when children are on runaway status. TennCare received two quarterly reports from DCS that identified these children during the audit period. 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. However, based upon the U. S. Department of Health and Human Services' response to the prior-year audit findings as well as TennCare not obtaining written approval for the payment of leave days from CMS, Children's Services cannot bill TennCare for those leave days. 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 Children's Services for up to 21 days while the child is in the hospital, but as stated above, Children's Services cannot bill TennCare for any hospital leave days. Based on the prior findings, TennCare had been made aware of the possibility of such costs and has taken some actions to identify such situations. TennCare has developed procedures to identify inappropriate billings from Children's Services for youth in YDCs and on runaway status as stated above.

Management could have identified these issues by employing techniques we have previously used to detect these problems. As in prior years, using CAATs, we again performed a data match comparing TennCare's payment data to runaway records from the Tennessee Kids Information Delivery System (TNKIDS). The results of the data match indicated that for the year ended June 30, 2003, TennCare had improperly paid $217,123 to Children's Services for children on runaway status. Federal questioned costs totaled $141,327. The remaining $75,796 was state matching funds.

In addition, as in prior years using CAATs, we again performed a data match comparing TennCare's payment data to encounter data from the MCOs and the BHOs. The results of the data match indicated that for the year ended June 30, 2003, TennCare had improperly paid $127,427 to Children's Services for enhanced behavioral health services for children who are in the state's custody but had been placed in a medical hospital or a behavioral health facility. Of this amount, $15,123 was paid while the children were in medical hospitals, and $112,304 was paid while the children were in behavioral health facilities. Federal questioned costs totaled $82,943. The remaining $44,484 was state matching funds.

TPL Edits Again Overridden

It was also determined that TennCare staff overrode TPL (third-party liability) edits for Children's Services' claims. The TPL edits are designed to identify enrollees who have other insurance and deduct/adjust the amount of claim reimbursement owed to the providers by TennCare. Because TennCare staff chose to override these edits, the state and the federal government may be paying for services that are the legal obligation of third parties. Office of Management and Budget Circular A-133 requires that "states must have a system to identify medical services that are the legal obligation of third parties," so that costs are not passed on to the federal government. Similarly, the state should not have to pay for these costs. In response to the previous audit, management stated:

> We will review the processes in place over TPL and the related edits to determine whether any changes should be made.

However, no changes have been made, and TennCare staff still overrode TPL edits for Children's Services' claims.

In total, $534,148 was improperly paid to Children's Services; $67,768, to the MCOs; $69,451, to the BHOs; and $99,745, to the MCOs in administrative fee payments. A total of $486,870 of federal questioned costs is associated with the conditions discussed in this finding. The remaining $284,242 was state matching funds.

Noncompliance with utilization of care and services and suspected fraud requirements

As stated in audit findings in the four previous audits, there are no methods or procedures to identify suspected fraud related to "children's therapeutic intervention" claims paid by TennCare to the Department of Children's Services.

Management concurred with the findings for years ended June 30, 1999, June 30, 2000, and June 30, 2001, and partially concurred with the finding for year ended June 30, 2002. In the audit for year ended June 30, 1999, management stated that:

> TennCare will review current procedures for compliance with federal regulations and the Tennessee Medicaid State Plan relative to unnecessary utilization of care and services and suspected fraud. As determined necessary, amendments to the Tennessee Medicaid State Plan will be submitted to HCFA [now known as the Centers for Medicare and Medicaid Services] for approval to address changes in procedures that have occurred to the Medicaid/TennCare Program.

In the audit for year ended June 30, 2000, management stated that:

> A number of the procedures that have been developed to date are discussed in other sections of this audit, under findings having to do with the relationship of TennCare to DCS and to the Division of Mental Retardation Services. Nevertheless, the TennCare Bureau will develop and implement within the next twelve months a comprehensive plan to address surveillance and utilization control and identification of suspected fraud in those areas of the program that still operate on a fee-for-service basis.

In the audits for the years ended June 30, 2001, and June 30, 2002, management did not address claims paid to the Department of Children's Services in management's comments.

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. . .

Based on current audit inquiries of TennCare personnel, the Bureau has not developed methods or procedures to identify suspected fraud for Department of Children's Services (DCS) claims.

In addition, in 1992 the State Medicaid Agency told the federal grantor in the Tennessee Medicaid State Plan:

> 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."

Recommendation

Management is responsible for the programs and resources under their control. That responsibility includes safeguarding public funds from fraud, waste, or abuse. In addition to being responsible for establishing specific control over particular transactions and activities, top management has an overarching responsibility to set an appropriate tone or example. Words are important, but actions, particularly if they are inconsistent with words, are more persuasive.

Any lack of control increases the risk that public resources may be abused. If a control has not been instituted, or if a control is less than effective, either in design or operation, management should take steps to establish or enhance the proper control.

On the other hand, it is a totally different matter when existing controls, which are appropriately designed and implemented, are overridden. Overriding a control is a conscious decision usually made under the rationalization that the control is impeding efficiency, slowing payments, or otherwise interfering with the flexibility management and staff need to deal with day to day, real life circumstances.

It is always easier in the short run to remove controls. More informal practices will push aside all of the cumbersome rules and policies that can be characterized as red tape. But in the long run, the illusion of efficiency gives way to the reality of unaccounted for transactions and confusion about the true nature and circumstances surrounding the use and consumption of public resources.

It is essential that top management provide the discipline necessary to support adequate controls when there are pressures to circumvent them for the sake of expediency or for less wholesome motives.

Sometimes existing controls are circumvented or overridden by staff without the knowledge of upper management. In those cases it is imperative that when upper management becomes aware of such situations, prompt and effective corrections are made to set the appropriate tone.

Obviously when top management fails to act appropriately to such situations staff can easily interpret that inaction as an endorsement or ratification of their disregard for controls. Any control weakness is an issue for auditors. It should also be a serious problem confronting management if management is committed to safeguarding assets. For these reasons, situations involving the active override of controls should be of even greater concern for upper management.

Upper management has been aware of the control overrides noted in this finding for at least 12 months. Although upper management's prior response included the appropriate words of concern and commitment to corrective action, the actual message from management to the auditors and staff is that the conditions are not unacceptable or at least that remedial action is not a priority. It would be preferable if upper management did not wait for multiple citations from the auditors to do what is right.

In light of the many concerns and long standing issues facing TennCare, including the large number of repeat audit findings, it would appear that upper management should take every opportunity to demonstrate a proactive commitment to real improvement in operations, including strong negative reactions to the willful overriding of controls by staff.

The Director of TennCare should carefully review the prior year's finding and determine the true extent to which TennCare management addressed those continuing issues and why those efforts were unsuccessful. The Director of TennCare should ensure that specific responsibility for correcting this finding is assigned to one individual and that individual should be required to develop a written plan for correcting the problem before the next audit. Those corrective measures should include performance of computer-assisted monitoring techniques on a consistent basis to prevent and detect payments for incarcerated youth, children on runaway status, and children placed in medical hospitals. The Director of TennCare should ensure that Children's Services bills only for recipients who receive services and are eligible to receive services. The Director should ensure that TennCare staff clearly understands that it is not acceptable to override the third-party liability edits for Children's Services' claims or any controls. The Director should ensure that TennCare does not pass on to the state and federal government the cost of services that are the legal obligation of third parties. Additionally, the Director of TennCare should ensure that methods and procedures are developed to identify suspected fraud for claims paid to the Department of Children's Services.

Management's Comment

We concur that only covered services should be paid to DCS by TennCare. TennCare management is committed to ensuring that only covered services are paid for DCS children and will again require corrective action from DCS to ensure that only appropriate services are billed

to TennCare. DCS has not provided the written policies that have been requested by TennCare, but a new contract between TennCare and DCS includes requirements for the reports that TennCare needs to identify inappropriate billings.

Payments for Incarcerated Youth and Children on Leave Status

The TennCare Fiscal Office has implemented procedures designed to identify and recoup payments for services for children billed inappropriately by DCS. These procedures were implemented during the audit period but were not applied consistently to all DCS billings. DCS provides TennCare routine listings of children in youth detention centers and those children who are on runaway status. These listings are used to perform a search for any payments for the absent periods and to recover those funds from DCS. TennCare has developed an internal report to identify DCS children in hospitals and voids any claims from DCS for these same dates of service.

TPL Edits

Third party liability edits have been turned on for children's services claims.

Utilization of Care and Services and Suspected Fraud

Through the monitoring procedures performed for DCS providers, certain utilization of care and potential fraud issues may be identified. However, management is giving consideration to any other procedures that may be needed to ensure services provided to DCS children are appropriate.

Fndinig Number	03-DFA-15
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$786,486

Although services should have been covered and provided by the behavioral health organizations, TennCare incorrectly reimbursed the Department of Children's Services $1,208,292 for services for children who were not in the state's custody, resulting in federal questioned costs of $786,486

Finding

As noted in the prior four audits, TennCare has continued to incorrectly reimburse the Department of Children's Services (Children's Services) for services for children who were not in the state's custody. Services for these children should have been covered and provided by the behavioral health organizations (BHOs). Although the prior audit indicated some improvement and reported improper billings of $193,266, the current audit revealed that Children's Services improperly billed TennCare $1,208,292 for the current audit period**.**

TennCare contracts with the BHOs to provide basic and enhanced behavioral health services for children not in state custody as well as basic behavioral health services for children in state custody. The TennCare/BHO contracts also provide all services to prevent children from entering state custody. With the exception of continuum services, behavioral services for children not in state custody should be provided through the TennCare BHOs. Enhanced behavioral health services for children in state custody and continuum services should be provided by Children's Services. Continuum services are defined by TennCare's contract with Children's Services as "A broad array of treatment and case management services ranging from residential to community based services provided by DCS [Children's Services] as medically necessary to meet the treatment needs of the child. Services are begun to children in DCS custody but may continue after a child is reunified to home." In response to the previous audit finding for the year ended June 30, 1999, management stated:

> We concur. TennCare will review the services provided by the BHOs in relation to those services provided by DCS and will work with DCS to ensure their knowledge of those services that can be billed to TennCare and those that must be billed to the BHOs. TennCare will continue to work with DCS to determine the cause and resolution necessary to resolve problems addressed with this program. TennCare will address monitoring techniques that may be available to help detect

> or prevent unauthorized payments for children in state custody or at risk of coming to state custody.

We noted in the audit for the year ended June 30, 2000, that TennCare had not ensured that Children's Services was aware of those services that were covered by the BHOs. Also, it was reported that TennCare had not implemented any monitoring techniques to detect or prevent unauthorized payments for children not in state custody. In response to this issue in the audit finding for the year ended June 30, 2000, management concurred in part and stated:

> We continue to work with DCS and the BHOs to clarify coverage of benefit issues between the two. Although the audit finding states "the contract…does not sufficiently describe the services that Children's Services should provide," the current interdepartmental agreement between TennCare and DCS lists the services precisely and includes attachments that describe each one in detail. . . . TennCare has specifically identified to DCS which costs are allowable and which are not. . . . TennCare has contracted with F&A PAR to monitor the contract with DCS. However, we recognize that monitoring of this contract and services billed to us need continued examination and improvement. We will continue to review the monitoring and claims processing procedures to improve detection of unallowable services.

We noted in the audit for the year ended June 30, 2001, that although F&A PAR had looked for more types of unallowable payments, payment problems still existed. Management concurred in part stating that they would continue to work with DCS to request their cooperation in billing only for contracted services. Also, management stated that they would implement procedures to improve monitoring of DCS's billing activity to ensure that inappropriate payments requested are either denied or recouped, if payment has already occurred. TennCare's contract with Children's Services was amended to require the transmission of information from Children's Services to TennCare regarding children who are in state custody.

We noted in the audit for the year ended June 30, 2002, that although management held meetings, amended the contract, and initiated monitoring efforts, TennCare still paid Children's Services for improper billings. Management concurred stating that "the Department of Children's Services should not bill for services that should be provided by a behavioral health organization. TennCare will analyze the billings submitted by DCS. Upon completion of the analysis, we will work with DCS to implement any additional procedures or controls that may be needed and will recoup any funds paid for inappropriate billings."

However, Children's Services continues to bill TennCare for services for children who are not in the state's custody. These services, however, should be covered by the BHOs. Because TennCare cannot know prior to payment which children are in the state's custody, TennCare must review the payments after the fact and then recover inappropriate payments from Children's Services. Current testwork and discussions with TennCare management revealed that TennCare still has not received the listing of children who were in state custody from DCS. Therefore, TennCare has been unable to monitor, detect, or prevent unauthorized payments to DCS for all children who were not in the state's custody. Furthermore, TennCare was unable to

perform an analysis to determine the reasons behind these types of incorrect billings. According to management, TennCare is attempting to address the prior-year findings by including penalties for improper billings in Children's Services' contract for fiscal year ending June 30, 2004. However, as of November 21, 2003, TennCare has been unable to finalize the contract, which is now five months late. See finding 03-DFA-08. As a result, even though billing issues continue to exist, TennCare is forced to rely on Children's Services to bill correctly for the children in its care**.**

Using computer-assisted auditing techniques, auditors again performed a data match comparing payment data from the Bureau of TennCare's system to custody records from the Tennessee Kids Information Delivery System (TNKIDS). The results of the data match again indicated that TennCare had improperly paid $1,208,292 to Children's Services for the year ended June 30, 2003, for children who were not in the state's custody during the dates of service billed to TennCare. Federal questioned costs totaled $786,486. The remaining $421,806 was state matching funds.

Recommendation

The Director of TennCare should take immediate action to finalize the contract with Children's Services and should also ensure that Children's Services provides the required listing of children who were in state custody throughout the year as required by the interdepartmental contract. TennCare should use this list to implement monitoring techniques to detect and prevent payments to Children's Services for services that should be provided by the BHOs.

Management's Comment

We concur. We have a contract with DCS that clearly defines the roles and services each agency is responsible for and are working with DCS to obtain the required reports to perform analysis of billings for children in state custody and at risk of state custody.

We have begun testing DCS claims against a database of in-state-custody and at-risk-of-state-custody children acquired with the cooperation of the Department of Mental Health and Mental Retardation and will be reviewing the results with DCS. This review will also encompass behavioral health and pharmacy services and covers dates of service July 1, 2002 forward. Any claims determined to be inappropriate will be recouped as necessary. We have recouped the amounts identified in this finding.

Finding Number	03-DFA-16
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$46,212

TennCare could not explain paying the Department of Children's Services and the behavioral health organizations for services for children on the same dates of service

Finding

TennCare could not explain paying the Department of Children's Services (Children's Services) and the behavioral health organizations (BHOs) for services for children on the same dates of service.

Using computer-assisted auditing techniques (CAATs), the auditors performed a data match comparing data supporting TennCare's payments to Children's Services to encounter payment data from the BHOs to identify cases in which there were two or more overlapping dates of service. The results of the data match showed that TennCare paid $50,246 to Children's Services for children who were in a Level 3 or Level 4 behavioral health facility and that TennCare also paid $20,751 to the BHOs for behavioral health services for the same children on the same dates of service for the year ended June 30, 2003.

Based on discussions with TennCare's fiscal staff, Level 3 and Level 4 facilities should be providing all services that a child needs while at the facility. In addition, if a provider is aware that a child is in state custody, the provider should not bill the BHO. TennCare could not provide a definitive answer to explain why both Children's Services and the BHOs were paid for behavioral health services for the same children; therefore, the auditors could not determine which costs were appropriate. Federal questioned costs for Children's Services totaled $32,705. The remaining $17,541 was state matching funds. Federal questioned costs for the BHOs totaled $13,507. The remaining $7,244 was state matching funds.

Recommendation

The Director of TennCare should determine if Children's Services or the BHOs should pay for behavioral health services for children in a Level 3 or Level 4 facility or should identify situations where it is appropriate for both Children's Services and the BHOs to cover behavioral health services for children on the same dates of service. The director should establish routine procedures to regularly detect payments made to DCS and the BHOs for the same dates of

service for the same child and investigate as to the propriety of the payments. Ultimately, TennCare should ensure that duplicate payments are not being made to Children's Services and to the BHOs for the same services.

Management's Comment

We concur. We have begun running reports that are designed to identify behavioral health expenditures for children in level 3 and 4 facilities. We then provide suspect claims to DCS and require them to research and respond to the TennCare Bureau within 30 days. Any items that are determined to be inappropriate will be recovered. Claims identified in this finding have been recouped from DCS.

Finding Number	03-DFA-17
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting
Questioned Costs	None

TennCare has made progress in providing the federal government with required assurances; however, reports are still approximately six months or more late and additional staff are needed to perform monitoring responsibilities for the Medicaid Home and Community Based Services Waivers

Finding

As noted in the prior four audits, the Bureau of TennCare has not provided timely assurances regarding fulfillment of TennCare's contractual responsibilities for 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. Additionally, TennCare still does not have sufficient staff to perform monitoring responsibilities related to the HCBS MR/DD waiver.

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 prior audit finding identified five specific weaknesses with TennCare's monitoring effort (which includes providing federal assurances) for the Medicaid Waiver for Home and Community Based Services for the Mentally Retarded and Developmentally Disabled. The following three issues from the prior year have been corrected:

- Development of a monitoring plan to ensure all areas related to the HCBS MR/DD waiver are monitored.

- Monitoring of the Office of Program Accountability and Review (PAR) to ensure that PAR has complied with its monitoring agreement with TennCare.

- Monitoring the HCBS MR/DD Waiver Program as outlined in TennCare's contract with the Division of Mental Retardation Services.

However, the other two issues regarding timely reporting of required assurances and inadequate staff to perform monitoring duties remain.

Required Assurances Not Reported Timely

Section 1915(c)(2)(E) of the Social Security Act requires the state to provide the Secretary of HHS with an annual report, the Centers for Medicare and Medicaid Services (CMS) 372 report, which details 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. The report should also include TennCare's assurances of financial accountability under the waiver. Additionally, a lag report is to be submitted which updates the prior year report for any activity that may have occurred after the report date.

TennCare is required to submit the CMS 372 Report within 181 days after the last day of the waiver period for each waiver. This is required by the CMS *State Medicaid Manual*, Section 2700.6 E., Submittal Procedures for Due Date. All of the CMS 372 Reports submitted were reviewed, and none of the reports were filed timely.

- The CMS 372 Report for the state-wide HCBS MR/DD Waiver for fiscal year 2002, which should have been submitted by December 28, 2002, was not submitted until June 30, 2003, and the state-wide HCBS MR/DD lag report for 2001 was not submitted until October 2, 2003. This report should also have been submitted by December 28, 2002.

- The CMS 372 Report for the Arlington Waiver for the fiscal years ended June 30, 2002 and 2001, and the Arlington lag report for 2001 were not submitted until June 30, 2003. (Since the Arlington Waiver began July 1, 2000, fiscal year 2001 was the first year it was necessary to file a lag report.) The CMS 372 Report for 2002 and the lag report for 2001 were due December 28, 2002. The CMS 372 Report for 2001 was due December 28, 2001.

- The CMS 372 Report for the Shelby County Elderly and Disabled Waiver for fiscal years ended June 30, 2002 and 2001, and the lag report for fiscal years 2001 and 2000 were not submitted until June 19, 2003. The CMS 372 Reports were due on December 28, 2002, and December 28, 2001, respectively.

- The CMS 372 Report for 2001 and the lag report for 2000 for the American Disabled for Attendant Programs Today (ADAPT) Waiver were submitted July 16, 2003. TennCare should have submitted these reports by April 28, 2001. The CMS 372 Report for 2002 and the lag report for 2001 were submitted on June 17, 2003. These reports should have been submitted by April 28, 2002.

This issue was first reported in the audit for year ended June 30, 1999. Management has concurred with this portion of the finding in each of the last three years and has promised corrective action, however, CMS 372 Reports still were not submitted within 181 days after the last day of the waiver period as required by the CMS *State Medicaid Manual.*

Inadequate Staff to Perform the Monitoring Duties

Testwork revealed that TennCare's Long Term Care (LTC) unit still does not appear to have adequate personnel to perform the monitoring of services provided to enrollees in the HCBS MR/DD waiver to support the federally required assurances. The LTC unit has been split into two divisions, the Division of Developmental Disabilities and the Division of Long Term Care. During the previous year's audit, it was reported that the Bureau of TennCare had only one permanent monitor for the recipients of waiver services, the service providers, and DMRS. Based on a discussion in the current audit with TennCare's Director of the Division of Developmental Disabilities, it was disclosed that there were now five monitors; one for each of the three regions and also two additional quality monitoring nurses on staff.

Although additional employees have been hired and some vacant positions have been filled, staff was still insufficient to perform the required monitoring timely. The Director of the Division of Developmental Disabilities said that four or five teams with two persons each should be adequate staff to perform the required monitoring of the waiver; however he is working with only five staff now.

This issue was first reported in the audit for the year ended June 30, 1999. Management has acknowledged the problem and has concurred with each of the prior audit findings, however, inadequate staffing problems continue.

Recommendation

The Director of TennCare should ensure the Director of Developmental Disabilities takes all the necessary steps to ensure timely submission of the CMS 372 reports. The Director should require timely monitoring of the process to ensure adequate assurances of health and welfare are made to CMS. The Director should ensure that an adequate number of appropriately trained staff are available to perform monitoring.

Management's Comments

TennCare Division of Long Term Care Services

Required Assurances Not Reported Timely

We concur with the recommendations regarding timely submission of the required reports for the Shelby County and ADAPT waivers. Reports for the year ended June 30, 2003

were due by December 31, 2003 and were submitted timely. We will endeavor to continue to submit the reports in a timely manner.

Inadequate Staff to Perform the Monitoring Duties

We concur in part. The number of Quality Monitoring staff in the LTC unit is currently adequate to perform the required surveys for the existing waiver programs (ADAPT, PACE and Shelby) that serve 800 enrollees in four counties. This number of staff will not be adequate when the Statewide Elderly Waiver begins since it will serve 2,871 enrollees across the state. Additional Quality Monitoring staff has been requested to meet the monitoring needs of this waiver.

TennCare Division of Developmental Disability Services

Required Assurances Not Reported Timely

We concur that the CMS 372 report for the statewide HCBS-MR Waiver (#0128.90.R1) for fiscal year 2002 and the lag report for fiscal year 2001 were not submitted timely. The CMS 372 report was submitted June 30, 2003 and the lag report was submitted October 2, 2003.

We concur that the CMS 372 report for the "Arlington" HCBS-MR Waiver (#0357) for the fiscal years ended June 30, 2002 and 2001 and the lag report for fiscal year 2001 were not submitted timely. The CMS 372 report for the fiscal year ended June 30, 2002 and the lag report were submitted June 30, 2003. The CMS 372 report for the fiscal year ended June 30, 2001 was submitted June 19, 2003.

Reports for the HCBS MR/DD and Arlington waivers for the year ended June 30, 2003 were due by December 31, 2003 and were submitted timely. However, the CMS 372 report for the statewide HCBS MR/DD waiver was incomplete when submitted since the state assessment was still in progress. An amended report will be submitted as soon as the state assessment is completed. This is anticipated before July 1, 2004.

The lack of timely reporting of required assurances by the Division of Developmental Disability Services involving the HCBS-MR waivers (#0357 and #0128.90.R1) has been due primarily to inadequate numbers of quality monitoring staff necessary to complete the annual state assessments in sufficient time to write up and submit the reports by the due dates. Additional quality monitoring staff has been hired by the Division of Developmental Disability Services and it is anticipated that all CMS 372 reports and lag reports will be filed timely beginning July 1, 2004.

Inadequate Staff to Perform the Monitoring Duties

We concur that there have been insufficient numbers of appropriately trained quality monitoring staff necessary to complete the annual state assessments in a timely manner. After being carved out of the Division of Long Term Care in August of 2003, there were unit manager vacancies in the Division of Developmental Disability Services for the Quality Monitoring and

Utilization Review Unit and for the Community-Based Services Unit, and there were only two full-time quality monitoring surveyors. The two unit manager positions in the Division of Developmental Disability Services were filled on October 15, 2003, and January 1, 2004, respectively. Two additional full-time quality monitoring surveyors were hired September 1, 2003, and October 1, 2003. Multiple attempts have been made to fill the one remaining vacant quality monitoring surveyor position without success, and efforts to fill the vacancy are ongoing. Another position in the Division of Developmental Disability Services will be converted to a quality monitoring surveyor position and will be filled as soon as possible. In addition, the TennCare Deputy Commissioner has approved two additional positions for the unit and submitted a request for additional positions in the fiscal year 2005 budget. It is anticipated that the remaining vacancies mentioned above will be filled by July 1, 2004.

Finding Number	03-DFA-18
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

As noted since 1999, TennCare is still violating the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled in the way claims are paid for services provided to the mentally retarded and developmentally disabled

Finding

As noted in the prior four audits, TennCare has contracted with and paid 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* (CFR), 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, after four years of repeated findings, TennCare continues not to comply with HCBS MR/DD waiver requirements regarding claims for services.

The prior finding noted the following:

- 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 is not paying DMRS the same amount DMRS pays providers.

- TennCare allowed DMRS to combine services without waiver approval.

These issues continue to be problems, even though management concurred with these prior audit findings four previous times.

Testwork revealed that TennCare has continued to inappropriately pay DMRS as a Medicaid provider. DMRS in turn has continued to treat 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.

Failure to Process and Pay Claims on Approved MMIS

Furthermore, the waiver agreement also requires provider claims to be processed on an approved Medicaid Management Information System (MMIS) and provider payments to be issued by TennCare. Under Appendix F of the HCBS MR/DD waiver, TennCare has selected the payment option which states, "All claims are processed through an approved MMIS." However, under the current arrangement, 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).

In response to the previous audit finding for year ended June 30, 2002, management stated:

> We concur that the payments made by the Division of Mental Retardation Services (DMRS) were not made via an approved Medicaid Management Information System during the audit period. Direct provider payment has been discussed at meetings with the system contractor for inclusion in the design of the new system. Staff from DMRS and the TennCare Division of Long Term Care (TDLTC) have participated in TennCare Management Information System (TCMIS) planning sessions and have made it clear that the new system must be able to accommodate direct provider payment for mental retardation (MR) waiver providers. Implementation is scheduled for October 2003. In addition, direct payment of providers and a simplified rate structure have been included in the Infrastructure Development and Corrective Action plan for the MR waiver programs. . . .

In response to this issue in the audit finding for year ended June 30, 2001, management stated:

> 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 response to this issue in the audit finding for year ended June 30, 2000, management stated:

> . . . During the request for proposal and contract process with interested new fiscal agents, the possibility for direct provider payment and volun-tary reassignment of provider payment to DMRS will be explored. . . .

In response to this issue in the audit finding for year ended June 30, 1999, management stated:

> . . . Provisions will be implemented that allow the provider voluntary reassignment of their service payment to a government agency, i.e., DMRS, with the ability to cancel the arrangement should he choose to receive direct payment from the Medicaid agency. As a long-term goal, we will work toward the federal requirement that the Medicaid agency make payments directly to the provider of services. This effort will not be completed for several years due to computer system limitations.

Since the response to the prior audit management has decided not to pay providers directly, but rather attempt to designate DMRS as a limited fiscal agent for the waiver. In management's six-month follow-up report to the Division of State Audit regarding this finding, management indicated:

> In order to correct the issues cited in this report, DMRS will be designated as a limited fiscal agent for the waiver and an approved Medicaid Management Information System (MMIS) will be developed. An RFP will be released by October 1, 2004.

While the HCBS MR/DD waiver document has an option which could allow payments to be made through a different system, this option was not selected by TennCare. TennCare in the HCBS MR/DD waiver also indicated that providers may voluntarily reassign their payment to DMRS. However, the provider agreements in effect during the audit period required the provider to accept payment from DMRS since direct payments through the TennCare Management Information System (TCMIS) were not possible during the audit period. The Centers for Medicare and Medicaid Services (CMS) agree with our position and have instructed TennCare to comply. A report dated July 27, 2001, on a compliance review conducted by CMS for the HCBS MR/DD waiver 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.

In an approval letter of the cost allocation plan CMS stated,

> . . . We are particularly concerned about the findings that TennCare has been making Medical Assistance Payments (MAP) for the MRDD HCBS under their waiver directly to the DMR [DMRS], instead of making the payments directly to the actual service providers. . . .

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

Testwork revealed as it has been reported in the previous four audits that TennCare is not paying DMRS the same amount DMRS pays providers because DMRS has 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. Regulations require any claims submitted by providers for services performed for waiver recipients to be processed in accordance with all applicable federal regulations and waiver requirements, and the state to receive the federal match funded at the appropriate federal financial participation rate.

The billing and payment process used by TennCare and DMRS 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.

4. DMRS bills TennCare based on the waiver rates.

5. TennCare pays DMRS the TennCare rates using the TCMIS.

In an approval letter of the cost allocation plan CMS stated:

> . . . [DMRS] Using their own payment system separate from the TennCare Management Information System, the DMR paid the actual HCBS providers for their services in accordance with entirely different fee schedules that they negotiated and agreed upon in their contracts (or provider agreements) using the waiver approved provider rates which were never approved by TennCare. For the most part, DMR was in fact administering the State's HCBS waiver and was simply billing the TennCare Bureau as the funding source for the waiver services rendered to the Medicaid eligible recipients. In accordance with the provisions of the Social Security Act and with the terms of the federally approved waiver, the State should only be claiming MAP [Medical Assistance Payments] at the Federal Medical Assistance Percentage (FMAP) for waiver services costs that it pays directly to the actual providers of the HCBS. . . .

Management concurred with this portion of the prior-year audit finding and stated:

> We concur that until approval of the cost allocation plan, DMRS administrative expenses were partially reimbursed by TennCare . . .

Also, regarding DMRS' paying waiver claims outside the prescribed waiver agreement, management stated in response to the finding for the year ended June 30, 2001:

> 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.

This response was similar to the response for year ended June 30, 2000. TennCare included in its contract a section entitled "payment methodology" and described the payment of administrative costs through the cost allocation plan. While DMRS may not be recovering enough money through the claims reimbursement process to pay its 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, any profit (the excess of TennCare's reimbursements to DMRS over DMRS' payments to providers) from the reimbursement of treatment costs would be inappropriately used to pay administrative costs.

The federal government has also noted this inappropriate practice of using claims reimbursement to partially fund administrative costs in the CMS compliance review report 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).

Testwork specifically revealed that 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 50 of 60 claims (83%) paid by TennCare to DMRS. TennCare paid DMRS less than DMRS paid the providers on the other 10 claims. In total for the 60 claims examined, TennCare paid $174,957 to DMRS, and DMRS paid the providers $158,980.

We also selected a sample of 300 claims processed through the Community Services System (CS tracking) and determined the following:

- For 55 claims, there was no evidence that DMRS had billed TennCare for the service.
- For 26 claims, TennCare had denied the billing DMRS had sent to TennCare.
- For 157 claims, TennCare paid DMRS more than DMRS paid the provider.
- For 62 claims, TennCare paid DMRS less than DMRS paid the provider.

The total amount paid by TennCare for the claims in this sample was $256,931. For the 219 claims that TennCare paid, DMRS paid the provider $277,421. The total amount paid by DMRS to the providers for all 300 claims was $344,523.

As noted in finding 03-DFA-20, testwork on the sample of 60 revealed that some of 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 03-DFA-20. No additional questioned costs relating to the differences in payments will be reported in this finding.

Combined Services Without Approval

In the prior two audits, it was noted that DMRS contracted with providers who were providing a service described as community participation (CP) combo. Combo services are provided by DMRS to individuals in the HCBS MR/DD waiver. DMRS provides many different combo services. However, the HCBS MR/DD waiver does not allow any combination of services.

Management concurred with this portion of the 2002 audit finding and stated:

> We concur that approval of "bundled services" has not been sought from CMS. . . . TDLTC and DMRS intend to remedy the issue regarding flexibility in the provision of day services through revision of waiver definitions for the waiver renewal application that will be completed within the next 6 months.

Management concurred in part with the 2001 finding and stated in response to that finding:

> 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.

In addition, a transmittal letter from HCFA (the Health Care Financing Administration, now known as CMS) dated January 23, 1995, states:

> For a state that has HCFA approval to bundle waiver services, the state must continue to compute separately the costs and utilization of the component services to support final cost and utilization of the bundled service that will be used in the cost-neutrality formula.

However, in management's six-month follow-up report to the Division of State Audit regarding this finding, management indicated:

> . . . TennCare plans to submit a new waiver application, which will include revised waiver definitions that more closely resemble the flexibility needed in the program for the provision of services to the MR population. However, CMS has not yet given their permission to submit a new waiver request. The anticipated completion date is not known at this time.

During fieldwork, we asked long-term care staff for documentation that CMS has approved this type of combo service and management indicated at that time that they would pursue such documentation. However, no such documentation was provided. By not receiving approval from the federal government, there is a chance that the services that were combined were not combined in accordance with the objectives of the program.

Recommendation

Note: This is the same basic recommendation made in the prior four audits.

The Director of TennCare should take immediate action to comply with all federal requirements, including those in the waiver. The Director should also ensure that TennCare pays providers in accordance with the waiver. If TennCare continues to allow DMRS to pay providers directly, the Director should ensure that DMRS fulfills all the federal requirements necessary to become a limited fiscal agent. For providers paid through the DMRS system, the Director should ensure that TennCare pays DMRS the lesser of the approved TennCare waiver rate or the amount paid by DMRS to the providers. Or, if the federal government concurs with the average rate payment methodology then TennCare should monitor payments by DMRS to providers and TennCare's payments to DMRS to ensure they truly operate on a break-even basis. For providers who do not choose to reassign payments to DMRS, TennCare must pay providers directly through TCMIS. The Director should ensure that TennCare has CMS approval for all bundled services.

Management's Comment

Failure to Process and Pay Claims on Approved MMIS

We do not concur. We do not agree with the Centers for Medicare and Medicaid Services on this issue and will work with them on a resolution. Payments made by the Division of Mental Retardation Services (DMRS) for services provided through the Home and Community Based Services (HCBS) waivers were not made directly to individual providers or via an approved Medicaid Management Information System during the audit period; however, payments made by TennCare to DMRS for services provided through the HCBS waivers were made through the approved TennCare Medicaid Management Information System. We believe this arrangement is in compliance with federal regulations. TennCare is implementing a new Management Information System which will have the capability to allow direct provider payment for services provided through the HCBS waivers should TennCare and DMRS, from a policy perspective, choose to have a direct payment system.

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

We concur in part. TennCare is paying DMRS the rates established in the waiver and approved by CMS. These payments are paid on an interim basis and are being cost settled to ensure that no amounts greater than the waiver rates are paid. Any adjustments needed as a result of the cost settlement will be made. The Comptroller's TennCare Division has completed an interim cost settlement and we are compiling more data in order to complete the final cost settlement with DMRS to assure that no overpayment was made.

TennCare has submitted waiver renewal applications for HCBS waiver #0357 and HCBS waiver #0128.90.R1. Upon approval of the waiver renewal applications by the Centers for Medicare and Medicaid Services, TennCare will pay DMRS the lesser of the TennCare waiver service rate (not the average rate payment specified in the approved HCBS waivers) or the amount paid by DMRS to the waiver service providers.

Combined Services Without Approval

We concur that approval of "bundled services" in the Home and Community Based Services (HCBS) waivers for the mentally retarded was not previously obtained from the Centers for Medicare and Medicaid Services (CMS). To resolve this finding, on February 23, 2004, TennCare submitted waiver renewal applications for HCBS waiver #0357 and HCBS waiver #0128.90.R1 with revised waiver service definitions. CMS is currently reviewing the waiver renewal applications.

Auditor's Rebuttal

Failure to Process and Pay Claims on an Approved MMIS

Management explicitly states that it disagrees with the Centers for Medicare and Medicaid Services (CMS), the federal grantor, on the issue of processing and paying claims on an approved Medicaid Management Information System. However, the current waiver agreement between CMS and TennCare requires provider claims to be processed on an approved Medicaid Management Information System and provider payments to be issued directly by TennCare.

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

Although management concurred in part, it is not clear from management's comments with which part it does not concur. Management acknowledges that DMRS is not paying providers rates established in the waiver and approved by CMS, and that a cost settlement will be necessary to ensure approved waiver rates have not been exceeded. TennCare in effect has allowed payments to providers outside the prescribed approved waiver rates. It is unclear when a cost settlement will occur.

Finding Number	03-DFA-19
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

TennCare does not have a process to recover funds that the Division of Mental Retardation Services recouped from providers, and TennCare does not collect all patient liabilities for enrollees in the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled, causing TennCare to pay more for services than necessary

Finding

TennCare does not have a process to recover funds that the Division of Mental Retardation Services (DMRS) recouped from providers, and TennCare does not collect all patient liabilities for enrollees in the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (HCBS Waiver).

DMRS recovers funds from the HCBS Waiver providers for sanctions against providers, moratoriums, noncompliance with applicable sections of the *DMRS Operations Manual*, and claims that were identified by DMRS or the providers as having been incorrectly overpaid by DMRS. TennCare has a draft policy for the collection of funds that DMRS recoups from providers and is in the process of revising the policy. The policy says that DMRS should send TennCare a Monthly Recoupment Report. According to the policy, from that report TennCare staff would determine the need to recover funds from DMRS.

Based on discussion with the TennCare Long Term Care (LTC) Medical Director, for most months during fiscal year 2003, LTC did receive, pursuant to the draft policy, recoupment reports from the East Tennessee Regional Office and the Middle Tennessee Regional Office; however, no recoupment reports were submitted by the West Tennessee Regional Office. According to the TennCare LTC Medical Director, recoupment reports were not useful because the reports reflected what DMRS planned to collect from providers rather than what DMRS did collect from providers. As a result, TennCare did not recover any funds.

Regarding patient liabilities, the Office of Management and Budget "A-133 Compliance Supplement," which references the *Code of Federal Regulations*, Title 42, parts 135 through 154 requires that:

> States must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third party

resources should be exhausted prior to paying claims with program funds. Where a third party liability is established after the claim is paid, reimbursement from the third party should be sought.

In addition, the *Operations Manual for Community Providers* states in Chapter 1, p. 33, that form 2362 (which is generated by the DHS eligibility counselor) assigns the amount of a person's income that is to be paid by the enrollee towards the costs of his/her Medicaid Waiver services. Although a process was in place to identify patient liability, the full patient liability was not recovered by TennCare.

Testwork and inquiry has revealed that TennCare deducts up to a maximum of $241, from payments made to DMRS for persons with patient liability. However, if the enrollee's patient liability was greater than $241, TennCare did not reduce the payment made to DMRS for the remaining amount of patient liability. For example, one enrollee's patient liability was $836, and TennCare only reduced payment to DMRS by $241. TennCare did not reduce its payment to DMRS for the $595 ($836 less $241) remaining amount of the patient liability.

Although TennCare should have recovered monies from DMRS based on funds recouped from waiver providers and should have reduced payments to DMRS by the full amount of patient liability, TennCare has not taken the required action, and the federal and state governments have paid more for waiver services than was necessary.

Recommendation

The Director of TennCare should ensure that all steps are taken to protect to the state treasury and federal government from excessive payments. The Director should ensure a process is in place to reduce payments to DMRS by the full amount of patient liability for HCBS Waiver enrollees and should follow the draft policy for financial recoupments for funds that DMRS recoups from providers of the HCBS Waiver. The Director of Information Systems in consultation with the Long-Term Care Medical Director should ensure that the new system is designed to collect all patient liabilities.

Management's Comment

We concur that there is not a process for timely funds recovery from the Division of Mental Retardation Services (DMRS) for financial recoupments that were imposed by DMRS on a provider for an event involving the provision of waiver services through the Home and Community Based Services (HCBS) waivers for individuals with mental retardation. On February 27, 2004, TennCare revised its policy for the reporting and repayment of financial recoupments and sanctions when such actions have been taken by DMRS in its role as the Administrative Lead Agency for the HCBS waivers for individuals with mental retardation. Joint meetings between TennCare and DMRS are being held to identify Management Information System changes that will be required before implementation of the revised funds

recovery process. The target date for implementation of the necessary programming changes is October 1, 2004.

We concur that TennCare has not collected excess patient liability in those limited circumstances where the patient liability exceeds the cost of the Support Coordination service (approximately $241) for enrollees in the HCBS waivers for individuals with mental retardation. Changes to collect excess patient liability in those few circumstances where the patient liability exceeds the cost of the Support Coordination service will require programming changes in the TennCare Management Information System. Various options are currently under consideration to determine the most appropriate way of recovering the excess patient liability. The target date for implementation of the necessary program changes is October 1, 2004.

Finding Number	03-DFA-20
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility
Questioned Costs	$18,893

Since 1999, TennCare has still failed to ensure that adequate processes are in place for approval of recipient eligibility and for the review and payment of services under the Medicaid Home and Community Based Services Waivers; 89% of the 120 claims examined contained deficiencies, resulting in $29,025 in questionable expenditures

Finding

As noted in the prior four audits, TennCare has not ensured the appropriate review and authorization of eligibility and of the services allowed 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 waiver. In spite of our prior findings, DMRS continued to allow providers to render services to recipients before proper eligibility preadmission evaluations (PAEs) were performed and documented and before services were reviewed and authorized. As a result, as in the past, claims were again paid for unallowable and/or unauthorized services. In addition, the required service plans were not authorized timely or were missing.

Management concurred with the portion of the finding related to waiver issues that were reported in the audit report for fiscal year ended June 30, 2002. However they only partially concurred with the part of the finding concerning the PAEs and stated that human error should be expected.

A sample of 60 claims from the HCBS MR/DD Waiver was selected. In the review of the 60 claims, testwork revealed that for 50 (83%) of the waiver claims tested, deficiencies were noted. The deficiencies included the following:

- For 45 (75%) of the claims tested, the enrollee's service plans were not signed timely or were missing from the regional office. The *Operations Manual for Community Providers*, Chapter 2, states that billing cannot be claimed for services furnished prior to the development and authorization of the Service Plan.

- Proper supporting documentation was not retained by many of the vendors for the claims reviewed. Twenty-two percent of those tested, 13 of 60, did not maintain sufficient documentation. In many instances, the support was inadequate because

the units (hours or days) recorded by the vendor were less than the units paid by TennCare. In some cases, documentation could not be found, or the waiver recipient was absent from the provider on the day for which the claim was made.

The total amount of the 60 claims sampled was $174,957. Costs associated with the errors noted above totaled $28,744, of which $18,710 was federal questioned costs. The remainder of $10,034 was state matching funds. The total amount paid for HCBS MR/DD waiver claims was $156,338,494.

A separate sample of 60 claims for the HCBS Elderly and Disabled waiver was selected. In a review of the claims for the elderly and disabled recipients, testwork revealed that for 57 of 60 claims tested (95%), deficiencies were noted. The following problems were found:

- For 3 claims (5%), the supporting documentation for services obtained from the provider was not adequate for the claims examined because the hours paid did not agree with the hours the vendor recorded. The vendor was paid for more units than the documentation showed. (See the questioned costs below.)

- For 57 claims (95%), the services which were authorized by a written plan of care, were not provided. Specifically, individuals who should have been furnished two to four hours of personal care according to the plan of care, in fact, received less than two hours. Not following the written plan of care could result in enrollees not receiving services in accordance with their needs assessment.

The total amount of the 60 claims sampled was $42,131. Costs associated with the overpayments noted above totaled $281, of which $183 is federal questioned costs. The remainder of $98 is state matching funds. The total amount paid for HCBS Elderly and Disabled waiver claims was $3,692,876. We believe likely questioned costs associated with this condition exceed $10,000.

A sample of 25 PAEs from the HCBS waivers was selected from PAEs approved by TennCare long term care staff during the year ended June 30, 2003. TennCare uses PAEs to document the necessity of waiver services. Before enrollees obtain waiver services, TennCare long term care staff must approve a PAE for the enrollee, which documents eligibility and the need for nursing care. In a review of the PAE approval process, testwork revealed that for 4 of 25 PAEs tested (16%) for the waiver recipients, the PAEs were not completed properly, or the supporting documentation was not adequate. Specifically, one or more of the following deficiencies were noted:

- The PAE asks whether a person has a behavior disorder of such severity that the absence of an ongoing program of inpatient behavior modification therapy would reasonably be expected to seriously endanger the life of the person…or endanger the lives of others. The statement explaining the enrollees' condition appears to be confusing since the determination of the need was not consistent based on behavior problems that were similar for two of the recipients tested.

- For one recipient, the assessment of nursing services needed did not agree with the plan of care. The physician signed "assessment for nursing" noted that no nursing services were needed. However in the plan of care, prepared by an Independent Service Coordinator, 100 hours of nursing related services were included.

- For one PAE reviewed, a review date was not recorded on the PAE, indicating when review and approval by a member of TennCare's Long-Term Care Unit occurred.

Since management and staff, in spite of prior findings, did not ensure 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 recipients whose eligibility and services were not adequately documented. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that costs be adequately documented.

Recommendation

Note: This is the same basic recommendation made in the prior four audits.

The Director of TennCare should determine why the measures taken in the previous year 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 are adequately documented. The Director of TennCare should ensure that only properly supported and completed PAEs are approved. Waiver claims without adequate documentation should be recouped. The Director should ensure that vendors maintain proper documentation of services provided.

Management's Comment

<u>HCBS Elderly and Disabled Waivers Issues</u>

The Division of Long Term Care concurs that some claims for the HCBS Elderly and Disabled waiver were paid without adequate supporting documentation and that services were not provided in accordance with the authorized plan of care. These issues were identified during monitoring activity performed by TennCare staff separate and apart from the auditor's finding. These issues have been cited in reports to the HCBS administrative lead agency and a corrective action plan to address the issues has been required. Recoupment of the overpayments will be made.

The Division of Long Term Care is increasing its quality monitoring, which includes post-payment reviews of samples of paid claims for appropriate documentation. If inadequate documentation is found, the associated payments will be recouped.

HCBS MR Waiver Issues

Regarding missing or unsigned service plans and supporting documentation, we concur. Audit findings will be provided to the Division of Mental Retardation Services (DMRS) for review and appropriate resolution. DMRS will be required to submit a corrective action plan within 30 days of receipt of the audit findings. The TennCare Division of Developmental Disability Services will review and approve the plan and monitor to ensure the implementation of corrective actions.

PAEs

Regarding confusion about the behavior disorder question on the Pre-Admission Evaluation (PAE), we partially concur. All waiver enrollees must meet inpatient level of care criteria for ICF/MRs, as well as crisis admission criteria until such time as the moratorium on admissions has been lifted. While we believe that the PAE was properly processed, for clarification, the behavior question on the PAE will be revised when the PAE form is next updated. The target date for revision is January 1, 2005.

Regarding the lack of agreement between the assessment of nursing services needed and the physician's plan of care, we do not concur. While there was a discrepancy in what the physician wrote on the PAE, the physician's plan of care, which is a part of the PAE and which was signed by the physician, specified that nursing services were needed for "100 units (hours) of nursing related services per month." The nurse reviewer appropriately approved the PAE using clinical judgment.

Regarding the lack of a review date on the approved PAE, we concur. We believe that the omission was an isolated occurrence of human error. The nurse reviewer was counseled in December 2003 regarding the need to always have the review date on the PAE.

Auditor's Rebuttal

While management acknowledged that there was indeed a discrepancy in the PAE, management did not concur that the lack of agreement between the assessment of nursing services needed and the physician's plan of care was a problem. We believe that discrepancies in instructions on the PAE should be resolved before the PAE is approved. Discrepancies on a PAE can lead to a patient not receiving needed services or receiving services that are not necessary.

Finding Number	03-DFA-21
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$633,702

TennCare did not properly record payments to Premier Behavioral Systems of Tennessee and subsequently claimed too much federal financial participation, resulting in questioned costs totaling $633,702

Finding

TennCare incorrectly recorded administrative fee payments to Premier Behavioral Systems of Tennessee as medical assistance payments. Prior to February 2003, TennCare paid Premier a monthly capitation payment to provide services to TennCare enrollees. Beginning in February 2003, TennCare started reimbursing Premier for all behavioral health services provided to enrollees and paid an administrative fee for these enrollees. According to the approval letter from the Centers for Medicare and Medicaid Services (CMS) for Premier's contract amendment, the state will be allowed to claim federal financial participation (FFP) for earned administrative fees at the 50 percent federal matching rate, not at the higher medical assistance rate.

Testwork revealed that TennCare fiscal staff incorrectly coded administrative fee payments totaling $4,486,047 made to Premier as medical assistance payments for the months of February, March, and April 2003. As a result, TennCare claimed $657,293 too much from the federal government in matching funds. In addition, testwork revealed that during the months of May and June 2003, TennCare incorrectly recorded monthly medical assistance payments totaling $134,500 as administrative fees, resulting in TennCare failing to claim $23,591 in federal financial participation available at the higher medical assistance rate.

The federal questioned costs associated with this condition totaled $633,702. Because no additional state funds were paid because of this condition, there were no state matching funds related to the federal questioned costs.

Recommendation

TennCare's Chief Financial Officer should ensure that Premier payments are recorded appropriately so that the appropriate federal financial participation is claimed.

Management's Comment

We do not concur. The amendment with Premier was designed to be a partial risk arrangement. All partial risk arrangements are reimbursed federal financial participation at the medical assistance rate and not at the lower administrative rate. If CMS should pursue this matter and ultimately prevail through the appeal process, TennCare will adjust the match. However, until such time, TennCare will continue to claim the match that is favorable to the State.

Auditor's Rebuttal

The approval letter to the Director of TennCare from the Centers for Medicare and Medicaid Services for Premier's contract amendment states:

> During discussion regarding the available risk banding options for the contractors, you advised us that Premier had selected option 4 of the profit/loss risk-banding program. Because the TennCare Bureau is responsible for 100% of all profits or losses under option 4, the Premier BHO is deemed to be operating as a non-risk contractor . . .

The approval letter further states that because Premier BHO is operating as a non-risk contract, the state will be allowed to claim federal participation for earned administrative fees at the 50 percent federal matching rate. Although management contends that the amendment with Premier was designed to be a partial risk agreement, it appears to be a non-risk agreement.

It should be noted that TennCare coded administrative fee payments to Premier as "administrative" for the months of May and June 2003.

Finding Number	03-DFA-22
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Material Weakness
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

TennCare's monitoring of payments to MCOs for services and payments for dental claims needs improvement

Finding

As noted in the prior audit, TennCare's monitoring of payments to Volunteer State Health Plan Inc. (VSHP) for TennCare Select needs improvement. In addition, current testwork revealed that TennCare's monitoring of payments to other Managed Care Organizations (MCOs) for services and payments to Doral Dental of Tennessee for dental claims needs improvement.

TennCare contracts with VSHP for the administration of TennCare Select. According to the contract, the purpose of TennCare Select is to "(1) provide services to populations who are more difficult to serve because of their health care needs, their mobility, and/or their geographic location; and (2) to serve as a back-up in any area of the state where TennCare enrollees cannot be adequately served by other TennCare HMOs [Health Maintenance Organizations], either in the event of the unexpected exit of an existing risk HMO or a need for additional capacity." VSHP pays the claims submitted by the providers for individuals enrolled in TennCare Select, and then TennCare reimburses VSHP for the cost of the claims.

Beginning July 1, 2002, through December 31, 2003 (referred to as the stabilization period), the other nine MCOs (Better Health Plans; BlueCare; John Deere Health Plan; Memphis Managed Care Corporation; Omnicare Health Plan; Preferred Health Partnership of Tennessee; Universal Care of Tennessee, Inc.; Victory Health Plan, Inc.; and Xantus Healthplan of Tennessee, Inc.) all paid claims submitted by the providers for individuals enrolled in the MCOs and then billed TennCare for reimbursement of the cost of the claims. During the year ended June 30, 2003, TennCare reimbursed the MCOs over $2.6 billion for claims. Therefore, monitoring by the TennCare Bureau similar to that required for TennCare Select became necessary for all MCOs.

The previous audit identified five critical control weaknesses with TennCare's monitoring of TennCare Select payments. The following critical control weakness related to TennCare Select was not corrected:

- TennCare did not reconcile the amount TennCare reimbursed VSHP to the TennCare Select claim encounter data received by the Division of Information Systems.

In response to the prior finding, management stated:

> We concur. We will develop procedures to monitor for the items in the recommendation. We have begun reconciling payments to encounter data. We will have an audit performed of the amounts billed to the state for compliance with contract terms.

Discussions with management revealed that TennCare is still in the process of developing monitoring procedures. To help achieve its monitoring objectives for TennCare Select, TennCare has relied on an examination performed jointly by the Department of Commerce and Insurance and the Medicaid/TennCare section of the Comptroller's Office. During fiscal year 2003, the Department of Commerce and Insurance and the Medicaid/TennCare section performed a joint examination of BlueCare and TennCare Select for calendar year 2002 which included half of the current audit period. The Department of Commerce and Insurance and the Medicaid/TennCare section were not asked by TennCare to perform, and therefore did not perform the reconciliation of the amount TennCare reimbursed VSHP to the claim encounter data received by the Information Systems Division. We determined that TennCare staff reconciles the invoices to the check register for all MCOs and Doral Dental. We determined that the joint examination conducted by the Department of Commerce and Insurance and the Medicaid/TennCare section included work to substantiate that third party liabilities were appropriately deducted, that claims were not reimbursed more than once, and that claims are being paid for eligible enrollees.

Despite management's claim that they had begun a reconciliation of payments to encounter data, there was no evidence that this had occurred. According to TennCare's Chief Financial Officer, TennCare performed a reconciliation of encounter data to invoices. However, the Chief Financial Officer could not provide documentation that such a reconciliation was performed because the accountant responsible for performing this reconciliation had retired.

Moreover, testwork revealed that TennCare had not ensured monitoring of six of the ten MCOs for four critical control areas. For four of the ten MCOs the Department of Commerce and Insurance and the Medicaid/TennCare section of the Comptroller's office either conducted an examination or were in the process of conducting an examination by the end of audit fieldwork in December 2003. The Memphis Managed Care Corporation examination was for the period January 1, 2003, through June 30, 2003 and the Omnicare Health Plan examination was for the period January 1, 2003, through March 31, 2003. However, TennCare did not perform any reconciliations of the amount TennCare reimbursed the MCOs to the claim encounter data received by the Information Systems Division until after the end of the audit period. TennCare used an accounting firm to reconcile the payments for the months of September 2002 through November 2002 for all the MCOs. However, neither the accounting firm nor TennCare completed reconciliations for the other months of the audit period.

Beginning October 1, 2002, TennCare began paying dental services on a fee-for-service basis through Doral Dental of Tennessee. Doral Dental of Tennessee pays dental providers for services provided to TennCare enrollees. Doral Dental of Tennessee then receives reimbursement from TennCare for the cost of the claims. During the year ended June 30, 2003, TennCare reimbursed Doral Dental over $81 million for dental claims.

We reviewed procedures to determine if TennCare had monitored Doral Dental for the same five critical control areas mentioned in the prior-year audit finding for TennCare select. Our objectives were

- to determine if TennCare monitored Doral Dental to ensure that the amounts paid to the providers for services provided to TennCare enrollees were correct and that third-party liabilities were appropriately deducted from the amount paid,

- to determine if TennCare adequately monitored to ensure that individual provider claims were not reimbursed more than once,

- to determine if TennCare adequately monitored reimbursements to ensure that Doral Dental paid for valid and eligible TennCare enrollees,

- to determine if TennCare adequately monitored transactions to ensure that Doral Dental paid the providers the same amounts billed to TennCare, and

- to determine if TennCare reconciled the amounts TennCare reimbursed to Doral Dental to the claim encounter data received by the Division of Information Systems.

Testwork revealed that the only monitoring procedure related to the five critical control areas performed for Doral Dental was the reconciliation of the invoice to Doral Dental's check register. Discussions with TennCare's Chief Financial Officer and Managed Care Director during fieldwork revealed that TennCare is developing procedures to address the remaining critical control areas. Based on discussions with TennCare management, TennCare anticipates using existing resources (TennCare staff, TennCare Internal Audit, the Tennessee Department of Commerce and Insurance, and the Medicaid/TennCare section) to monitor the Doral Dental service reimbursement process.

Inadequate monitoring could lead to duplicate paid claims, ineligible recipients receiving benefits, MCOs and/or Doral Dental not reimbursing providers the same amounts received from TennCare, and/or incorrect amounts being paid to providers.

Recommendation

The Director of TennCare should ensure that adequate monitoring of all the MCOs and Doral Dental fee-for-service payments is performed. The monitoring effort should include procedures to ensure that the amounts paid to the providers for services provided to MCOs and

Doral Dental enrollees are correct and that third-party liabilities are appropriately deducted from the amounts paid, individual provider claims are not reimbursed more than once, MCOs and Doral Dental only bill TennCare for claims paid for eligible MCO and Doral Dental enrollees, and that TennCare reconciles the amounts TennCare reimburses the MCOs and Doral Dental to the MCO and Doral Dental encounter claims. In the future, when TennCare management decides that other areas will be paid on a fee-for-service basis, it should ensure that a mechanism is in place to ensure that monitoring occurs for the five critical control areas.

Management's Comment

Managed Care Organizations

We concur. Since the identification of this issue in the prior audit, TennCare has been working on a process to reconcile the encounter data provided by the managed care organizations (MCOs) to the invoices submitted by them for reimbursement. PriceWaterhouse has performed reconciliations of encounter data as part of their review of data used in calculating recommended funding and rates for the program this year. TennCare has hired an additional staff person in the Statistical Analysis Unit to assist with the reconciliation process. Additionally, we have continued to refine the programs that edit for possible duplicate payments and payments outside eligibility dates to ensure that the results generated are valid. Once the reports are finalized, they will be submitted to each MCO for response and follow-up actions. The final reports are expected to be generated during March 2004.

TennCare also contracts with an External Quality Review Organization (EQRO) to perform certain quality review procedures. One of the procedures is an annual validation of encounters submitted to TennCare by providers (through the managed care contractors).

Doral Dental

We concur in part. The procedures identified in the finding are mostly procedures that are already performed by Doral Dental. The contract with Doral establishes procedures and rates for payments to providers and requires the contractor to provide for certain controls in their claims processing system to prevent inappropriate payments to providers. In part, the contract states that the system must perform edits to identify duplicate claims, to verify that the service is a valid covered service and to confirm that the enrollee was eligible on the date of service. To determine eligibility, the contractor receives daily eligibility data from the State. The contract further provides for the contractor to make reasonable efforts to recover from third-party liable sources when third-party liability (TPL) exists and to pay a provider only the claim amount that exceeds the amount of TPL.

We do recognize that it is our responsibility to ensure that the contractor is carrying out the terms of the agreement and the Dental Director and other TennCare staff have routine conference calls with the contractor to ensure that the terms are being met. Also, as noted in the above finding, TennCare did reconcile the weekly invoice to Doral's check register to verify the accuracy of the invoice and that reimbursement to Doral was based on actual amounts paid to

providers. To further ensure that controls and edits established in the contract with Doral are in place, the TennCare Fiscal Office has designed and implemented additional monitoring procedures to verify that the contractor is paying providers rates set by the contract, that services are provided only to eligible enrollees and that duplicate claims are not paid to providers. The Bureau will determine whether additional procedures are needed for TPL and implement any additional procedures as necessary. Furthermore, TennCare is in the process of performing a reconciliation of encounter data to invoiced claims to identify and reconcile any differences.

Finding Number	03-DFA-23
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$507,997

For the fourth consecutive year, TennCare did not recover fee-for-service payments paid for deceased enrollees; this has resulted in new federal questioned costs of $507,997 and additional costs to the state of $274,078

Finding

As stated in the three previous audits, TennCare has made, and failed to recover, payments for health services for enrollees that records indicate are deceased. For the year ended June 30, 2003, our testwork discovered the following:

Description of Match Performed	Federal Questioned Costs	State Match	Total Costs
Fee-for-service payments to Managed Care Organizations (MCOs) for services provided after the dates of death recorded in the TennCare Management Information System (TCMIS)	$334,154	$179,212	$513,366
Fee-for-service payments to Behavioral Health Organizations (BHOs) for services provided after the dates of death recorded in TCMIS	$29,192	$15,656	$44,848
Fee-for-service payments to nursing homes and Medicare cross-over providers for services provided after the dates of death recorded in TCMIS	$127,346	$68,298	$195,644
Fee-for-service payments to MCOs for services provided after the dates of death reported by the Office of Vital Records but not recorded in TCMIS	$8,076	$4,331	$12,407
Fee-for-service payments to BHOs for services provided after the dates of death reported by the Office of Vital Records but not recorded in TCMIS	$1,247	$670	$1,917
Fee-for-service payments to nursing homes and Medicare cross-over providers for services			

provided after the dates of death reported by the Office of Vital Records but not recorded in TCMIS	$4,463	$2,393	$6,856
Administrative fees paid to MCOs for periods after the dates of death recorded in TCMIS	$1,294	$1,294	$2,588
Administrative fees paid to MCOs for periods after the dates of death reported by the Office of Vital Records but not recorded in TCMIS	$2,225	$2,224	$4,449
Totals	$507,997	$274,078	$782,075

From the results above, it appears the areas of concern are fee-for-service payments to MCOs, BHOs, and other service providers for services rendered after the dates of death recorded in TCMIS. These payments accounted for $753,858 of the total costs of $782,075. Presumably, these payments would occur, and then sometime later TennCare would obtain notification of deaths and enter the dates of death into TCMIS. However, because it is not clear from TCMIS when the dates of death were entered, we cannot be certain that no payments were made after the dates of death were entered into TCMIS. While it may be unavoidable that payments will be made for services that were provided after dates of death, such payments should be promptly ascertained by TennCare and recovered. As of the end of August 2003, the payments above had not been recovered.

Our testwork revealed that TennCare did not compare dates of death in TCMIS with the dates of service for payments made to the MCOs and BHOs. During the "Stabilization Period," which included the entire audit period, TennCare reimbursed all MCOs on a fee-for-service basis for services provided to enrollees. In addition, beginning in February 2003 TennCare started reimbursing both of the BHOs on a fee-for-service basis for all behavioral health services provided to TennCare enrollees.

Based on discussion with TennCare Information Systems (IS) staff, the fee-for-service payments to nursing homes and Medicare cross-over providers for services provided after the dates of death recorded in TCMIS were made because the date-of-death notifications occurred after the dates of the payments. We determined that while TennCare has a manual process to identify claims that need to be recovered, TCMIS is not programmed to automatically identify claims paid after the dates of death that need to be recovered. Not using TCMIS to identify these payments increases the risk that payments might not be recovered.

We also reviewed pharmacy claims which are included in the MCO and BHO fee-for-service amounts above, and determined that fiscal staff and pharmacy unit staff established written procedures in 2003 to recover funds paid for pharmacy claims from Consultec, TennCare's pharmacy benefits manager (PBM), that were paid on behalf of deceased TennCare enrollees. According to TennCare staff, TennCare provided Consultec with a report of deceased TennCare enrollees in April 2003. According to management they asked Consultec to use the report to identify claims paid for deceased enrollees. However, as of December 31, 2003, Consultec ceased to be TennCare's PBM and has not provided the results for the enrollees who had died between July 2002 and March 2003. For April 2003 through the end of the audit period, TennCare staff researched the questionable claims and contacted Consultec to void the

claims. We noted that some of the claims for a portion of March 2003 and the period of April 1, 2003, to June 30, 2003, have been voided. These claims have been removed from the questioned costs.

TennCare's failure to recover fee-for-service payments was first reported in the audit for the year ended June 30, 2000. In that audit, management stated that they "will review procedures over recovery of fee-for-service claims paid on behalf of deceased enrollees." However, in the audit for the year ended June 30, 2001, we discovered additional fee-for-service payments that were not recovered. Management did not concur with that finding, but they stated that they would "review the cases cited by the auditors to ensure that procedures in place are effective." In our rebuttal to that finding we noted that the procedures needed improvement and that management did not address capitation payments. In the audit for the year ending June 30, 2002, we again discovered that TennCare did not recover all fee-for-service payments. In response to that finding, management in the Division of Information Systems stated:

> We do not concur. TennCare Information Systems has processes in place to facilitate the recovery of both fee-for-service and capitation payments made on the behalf of deceased individuals. We process capitation payments on a monthly basis and process fee-for-service payments on a weekly basis. TennCare Information Systems staff works suspected dates of death. Other dates of death, which are obtained from the MCOs, are researched and, if verified, are manually updated to the TCMIS. We will work with Vital Records to attempt to correct any delays in reports of death. . . .

In our rebuttal to that finding we noted that management did not address the $25,713 of questioned costs relating to unrecovered capitation payments, the removal of the 12-month limit on recoveries from the contracts with the MCOs, the incorrect billing of the federal government's share of unrecovered payments, and the recovery of TennCare select claims. The results of our current testwork again confirm that TennCare's processes have not operated to ensure the recovery of fee-for-service payments made on behalf of deceased individuals and have cost the taxpayers money.

Recommendation

The Director should acknowledge and ensure the Director of Information Systems and the Chief Financial Officer acknowledge the importance of detecting deceased enrollees and the need to protect the taxpayers from unnecessary costs associated with deceased enrollees and ensure that processes are implemented to compare dates of death in TCMIS with the dates of services for payments made to the MCOs and BHOs. The Director should ensure that all fee-for-service payments, including those paid by TCMIS, Consultec, MCOs, and BHOs, made on behalf of deceased recipients, are recovered back to the date of death. If TennCare is going to continue to rely on procedures performed by the PBM to identify and collect payments for deceased enrollees, the Director should add wording to the contracts to require the PBM to perform these procedures and allow TennCare to assess penalties when the PBM does not perform the procedures. In the future, when management determines that other areas of

TennCare will be paid on a fee-for-service basis, management should establish adequate controls to detect and recover fee-for-services payments paid for these services.

Management's Comment

We do not concur with the part of the recommendation that we have not acknowledged the importance of detecting deceased individuals and recouping for services billed for periods occurring after the dates of death. We have taken actions as detailed below to identify deceased enrollees and update the system with dates of death and are in the last stages of preparing reports to go to managed care contractors to begin the recoupment process on claims as necessary. We do concur that more detailed and timely monitoring of managed care expenditures is needed to ensure recoupments are made when necessary. Although recovery procedures are in place for long term care, we do concur that more timely recoveries are needed.

In September 2003, to comply with a legislative requirement and to obtain independent verification of particular elements of the TennCare database of enrollees, we contracted with ChoicePoint, a provider of identification and credential verification services, to perform an electronic match of our database to other public record databases available to the contractor but not readily available to the State. One of the elements included in the match was date of death. In the report, dated December 30, 2003, the contractor identified 206 enrollee records with inconsistencies in death information based on processing rules developed by TennCare and the contractor. TennCare's subsequent analysis of the 206 records indicated 122 records had already been updated by TennCare; 73 records had existing eligibility but 61 of those had a date of death of less than 90 days old and would have been updated timely according to TennCare's procedures, and the remaining 12 records with existing eligibility required additional research; 7 enrollees had been terminated by TennCare for reasons other than death; and 4 enrollees were confirmed as alive in Tennessee, despite the indication from the Social Security Administration that a death claim had been filed.

<u>TennCare Information Systems</u>

As a result of the prior year finding, in April 2003, TennCare Information Systems acquired a subscription to the Social Security Administration's Date of Death Master File and loaded it as a baseline to TCMIS. Updates to the Date of Date Master File occur monthly from the SSA website. This data is compared to TennCare enrollee data for individuals with current eligibility to identify exact matches or mismatches on the dates of death and enrollee records missing dates of death. These matches are then researched and updates to the eligibility master file are recorded when the dates of death are validated. Information Systems also receives files monthly from the Tennessee Department of Health, Office of Vital Records regarding dates of death. Managed care contractors also report date of death information and this information is loaded to TCMIS once validated. Information Systems is producing a report for the TennCare Fiscal Office to enable recovery of claims paid for dates of service occurring after dates of death. Revisions have been made to the design of the report and it will now be provided to the Fiscal Office monthly.

TennCare Fiscal Services

Processes were in place during the audit period to identify and recoup administrative fee payments to managed care contractors. Through a report produced by Information Systems, we have enhanced our identification of claims paid on behalf of deceased enrollees by MCO, BHO, dental and pharmacy contractors by identifying encounters for services after the date of death and outside the eligibility period of the enrollee. In March 2004, the results of these reports will be sent to the applicable entity for research and explanation and where appropriate, recoupments will be made. This process will occur on a monthly basis going forward and is retroactive to the beginning of the stabilization period and the beginning of the TennCare Select agreement.

Additionally, the Fiscal Office is reviewing pharmacy claims quarterly independent of the process above to identify claims paid for deceased enrollees and instructs the pharmacy benefits manager to void them as appropriate. We are reviewing the items noted in the finding with MCOs to validate the information and determine if funds need to be recouped. Recoupments have been made from February 2003 forward and will be made for the period from July 2002 up to February 2003.

TennCare is analyzing the auditor's testwork and has determined that many of the claims are pharmacy claims. The pharmacy claims will be handled according to the recoupment process noted above. Other claims identified in the testwork will also be reviewed and when appropriate, recoupments will be made. In addition, it should be noted that some inpatient claims are paid according to a DRG (Diagnosis Related Group); these claims are paid on the basis of the diagnosis and not on the length of stay at the facility.

We do not concur that the state should return federal funding for capitation adjustments beyond the 12-month limit in the contract; the contractor risk agreements were approved by CMS with that clause in place. We are making necessary changes to the system to recoup TennCare Select payments beyond the 12-month limit and recoupments will be made back to July 2002.

Division of Long Term Care Services

The Division of Long Term Care Services has procedures in place for recoveries for claims paid for service dates occurring after the dates of death but we will review the procedures over the recovery process. Additional procedures will be implemented if needed to ensure that recoveries are made on any claims determined to be inappropriate. In our analysis of a sample of 19 long term care records identified by the auditor's testwork, it was determined that eight were paid correctly or had been adjusted in November 2003 or January 2004; three were PACE enrollees for which monthly capitation fees are paid and recoveries are not made for a partial month's stay; and the remaining eight records will require additional research and action. Because of the circumstances identified in our review, we do not agree that an automated recovery process is feasible since many of the records, including date of death, require validation and research before action is taken.

Auditor's Rebuttal

TennCare Fiscal Services

In response to management's nonconcurrence, our recommendation did not state that TennCare "should return federal funding for capitation adjustments beyond the 12-month limit in the contract."

Division of Long Term Care Services

Management stated, "we do not agree that an automated recovery process is feasible since many of the records, including date of death, require validation and research before action is taken." We have not recommended an automated recovery process. Instead we have recommended the use of an automated process to identify claims paid after the dates of death. This would permit more time to be devoted to research and recovery of claims.

Finding Number	03-DFA-24
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$12,794

A Medicaid enrollee's pre-admission evaluation was not on file, and medical necessity could not be substantiated

Finding

As noted in the prior audit, because nursing home providers did not maintain pre-admission evaluations (PAEs) for Medicaid enrollees, TennCare could not provide the necessary documentation to substantiate the medical necessity of services provided to the enrollees.

Management concurred with the prior audit finding and stated that upon implementation of the new TennCare Management Information System (TCMIS), all PAEs and supporting documentation would be scanned into the system. However, during fiscal year 2003, the new TCMIS system had not been implemented. In June 2003, the TennCare Division of Long Term Care (TDLTC) began keeping a copy of the cover sheet of each PAE and issued a bulletin to nursing home facilities stating that PAEs must be maintained on file for Medicaid-eligible nursing home residents. According to TennCare staff, TDLTC started keeping all five pages of the PAEs in August 2003.

Rules of the Tennessee Department of Finance and Administration Bureau of TennCare, Section 1200-13-1-.10(2)(f), states:

> A PreAdmission Evaluation [PAE] must include a recent history and physical signed by a physician who is licensed as a doctor of medicine or doctor of osteopathy. A history and physical performed within 365 calendar days of the PAE Request Date may be used if the patient's condition has not significantly changed. Additional medical records (progress notes, office records, discharge summaries, etc.) may be used to supplement a history and physical and provide current medical information if changes have occurred since the history and physical was performed.

TennCare uses PAEs to document enrollees' eligibility and need for nursing home services.

Current year testwork revealed that for 1 of 49 PAEs (2%), neither TennCare nor the nursing home provider could provide the complete five page PAE, which included the physician's signature and documentation of medical necessity.

The total amount paid for the individual who did not have an approved PAE was $19,659. The total amount paid for the 49 individuals sampled was $543,885. TennCare paid $1,091,750,820 for nursing home claims. Federal questioned costs totaled $12,794. The remaining $6,865 was state matching funds.

Recommendation

Since the PAEs are critical support for TennCare eligibility, the Director of TennCare should ensure that PAEs are properly maintained, and if a PAE is lost, that appropriate and timely actions are taken to ensure that medical necessity can be substantiated through medical records or other evidence. The Director of TennCare should ensure that the new policy of keeping the entire five page PAE is followed.

Management's Comment

We concur. In response to this issue in the prior audit, TennCare management directed the Division of Long Term Care to retain copies of all PAEs. TDLTC began keeping copies of the cover pages of PAE approvals on June 1, 2003. However, the procedure was revised in August 2003 to retain the entire 5 page document. In addition, a remittance advice bulletin was included with payments to remind providers of procedures for pre-admission evaluations (PAEs). The bulletin reminded providers that PAEs must be maintained for Medicaid eligible residents and advised them that the providers should contact TDLTC for lost PAE letters (or copies of approved PAEs) if PAEs are missing.

We will continue to maintain copies of the approved PAEs and will begin imaging incoming PAEs when the new information system is operational.

Finding Number	03-DFA-25
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$934

For the second consecutive year, TennCare's providers could not provide evidence that the services provided on a fee-for-service basis were actually provided or medically necessary

Finding

As noted in the previous audit, TennCare's providers could not provide documentation to substantiate services associated with fee-for-service claims. For claims to be allowable, Medicaid costs must be for an allowable service rendered, be supported by medical records or other evidence indicating that the service was provided, and be consistent with the enrollee's medical diagnosis. Management concurred with the prior audit, however, the problems still continued.

Although the state is operating under a waiver from the federal Centers for Medicare and Medicaid Services (CMS) to implement a managed care demonstration project, more and more services are being paid on a fee-for-service basis. This is occurring because the state has decided to shift the burden of high cost/high risk groups from the managed care organizations back to the state.

We tested a sample of 94 claims (which included all the areas of TennCare that operated on a fee-for-service basis during the audit period) to determine the adequacy of documentation supporting the medical costs associated with these claims for service. Specifically, testwork revealed that TennCare's providers could not provide documentation, or the documentation that was provided was inadequate to support the need for the medical service for 6 of 94 claims (7%) paid by TennCare or paid by TennCare through reimbursement of one of TennCare's Managed Care Organizations (MCOs).

Specific testwork indicated that providers could not substantiate that services were actually provided to enrollees for three claims tested. The problems noted were as follows:

- For one Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (HCBS) claim there was no documentation that 28 units of transportation were provided.

- For one HCBS claim for day habilitation, while 120 hours of day habilitation were billed, we could not determine if these hours of service were provided.

- For one dental claim, the date of service indicated by the documentation was January 27, 2003. The date of service for which TennCare was billed was January 22, 2003. There was no documentation that the services were provided on the date of the claim.

In other cases, results indicated that the providers could not substantiate that services were provided or that services provided were medically necessary for three claims:

- For one MCO claim for physical and speech therapy services the provider could not substantiate that the service was provided or that it was medically necessary.

- For two claims, one for a heart test and one for a glucose blood stick test, the providers could not substantiate that the services were provided or that they were medically necessary.

For four other claims, documentation of medical necessity and/or documentation that services were actually provided was not available during the audit but was provided by management in February 2004. No costs were questioned for these claims.

The total amount of the six errors noted above was $1,435 out of a total of $2,887,395 tested. Federal questioned costs totaled $934. The remaining $501 was state matching funds. TennCare paid $3,984,345,085 in fee-for-service claims for the types of claims sampled.

Based upon discussion with various management personnel during fieldwork it was determined that TennCare uses a variety of techniques to review medical documentation. These techniques included reviewing providers that prescribed excessive amounts of drugs, as well as focused reviews on certain services. Although management is reviewing selected areas, based upon our examination of medical documentation, it would appear that additional effort is needed to ensure that providers maintain the required documentation.

Without having adequate documentation that medical services are provided and are consistent with the medical diagnosis, TennCare is paying for and billing the federal government for unallowable medical costs.

Recommendation

The Director of TennCare should ensure that providers maintain the required documentation to support costs charged to the program. The Director of TennCare should consider expending additional resources to conduct reviews of medical records. The Director of TennCare should assign specific responsibility to a member of management to ensure that the scope of work is expanded in regards to verifying medical necessity and that adequate documentation exists to support services billed. The Director should monitor the results of this

work and if sufficient progress is not made, the Director should take appropriate disciplinary action.

Management's Comment

HCBS MR Waiver Services

We concur that providers did not submit documentation to the auditors as requested. It is unclear whether documentation did not exist or whether it was not provided to the auditors to properly document the provision of billed services. Audit findings will be provided to the Division of Mental Retardation Services (DMRS) for review and appropriate resolution. DMRS will be required to submit a corrective action plan within 30 days of receipt of the audit findings. The TennCare Division of Developmental Disability Services will review and approve the plan and perform monitoring activities to ensure the implementation of corrective actions. Corrective actions will include recovery of funds for claims that are not supported.

To increase the number of staff to perform quality monitoring and utilization review, the TennCare Division of Developmental Disability Services hired a Unit Manager for the Quality Monitoring and Utilization Review Unit on October 15, 2003, and hired two additional full-time quality monitoring surveyors on September 1, 2003, and October 1, 2003. Efforts are currently ongoing to fill the one remaining vacant quality monitoring surveyor position. Another position in the Division of Developmental Disability Services will be converted to a quality monitoring surveyor position and will be filled as soon as possible. It is anticipated that the remaining vacancies will be filled by July 1, 2004.

MCO and Dental Services

We concur that providers did not provide documentation for the items cited by the auditors. We will work closely with the audit team in future audits to ensure that the records are provided on a timely basis.

- We contacted the providers of the services for the "heart" test and "glucose blood stick" test, totaling $7.06, and they were unable to provide the documentation. We will instruct the MCOs to contact these providers and request refunds.

- The dental provider billed $41.00 for January 27 rather than January 22, the actual date of service. The provider states that services are billed on the date entered into the billing system rather than the date of service. We have contacted Doral Dental and instructed them to work with the dental provider to ensure that the date of service is correct on all services.

- We were successful in obtaining the medical records supporting payment of $488.00 for physical and speech therapy services. However, these records were submitted late to the audit team.

The TennCare Bureau has several mechanisms in place designed to identify and prevent submission of inappropriate claims. TennCare contracts with managed care contractors, a dental benefits manager and a pharmacy benefits manager to maintain a provider network to deliver services to enrollees. These agreements contain requirements, in part, for the contractors to have internal controls and policies and procedures in place that are designed to prevent, detect, and report known or suspected fraud and abuse activities and to submit a written fraud and abuse compliance plan to TennCare for approval. Our managed care plans and benefit managers employ certain system edits and other audit procedures designed to detect billings for inappropriate claims, and procedures may include on-site audits of providers. The TennCare Program Integrity Unit has the responsibility to coordinate with the plans and benefit managers and other units within the Bureau to investigate and report provider fraud to the Tennessee Bureau of Investigation, Medicaid Fraud Control Unit.

The TennCare Quality Oversight Division performs ad hoc medical record audits when a report is received from any source of suspected inconsistencies between services provided to any enrollee and documentation in the medical record. In addition, the TennCare Bureau's contracted External Quality Review Organization (EQRO) performs a review of medical records to ensure that encounters reported are consistent with the provider's documentation in a randomly selected sample of medical records.

Finding Number	03-DFA-26
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$15,100

TennCare staff did not have adequate reasons for overriding timely filing edits, did not pay providers in a timely manner, and overrode system edits in TCMIS, which resulted in TennCare's payment of duplicate claims to skilled nursing facilities

Finding

TennCare staff did not have adequate reasons for overriding timely filing edits, did not pay providers in a timely manner, and overrode other system edits in TCMIS, which resulted in TennCare's payment of duplicate claims to skilled nursing facilities

Old Claims Discovered

TennCare paid providers that did not meet claims filing deadlines. TennCare staff could not provide adequate documentation to support decisions to override the TennCare system's timely filing edits for these claims that were submitted beyond the deadlines imposed by federal regulations. Also, as noted in the prior three audits, the Bureau of TennCare did not pay Medicare crossover provider claims within six months after receiving the Medicare claim as required by federal regulations. In addition, as noted in the prior two audits, the Bureau did not pay other claims within 12 months after receiving the claim.

After not concurring with this finding for the year ended June 30, 2000, management did concur in each of the next two years and promised corrective action. That action included the implementation of edits, which are now sometimes inappropriately being overridden, to prevent payment of claims submitted after 12 months.

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 (2) The agency must pay 90 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 30 days of the date of receipt. (3) The agency must pay 99 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 90

> days of the date of receipt. (4) The agency must pay all other claims 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 long-term care, skilled nursing facilities, and 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 for the Mentally Retarded and Developmentally Disabled (HCBS-MR) waiver. 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.

Using computer-assisted auditing techniques, we identified 6,948 claims totaling $4,240,219 that were paid beyond the time frames specified in the CFR. Although the CFR and departmental rules allow certain exceptions beyond the 12-month or 6-month requirements, we determined that for 8 ($6,929) of 60 ($34,494) claims tested (13%), TennCare did not have adequate reasons for either paying the claim late or paying a claim not submitted timely.

Of the eight claims, six were not paid by TennCare timely but were submitted by the provider timely, one claim was not submitted by the provider timely but was paid by TennCare timely, and one claim was neither paid by TennCare timely nor submitted by the provider timely.

Of the six that were not paid by TennCare timely but were submitted timely by the provider, the following problems were noted:

- Four claims were pended by the TennCare Management Information System (TCMIS) because they needed to be priced manually by TennCare staff. However, these claims were not paid timely by TennCare staff. In addition, in the absence of written polices regarding how to price these claims, we could not determine whether they were priced correctly.

- Two claims were paid, but upon further investigation, it was determined that these claims were duplicate claims that had already been paid by TennCare. For the first set of duplicate claims, the original claim was submitted in August 1998 and pended. After not being paid for several months, the provider submitted a second claim in November 1998 for the same dates of service, the same enrollee, the

same amount, and the same provider, and was paid in December 1998. In March 2003, edits were overridden, and TennCare paid the original claim. Fiscal staff could not explain why the edits were overridden to allow payment of the claim in March 2003. For the second set of duplicate claims, a similar scenario existed. In addition to the old claims testwork, we found other duplicate claims.

For the remaining two claims in question, TennCare management could not explain why the timely filing edits were overridden and/or why TennCare did not pay the claim timely.

Federal questioned costs for these eight situations totaled $4,510. The remainder of $2,419 is state matching funds. We believe likely questioned costs exceed $10,000 for this condition.

Duplicate Payments Discovered

From the previously mentioned 6,948 claims totaling $4,240,219 that were not filed/paid timely, we reviewed a sample of 60 of these claims and found two duplicate claims. After discovering the duplicate claims, we then examined all similar claims submitted by that same provider, as well as other nursing home claims submitted timely but not paid by TennCare timely. As a result of these additional procedures, we discovered five duplicate payments. If staff involved would have reviewed the Recipient History Profit report, it is likely that these errors would not have occurred. The total of the duplicate claims paid was $16,269. Federal questioned costs totaled $10,590. The remaining $5,679 was state matching funds. Management could have detected the duplicate payments by performing the procedures employed by the auditors.

We also determined that TCMIS is not properly designed to provide an audit trail so that management could determine who overrode the system edits. The time period between the first payments and the second payments for the claims ranged from two to six years.

In four of the five duplicate payments noted, the provider originally submitted the claim during months ranging from April 1996 through August 1999. These original claims were put on hold (pended) in TCMIS when system edits flagged the claims as insufficient or requiring additional review/action. When TennCare did not pay the original claims for several months, the providers then billed the claims again during the months ranging from July 1996 through July 2000. In each situation, once the second claim was submitted by the providers, TennCare paid the second claim within a month. However, the original claims that were pended were ultimately paid again in August 2002 and March 2003. All of the duplicate claims had recipients, providers, amounts, dates of service, and diagnosis codes that were identical to the original claim.

For the other noted claim, the provider originally submitted the claim in January 2001, but before TennCare could pay the provider, the provider billed TennCare again in early February 2001. In late February, TennCare paid the first claim and pended the second claim. TennCare staff again overrode the system and paid the second claim in March 2003. This

duplicate claim also had the same recipient, provider, amount, dates of service, and diagnosis codes as the original claim.

Per discussion with TennCare management, the original claims had to have been manually overridden for payment to occur. Based on our review of payment information in TCMIS, there was no evidence that any of the claims had been voided, and management could not provide a definitive answer as to why the edits were overridden. Furthermore, it was determined that there was no audit trail in the system to identify who overrode the edits. During audit testwork, we found duplicate payment of claims by reviewing the full history of the claims on the Recipient History Profile report provided by management.

Because TCMIS does not have an audit trail to track who has overridden edits, accountability for edit overrides is lacking. Furthermore, the payment of duplicate claims has resulted in additional unnecessary costs to the federal and state governments.

A total of $23,198 was paid for the conditions discussed in this finding. The total federal questioned costs for all the conditions in this finding is $15,100. The remaining $8,098 was state matching funds.

Recommendation

The Director of TennCare should ensure that claims are paid within 12 months of the date of receipt and that Medicare crossover provider claims are paid within 6 months after receiving notice of the disposition of the Medicare claim. The Director of TennCare should ensure that effective controls exist over overrides. Such controls should include the documentation of reasons for paying late claims, a record of who overrode the edit, a requirement that overrides be approved by a supervisor, and limiting override authority to a minimum number of individuals. The Director of TennCare should determine why TCMIS paid for duplicate claims, recover the related overpayments, and ensure that adequate procedures exist to prevent future occurrences of duplicate payments. In addition, the Director should ensure that policies exist to price all claims. The Chief Financial Officer should ensure that all staff consider the full history of a claim before overriding edits to allow payments for claims. The Chief Financial Officer should ensure that the new TCMIS includes an audit trail to identify who performs actions relating to each manually approved claim. The Chief Financial Officer should recover the duplicate payments and refund the federal share to the federal government.

Management's Comment

We concur that for some nursing home payments, duplicate claims were paid and timely filing edits were overridden. The Division of Long Term Care is responsible for handling problem claims from Intermediate Care Facilities (ICFs), Skilled Nursing Facilities (SNFs) and elderly and disabled home and community based services (HCBS) waiver programs. Effective February 2, 2004, the Division of Long Term Care implemented a policy that edits will not be overridden on ICF, SNF or HCBS claims without the written authorization of either the Director

or Assistant Director of the Division of Long Term Care and the TennCare Director or Chief of Operations. Overrides will be allowed only after Recipient History Profile Reports are obtained and reviewed and after it has been proven that the override is supported by TennCare policy. Any duplicate claims paid will be recovered.

We concur that some crossover claims were not paid timely. A review of these claims has been initiated but further review of the pricing policies and procedures will be conducted to ensure that all claims are processed according to policy; revisions will be made as necessary to ensure claims are paid timely and priced correctly.

Finding Number	03-DFA-27
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition
Compliance Requirement	Other
Questioned Costs	None

TennCare did not follow its internal control procedures for the financial change request process

Finding

There was inadequate evidence that personnel in TennCare's Fiscal Budget Division had reviewed and approved changes made in the TennCare Management Information System (TCMIS) resulting from financial change requests (FCRs). FCRs are forms that must be completed to make a financial change within the TCMIS. These changes include adjustments or corrections to payments made to providers. Electronic Data Systems, the fiscal agent, is responsible for keying FCRs into TCMIS. After Electronic Data Systems staff key the FCRs into TCMIS, the requested change is sent back to the Fiscal Budget staff member who requested the change. That staff member is then responsible for verifying that the change processed through TCMIS agrees with the change requested on the FCR. The requestor then signs the bottom of the form to document his or her approval of the change.

The TennCare FCR internal control procedure for requestor approval states:

> Currently (effective April 01, 2001) Fiscal Staff involved in initiating an FCR had to start signing off at the bottom of the FCR as final approval of completion. The signoff completes the FCR process by verifying what was requested was done accordingly and correctly. For example, when a manual check is requested the individual responsible for requesting the manual check would sign the bottom of the FCR verifying/approving the manual check has been received and was finalized as needed.

Discussions with Fiscal Budget staff during fieldwork revealed that the requestor approval line was not signed and dated by the staff as a means of documenting that the change requested was done correctly. Although Fiscal Budget staff claim that they review the changes, they do not use the FCR to document this review. In fact, staff indicated that they periodically pass the FCR log book around so that they can catch up on the sign-offs. In some cases the final sign-off was as much as nine months late. As a result, the auditors could not verify that appropriate reviews of financial changes were made.

If review of changes made as a result of the FCRs is not documented by signing the FCRs as the reviews are completed, the reviews may not actually take place. This could result in TennCare staff not detecting incorrect changes being entered into TCMIS.

Recommendation

The Chief Financial Officer should ensure the requestor of an FCR signs the form when it has been verified that the change requested was done correctly. This review should be performed in a timely manner.

Management's Comment

We concur. The Chief Financial Officer has instructed staff to ensure the requestor signs FCR forms after promptly reviewing the transaction.

Finding Number	03-DFA-28
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Procurement and Suspension and Debarment
Questioned Costs	$191,915

The Bureau of TennCare did not follow the required procurement process when it obtained telephone answering services for $601,406 and instructed a vendor to submit invoices in amounts that would circumvent contract and bid requirements

Finding

The Bureau of TennCare violated state purchasing rules when it obtained telephone answering services costing $601,406 over a three-year period. TennCare obtained the services of a telephone answering company to perform after-hour answering services for the TennCare hotline without obtaining competitive bids or initiating a contract for the services. Furthermore, TennCare did not have adequate documentation of the services performed by the telephone answering company.

Rules of the Department of Finance and Administration, Chapter 0620-3-3-.03 (1)(a), states, ". . . contracts representing the procurement of services shall be made on a competitive basis. (b) To be competitive, a procurement method must include a consideration and comparison of potential contractors, based upon both cost and quality. . . ." Chapter 0620-3-3-.12 allows the Commissioner of Finance and Administration to make exceptions to the rules. Approved exceptions are to be filed with the Comptroller of the Treasury. However, TennCare did not get an exception from the Commissioner of Finance and Administration to forego the competitive procurement process.

Rules of the Department of Finance and Administration, Chapter 0620-3-3-.05, also states, "The purpose of a written contract is to embody, in writing, the complete agreement between parties. No terms shall be left to an unwritten understanding. A contract shall be explicit and clearly state the rights and duties of each party." However, TennCare did not obtain a contract with the telephone answering company.

According to the Department of General Services' *Agency Purchasing Procedures Manual*, section 7.3.1(4), "Purchases of small amounts of commodities or services may be purchased directly without the requirement of obtaining competitive bids for an amount not to exceed $400." According to the telephone answering company's management, TennCare instructed them not to bill for more than $400 per invoice. As a result, TennCare was able to

purchase the services without obtaining competitive bids. Auditors reviewed numerous invoices for amounts just under the $400 threshold.

Additionally, invoices submitted by the telephone answering company and accepted by TennCare as proof of services provided did not contain sufficient details to allow TennCare to determine the propriety of the billings. For example, the company submitted invoices containing only the number of minutes multiplied by a per minute charge, but did not include documentation such as the name of the TennCare enrollee, the nature of the call, the date the call was answered, and how long each call lasted. Based on discussions with management at the telephone answering company, it appears that this information would have been readily available had TennCare requested it. TennCare, in effect, paid invoices without adequate documentation that services were provided.

The purpose of the state's purchasing rules is to ensure that the state's agencies and departments enter into arrangements with firms that are in the best interest of the state. Not having all services documented in the contract could lead to confusion concerning the scope of services, payment terms, and other conditions. In addition, not obtaining bids could result in the state paying more for the desired services than is necessary and contributes to the perception that management of the TennCare program is not committed to proper accountability. Furthermore, because management did not require adequate documentation, TennCare may have paid for services that were not provided.

The total amount paid to the telephone answering company during the year ended June 30, 2003, was $294,842. Federal questioned costs totaled $191,915. The remaining $102,927 was state matching funds.

Recommendation

The Chief Financial Officer should ensure that all purchases are made in compliance with the Bureau's and the state's purchasing policies and are made in an open, competitive, and cost-efficient manner. In addition, the Bureau should not instruct contractors to artificially divide procurements in order to make purchases below the bid requirements. The Director of TennCare should take appropriate disciplinary action against those responsible for this violation of purchasing rules. The Director of TennCare should also ensure that the Bureau obtains contracts for services. All agreements with contractors should be sufficiently detailed to outline each party's responsibilities. The Director should also ensure that adequate documentation is obtained from contractors performing these services in order to substantiate the billings received.

Management's Comment

We concur. As soon as this matter came to the attention of new management, it was corrected by obtaining a new contractor through a Request for Proposal in compliance with state purchasing guidelines. The manager that instructed this action is no longer with TennCare and no

further action is needed. TennCare management is committed to proper accountability and it is our practice to follow all state purchasing guidelines.

Finding Number	03-DFA-29
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$237

TennCare's delegated purchase authority procedures need improvement

Finding

As noted in findings in the previous two audits, TennCare's delegated purchase authority (DPA) procedures need improvement. The procurements questioned in this finding were made using DPAs. DPAs are granted to departments by the Commissioner of the Department of Finance and Administration 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.

The prior year audit finding noted four specific problems. These problems were

- TennCare's noncompliance with basic purchasing guidelines,
- the use of old vendor authorization forms,
- the lack of evidence of a the competitive bid process, and
- the inappropriate use of a delegated purchase authority.

Testwork revealed that TennCare had corrected the problems noted concerning the use of old vendor authorization forms and the lack of documentation of the competitive bid process. TennCare also corrected a portion of the prior-year audit finding related to noncompliance with basic purchasing guidelines; however, as noted below, there were still instances where possible inappropriate payments were made. As for the inappropriate use of DPAs, discussions with management during fieldwork revealed that the Bureau currently only uses DPA vendors for court reporting and expert witnesses. All other activities that previously have been performed by these vendors are now performed by state employees.

Possible Payment for DPA Vendors While at Lunch

This issue was first reported in the audit for year ended June 30, 2002. Management concurred with this portion of the audit finding and stated:

> . . . In the last six months a meeting was held with all DPA vendors to once again explain billing procedures (several meetings/trainings have been held over the past two years). Vendors were informed that "authorization to vendor" forms must be signed by one of [the bureau's] three managing attorneys, time sheets must be attached to the vendor forms, the hours on the vendor invoices must be exactly the same as the hours on each time sheet, and that lunch breaks would now be mandatory and all lunch breaks must be reflected as non-paid. At this meeting, procedures for using the OGC [Office of General Counsel] time clock, which was instituted in July 2001, were reiterated. On January 23, 2003, an OGC Policy and Procedure, entitled Attendance Policy for On-site Vendors, was revised. This policy was originally drafted on October 1, 2001 and revised March 26, 2002. . . .

During fieldwork, we confirmed that TennCare did revise the policy regarding this matter. This policy states:

> . . . Lunch breaks and rest breaks are not time for which vendors can receive compensation. Time taken for lunch and rest breaks must be recorded using the time clock. Two fifteen-minute rest breaks are allowed each workday for vendors. These two breaks cannot be combined into one longer break, the lunch break, or used to adjust the time of arrival or departure. PLA's [Point Legal Assistants] must be notified of lunch and rest breaks before they are taken. PLA must notify his or her Managing Attorney or the Managing Attorney's designee of his/her lunch or rest breaks. Each vendor is expected to take a daily lunch break for a minimum of 30 minutes or a maximum of one hour. If a daily lunch break of at least 30 minutes is not recorded on the time card, one hour will be deducted from the vendor's daily time. . . .

Testwork revealed that in the case of 17 of the 38 billings (45%), there was a DPA vendor that worked at least six hours in a day but did not take a lunch. A review of the sample items revealed that some vendor employees deducted hours taken for lunch while others did not report any lunch taken, but TennCare still paid. It should be noted that 16 of the 17 payments noted were before January 23, 2003, the date the policy was revised.

The portion of the 17 billings representing the questionable time for which the employees worked for at least six hours in a day and did not deduct the time for lunch from the time sheet was $474. Of the $474 paid, federal questioned costs are $237. An additional $237 of state matching funds was related to the federal questioned costs. The total amount paid for the sample of 38 billings was $21,160. According to data from the State of Tennessee Accounting and Reporting System, the total amount paid for the noted DPA was $1,546,014. We believe likely questioned costs exceed $10,000 for this condition.

Recommendation

The Director of TennCare should ensure that the revised policy about lunch hours is followed.

Management's Comment

We concur. TennCare management significantly revised procedures regarding the DPA to assure that it was appropriately utilized. We also revised the policy regarding lunch hours for DPA positions and we will continue to ensure that it is followed. As noted in the finding, there was only one error noted after institution of the new policy. We will review this policy with staff again to ensure compliance.

Office of General Counsel

We are no longer using the DPA inappropriately and as of June 1, 2003 all DPA legal assistants working with the Office of General Counsel had either been terminated or were placed in state employee positions. The revised policy will be followed for services performed under the DPA in the future.

Member Services

We are no longer using the DPA inappropriately and as of the end of September 2003 all DPA positions with the Member Services unit had either been terminated or were placed in state employee positions. Lunch hours will not be paid for services obtained through the DPA in the future.

Finding Number	03-DFA-30
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

As noted since 1999, the Bureau's compliance with special terms and conditions of the TennCare program still needs improvement

Finding

As noted in the prior four 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 27 special terms and conditions as well as four attachments for the TennCare waiver; however, only 20 STCs were applicable for the audit period. These special terms and conditions required by the federal Centers for Medicare and Medicaid Services (CMS) 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. A review of the Bureau's controls and procedures to ensure compliance with the STCs indicated that the same areas reported as deficient in the 2002 audit still need improvement.

In order to internally monitor compliance with the STCs, the Bureau of TennCare has a TennCare STC coordinator who is responsible for compiling a quarterly STC progress report. This report compiles the quarterly status of each applicable STC to ensure that each is being addressed by TennCare staff. However, several STCs were not reported on in a timely manner. For the June 30, 2003, quarterly STC progress report, 7 of the 27 STCs (5, 10, 11, 12, 17, 24, and 27) were not reported on within 15 days after the quarter end to the STC coordinator, as required by the STC coordinator. This caused the completion of the report to be delayed beyond the intended completion at the end of July 2003 until September 18, 2003.

Testwork revealed instances of noncompliance for 1 of 20 applicable STCs plus noncompliance with a portion of one of the attachments. Problems related to Attachment D-5e (STC 12 in the previous audit) and 17 (STC 23 in the previous audit) are repeated from the previous audits. The two areas that require improvement are as follows:

- STC Attachment D-5e – *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*. In prior audits and in the current audit we noted that TennCare staff have used an estimate

for these expenditures rather than actual expenditures as required by this STC. This issue was first noted in the audit for year ended June 30, 2000. Management concurred with this portion of the finding and stated that they "have requested updated information from Mental Health and Mental Retardation." In the audit for year ended June 30, 2001, we reported that TennCare was still using estimated expenditures rather than actual to draw funds. Management again concurred with this portion of the finding and responded that the BHO was directed to develop a quarterly report listing that would be used to calculate the correct figures for each quarter for calendar years 2000 to date. In the audit for the year ended June 30, 2002, we reported that TennCare in fact had not requested information on actual expenditures from the BHOs and continued to use estimated expenditures rather than actual to draw funds. Management once again concurred with the prior audit finding and stated, "TennCare is currently reviewing reports of enrollees in Institutions for Mental Disease that were prepared by the Department of Mental Health and Developmental Disabilities (DMHDD). DMHDD worked with the Behavioral Health Organizations to develop the report format and recently submitted reports for 1997-2001 to the Bureau for analysis. . . . Once the Bureau's analysis is complete, appropriate adjustments will be made to expenditures and federal draw amounts." Current testwork revealed that reports were submitted for fiscal years 1997-2003; however, adjustments were not made to expenditures or federal draw amounts because TennCare fiscal staff is still trying to validate the accuracy of the reports.

- STC 17 – *The State must continue to ensure that an adequate Medicaid Management Information System (MMIS) is in place and provide evidence of such to CMS upon request. One feature of the system must be to report current enrollment by plan and Medicaid eligibility group (MEG).* We noted in this audit and in prior audits that TennCare needs a new information system because the current system is outdated. This issue was first noted in the audit for year ended June 30, 1999. Management concurred with this portion of the 1999 finding and responded that they were working with CMS to ensure compliance with the special terms and conditions. In the audit for the year ended June 30, 2000, we reported that the TennCare MIS still needed improvement. Management again concurred with this portion of the finding and responded that this STC "will be addressed as a part of the overall review of the TCMIS." In the audit for year ended June 30, 2001, we reported that management had begun identifying the requirements for the new system and performing strategic planning. Management did not concur with that finding, nevertheless they stated that "advances in technology have rendered the current TCMIS in need of updating and further replacement." In the audit for year ended June 30, 2002, we reported that according to information systems staff, the new TCMIS was to be implemented in 2003. Management concurred with this portion of the finding and stated that "TennCare has awarded a contract for development, implementation, and maintenance of an efficient and modern management information system….Initial testing is to begin by or before April 2003 and full implementation is to take place by October 2003." During fieldwork, we noted extensive efforts by TennCare

staff toward implementation of the new system. These efforts included widespread staff involvement in system testing, the development of training, and the creation of system documentation. However, as of December 15, 2003, a new system has not been implemented. See finding 03-DFA-32.

Recommendation

The Director of TennCare should ensure that those staff assigned responsibility for compliance with STCs timely report the status of the STCs to the TennCare STC coordinator. The Chief Financial Officer should complete the evaluation of the reports received and make the appropriate adjustments for actual expenditures for services provided to enrollees residing in an Institution for Mental Diseases. The Director should ensure a prompt implementation of the new TCMIS.

Management's Comment

We concur that not all internal progress reports were submitted to the coordinator timely for the fourth quarter, which ended June 30, 2003. However, progress reports for the two subsequent quarters have been submitted timely and have been provided to management.

STC Attachment D-5e – We concur in part. TennCare has used a process of estimating costs for Institutes of Mental Disease (IMD) on a monthly basis and will reconcile those estimates to actual expenditures. Once the ongoing reconciliation is complete, we will submit adjustments to previous estimates of federal funds claimed. The process of using estimates and reconciling to actual costs is not an inappropriate method of claiming federal funding. We do agree that we have not reconciled timely and will complete the reconciliation as soon as practicable.

STC 17 – We concur. Components of the new system have been implemented (Computerized Telephony System and the Oracle Accounting, Financial, and Premium Management System). All other components of the new system have been going through extensive testing to ensure that the new system satisfies the complex requirements of the program and the needs of the various users. TennCare staff, F&A-OIR and the contractor all have key roles in the successful implementation of the new system. The system will be implemented when each party has fulfilled their role and we are satisfied that any system implementation issues are minimized.

Finding Number	03-DFA-31
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Procurement and Suspension and Debarment and Special Tests and Provisions
Questioned Costs	None

For the fifth consecutive year, not all provider agreements for TennCare services complied with federal requirements and departmental rules

Finding

As noted in the four previous audits, not all provider agreements for TennCare services complied with federal requirements and departmental rules. Management partially concurred with the prior audit finding and corrected three issues concerning the following:

- TennCare's reverification of licensure status of Medicare crossover, managed care organization (MCO), and behavioral health organization (BHO) providers after the providers were enrolled;

- TennCare's monitoring of the enrollment of Medicaid providers at Children's Services and DMRS; and

- TennCare's ensuring that all providers had a provider agreement, as required.

However, the current audit again revealed that not all provider agreements complied with all applicable federal requirements and departmental rules. In addition, the audit noted a new issue regarding the dental provider agreements. These agreements did not require the providers of goods and services, and all others involved in nonprocurement transactions with contracts equal to or in excess of $100,000, to certify their organization and its principals have not been suspended or debarred from a government program.

Responsibility for TennCare provider eligibility and enrollment is divided among the Provider Enrollment Unit in the Division of Provider Services and the Pharmacy Program in the Division of Pharmacy, both in the Bureau of TennCare; the Division of Resource Management in the Tennessee Department of Children's Services; and the East, Middle, and West Tennessee regional offices of the Division of Mental Retardation Services (DMRS), Doral Dental, Magellan Behavioral Health (the parent company of the BHOs), and the MCOs.

The Provider Enrollment Unit is responsible for enrolling 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. The Pharmacy Program is responsible for the eligibility of the providers that provide drugs to individuals who are both Medicare and Medicaid eligible and that provide behavioral health drugs to TennCare enrollees.

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 program. (DMRS is responsible for the daily operations of this Medicaid program.) TennCare reimburses Children's Services and DMRS for payments to these providers. Doral Dental is responsible for the eligibility of dental providers in cooperation with the Dental Carve-Out Program in the Bureau of TennCare. Magellan Behavioral Health is responsible for the eligibility of behavioral health providers, with oversight and guidance provided by the Department of Mental Health and Developmental Disabilities and the TennCare Oversight Division in the Department of Commerce and Insurance.

Not All Provider Agreements Were in Compliance With Federal Regulations and Departmental Rules

Children's Services Provider Agreements

Testwork performed on the Children's Services provider agreements revealed that these agreements did not require providers to:

- disclose ownership and control information and information on a provider's owners and other persons convicted of criminal offenses against Medicare or Medicaid, as required by the *Code of Federal Regulations*, Title 42, Part 455, Subpart B, and

- 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.

Management concurred with the portion of the prior year audit finding related to Children's Services provider agreements and stated:

> We will work with Children's Services to revise the current provider agreements to ensure that all federal requirements are included. Also, as stated above, we will request that the monitors confirm compliance with the required Medicaid provider rules and regulations regarding provider agreements.

We have determined that TennCare has updated its contract with Children's Services, requiring that Children's Services add the required federal and state language to its provider agreements. However, this contract was not signed before the beginning of the contract period. See finding 03-DFA-08 for further details regarding this matter.

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 the *Code of Federal* Regulations, Title 42, Part 431, Section 107 . . . are met." Also, the *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.

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.

Not All Provider Agreements Required Providers to Make Necessary Disclosures Concerning Suspension and Debarment

In addition, it was noted during the current audit that dental provider agreements did not require all providers of goods and services, and all others involved in nonprocurement transactions with contracts equal to or in excess of $100,000, to certify their organization and its principals have not been suspended or debarred from a government program.

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.

Recommendation

The Director of TennCare should ensure that the dental provider agreements are revised to comply with the *Code of Federal Regulations*. The Director of TennCare should ensure that the Department of Children's Services modifies the provider agreements to comply with the *Code of Federal Regulations* and the departmental rules.

Management's Comment

Department of Children's Services Provider Agreements

We concur. TennCare is working with the DCS to ensure that all new provider agreements contain required disclosures and language. TennCare has requested that DCS amend all current agreements to include ownership and control information, information on a provider's owners and others convicted of criminal offenses against Medicare or Medicaid and the five-year record retention requirement. DCS is including the revisions in their quarterly amendment to providers that will take effect April 1, 2004. For future provider agreements, DCS will submit the annual templates to the TennCare Office of Contract Development and Compliance for review to ensure that it contains all required disclosures.

Dental Provider Agreements

We concur. Doral Dental mailed revised Provider Participation Agreement Forms containing the required suspension and debarment language to all contracted dental providers and groups in the dental network on August 21, 2003. The dental providers were informed they were required to complete the information and return it to Doral. A large number of the

agreements have been received and Doral will continue to follow up until all forms are received. The contractor anticipates that this project will be completed by April 2004. Once completed, copies of the agreements will be provided to TennCare.

Finding Number	03-DFA-32
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

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

Finding

As noted in five previous audits, the TennCare Management Information System (TCMIS) lacks the flexibility it needs to ensure that the State of Tennessee can continue to run the state's $7 billion federal/state health care reform program effectively and efficiently.

In the previous audit finding for the year ended June 30, 2002, we reported that according to the Director of Information Systems, an RFP was released on April 22, 2002, and that the implementation of a new TCMIS was to occur in 2003 and was a top project for the Bureau of TennCare. Management also concurred with this audit finding and stated:

> . . . TennCare Information Systems contracted with EDS [Electronic Data Systems] to design, test, implement, and maintain a modern, efficient replacement TennCare Management Information System (TCMIS). The new TCMIS, which is scheduled to become fully operational by October 2003, will be a highly sophisticated, feature-rich system centered on a strong, Medicaid-specific relational data model which divides the application into components so that they process on different networked computers, leveraging the true power of client/server architecture. . . .

During fieldwork, we noted extensive efforts by TennCare staff toward implementation of the new system. These efforts included widespread staff involvement in system testing, the development of training, and the creation of system documentation. We also noted during the audit period that TennCare installed and implemented the new telephone system that will be a part of the new TCMIS. According to the six-month follow up response to the prior audit finding management stated:

> The replacement TCMIS is scheduled to be in place in October 2003 with full implementation to occur in December 2003. . . .

However, as of the end of fieldwork in December 2003, TennCare had not yet implemented the new system.

Recommendation

The Director of TennCare should procede with efforts to implement the new system as soon as possible.

Management's Comment

We concur. Components of the new system have been implemented (Computerized Telephony System and the Oracle Accounting, Financial, and Premium Management System). All other components of the new system have been going through extensive testing to ensure that the new system satisfies the complex requirements of the program and the needs of the various users.

TennCare staff, F&A-OIR and the contractor all have key roles in the successful implementation of the new system. The system will be implemented when each party has fulfilled their role and we are satisfied that any system implementation issues are minimized.

Finding Number	03-DFA-33
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition
Compliance Requirement	Other
Questioned Costs	None

The Director of Information Systems did not provide information necessary to conduct the audit of TennCare timely

Finding

The Director of Information Systems frequently did not provide the auditors with requested information regarding the TennCare Management Information System (TCMIS) timely. The Director also has demonstrated a disturbing lack of understanding of and concern for the objectives of the audit and what is necessary to achieve the audit objectives. A similar finding was noted during the audit for year ended June 30, 1998.

Because the TCMIS is central to the function of the TennCare program, it is impossible to audit the TennCare program without obtaining critical information about the system and the data processed by the system. The Director is responsible for managing both the staff of the Division of Information Systems and Electronic Data Systems (EDS) the contractor hired to maintain and operate the system. Because of the scope of his responsibility, the auditors must submit numerous requests for information to the Director.

In many instances, information was not provided to the auditors timely. Many times, numerous written requests for the same information were made by the auditors before the information was ultimately obtained. For example, on July 16, 2003, the Director was asked, "Was there a system review done on TCMIS by an external entity, like CMS or some other organization, during the audit period?" On July 21, the question was asked again, and the Director requested that the question be submitted in writing. The auditor resubmitted the request in writing on July 22. The Director finally provided an answer to the question on August 23, approximately five weeks after the question was originally asked. In another example, three control memos were provided to the Director on July 21, 2003. These memos document internal control and procedures that enable auditors to obtain an understanding of the control and procedures that Information Systems staff employ to ensure accuracy and accountability of the TCMIS. We requested that the memos, which would have documented control and procedures in place during the prior-year audit, be read and updated as necessary to reflect current controls and practice. Throughout audit fieldwork, we asked the TennCare Director of Financial and Program Review, the Director of Operations, and the Director of Information Systems about the status of our requests. The Director of Information Systems stated that he could not provide a

timely reply because his staff was unavailable to review the information as a result of the new system implementation and testing or extended sick leave. After repeated requests to determine the status of the memos, two memos were provided to the auditors on September 12, and the other one was provided on November 5, four months after the original request.

In an effort to keep management informed of all the audit concerns and to promote an efficient audit, auditors met weekly to communicate audit conclusions and to inform management of audit requests that were still outstanding and had not been addressed. The vast majority of outstanding requests brought to management's attention were requests for documentation or information needed from TennCare's Information Systems Division. The Director had expressed his concern that the audit would disrupt the workflow and critical priorities of the TennCare Information Systems staff, and that he wanted to know in advance and in writing all audit requests. Even though auditors coordinated audit requests, we still had to make repeated requests for information, and sometimes we did not receive the information for several months.

A variety of information-gathering techniques are used during the audit process, including inquiry, observation, and inspection. On occasion, it is necessary to interview employees to inquire about their job functions and responsibilities, and to observe certain processes critical to internal control. Delays were encountered on several occasions when employees in the Division of Information Systems, who appeared apprehensive about answering the auditors' questions, declined to comment or provide information and referred the auditors to the Director. It often appeared that the Director's primary objective was to control the flow of information to the auditors rather than provide a free flow of information, and auditors had the impression that employees were not allowed to speak with them. For example, an EDS employee, after a request from the auditors to discuss dataset monitoring and the production environment, stated that she would "have to get clearance from the client (TennCare) and her management." The Director subsequently voiced his concern that this meeting was not coordinated through his office. Ultimately, the meeting took place two weeks after it was requested.

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate. The same section also states, "The comptroller of the treasury shall have the full cooperation of officials of the governmental entity in the performance of such audit or audits."

The audit of the Bureau of TennCare is part of the state-wide annual audit of the *Comprehensive Annual Financial Report* (CAFR) and the *Tennessee Single Audit* (Single Audit). The Single Audit is conducted in accordance with the Federal Single Audit Act, as amended in 1996. The Single Audit Act requires the auditors to determine compliance with rules and regulations, the existence and effectiveness of internal control, and to report on these matters to the federal government. When information is not received timely, unnecessary delays in audit fieldwork and reporting can occur. Reporting delays can adversely affect management's ability to take prompt corrective action. In addition, unnecessary delays drive up audit costs, which are paid for with state (50%) and federal (50%) funds.

In addition, accountability to top management, the legislature, the federal community, and the public does not appear to be of concern when information required for the audit is not forthcoming. When access to information is tightly controlled or cannot be obtained, additional concerns about management's integrity and performance of the program are heightened.

Recommendation

The Director of TennCare should ensure that the Director of Information Systems cooperates fully with the Office of the Comptroller and provides the information necessary to conduct the audit in a timely manner. If it is determined that the Director of Information Systems has too many responsibilities, and providing timely information to the auditors is not possible, a different contact should be made available to alleviate the delays. All employees, including contract employees, should be clearly informed that they are both free to and expected to cooperate fully with the auditors.

Management's Comment

We partially concur. The Director of TennCare will not tolerate any employees of TennCare intentionally obstructing any audit of TennCare in any way. The TennCare Director believes that the workload and demands on the Information Systems Director and staff are numerous and have been exacerbated by the prolonged process of developing, implementing and testing the new system while continuing the operation of the existing legacy system. TennCare is in the process of performing a review through a consulting contract of the needed support and staffing for the operation of Information Systems. This review is particularly critical as TennCare moves into a new relational systems approach for information processing.

While the audit was in process, it was brought to the attention of TennCare management that there were problems with timely responses from the Information Systems Director. The TennCare Chief of Operations and Director of Financial and Program Review met with the auditors and attempted to set up a system by which information could flow timely to the auditors through weekly meetings between the auditors and the Information Systems Director and by providing their written audit requests to the Director of Financial and Program Review, in addition to the Information Systems Director.

The Information Systems Director does not believe nor does the TennCare Director believe that any intentional, whether real or implied, obstruction of the audit occurred. It should be pointed out that the Information Systems Directors spent numerous hours on nights and weekends performing his function and role throughout the entire audit period. The TennCare Director is very aware of the stress that this type of volume of work creates and feels that from a management perspective the level of stress, workload volume and dedication to work must be taken into account in any evaluation of the Information System Director's performance and may have created the delays.

Auditor's Comment

Although management only partially concurs with the finding, management does acknowledge that there were delays in providing the auditors with information and that these delays were brought to management's attention throughout the course of the audit. Management's comments do not address the recommendation or provide any corrective action given that the Director of Information Systems apparently has too many responsibilities. Again, as stated in the recommendation, management should provide a responsible and reliable audit contact to alleviate the delays.

Finding Number	03-DFA-34
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0205TN5028; 05-0305TN5028
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

TennCare's controls over access to the TennCare Management Information System did not ensure DHS had security forms for all users, allowed unnecessary access to TCMIS, allowed a user to approve his own TCMIS access, accepted pre-signed security request forms for users from the Department of Health, did not adequately document system changes made to TCMIS, did not ensure that the procedures over system changes were adequate, and failed to adequately document changes made using a generic work request number

Finding

As noted in the five 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, numerous critical 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 are critical to the integrity and performance of the TennCare program. Good security controls restrict access to data and transaction screens to a "need-to-know, need-to-do" basis. When system access is not properly controlled, greater risks exist that individuals may make unauthorized changes to TCMIS or inappropriately obtain confidential information, such as recipients' social security and Medicaid identification numbers, income, and medical information.

These principles are so fundamental that any responsible individual should take immediate corrective action and the individuals responsible for this section should be proactive in ensuring the records and patient information of TennCare participants are appropriately safeguarded, rather than waiting for audit findings. And when findings are noted, responsible staff should make it a priority to correct the problems.

The prior-year audit finding noted four specific areas where TennCare internal controls over system security needed improvement:

- justification forms were not obtained for existing users,
- there was unnecessary "update" access to TCMIS screens in the default user group,
- security administration was not centralized, and
- dataset modifications were not monitored and access was not documented.

Management corrected the issues related to the last three areas listed. However, we again found that justification forms were not obtained. Although some users had justification forms, it appears the users had unnecessary access to TCMIS. In addition, the current audit revealed three new weaknesses:

- TennCare allowed the Department of Health to use pre-signed authorization forms and allowed an employee at the Department of Health to approve his own access,
- system changes to TCMIS were not adequately documented, and
- changes made using a generic work request number were not documented.

Access to TCMIS is controlled by Resource Access Control Facility (RACF) software. For users in the Bureau of TennCare, the TennCare security administrator in the Division of Information Systems is responsible for implementing RACF, as well as other system security procedures; for assigning a "username" (i.e., a RACF User ID); and establishing at least one user group for all users not in the Department of Human Services (DHS). RACF controls access by allowing each member of a user group to access a specific set of transaction screens assigned to that group.

Users in DHS are granted access to TCMIS by the security administrator at DHS. Management of the Bureau of TennCare negotiated a no-cost inter-departmental contract to document this relationship. However, this contract was not in force for most of the audit period. The contract states, "This contract shall be effective for the period commencing on May 1, 2003 and ending on June 1, 2007." However, the contract was not approved until August 11, 2003. According to the contract, DHS is "responsible for connecting users to, and removing users from these [user] groups for the purposes that have been authorized by TennCare . . . and will be accountable to TennCare and the State Comptroller's Office for providing evidence of compliance upon request. This includes: a signed 'State of Tennessee Access Security Agreement' form for each individual who has access to TennCare data; an authorization form for each individual who has access to TennCare data that certifies the individual requires the access for one of the purposes authorized by TennCare . . ."

Based on discussion with the TennCare's Director of Financial and Program Review, internal audit staff will review a sample of DHS users annually at DHS for the existence of the appropriate forms. TennCare internal audit conducted its first monitoring review in June 2003. However, the activities of DHS as defined in the contract do not supplant the responsibilities of

the Bureau of TennCare for the information it maintains. It is still the primary responsibility of the Bureau to ensure the proper security forms are maintained because TennCare is ultimately responsible for its own data. Because DHS is not effective in its collection and maintenance of forms, the Bureau must take other steps to meet these responsibilities. Audit testwork revealed the following discrepancies.

Justification Forms Not Obtained for All Users, and Not All Users Needed the Access Granted

The lack of authorization forms was first reported by State Audit in an audit finding for the year ended June 30, 1998, in the audit of TennCare. Management responded to this finding by stating that a new security authorization form was being developed. However, in the audit report for the year ended June 30, 1999, we again reported that system users still did not have authorization forms. In response to that finding, management stated that action had been taken in July 1999 to resolve the issue. However, in the 2000 audit report, our finding stated that while new users beginning in July 1999 were completing authorization forms, no forms had been obtained from existing users. At that time, TennCare's security administrator stated that forms were not obtained for all existing users because she was not instructed to obtain these forms although she should have collected these forms. In response to that finding, management stated that they would continue their efforts to ensure that proper access forms are obtained for all TennCare and other users who require interaction with the TennCare system. However, in the 2001 audit report, we indicated again that authorization forms still had not been obtained for all existing users outside the Bureau of TennCare. Management concurred with this portion of the audit finding for year ended June 30, 2001, and stated that staff was "currently obtaining justifications from users in the Department of Human Services (DHS)."

Although the former TennCare Director had stated in the 2001 finding that action was being taken at that time, we reported in the audit report for the year ended June 30, 2002, that TennCare's security administrator had not obtained the justification forms for any DHS employees who have access to TCMIS. Rather than respond to the inconsistencies between their words and their actions, management did not concur with that audit finding and stated:

> TennCare Information Systems has worked with the Department of Human Services to ensure that signed agreements are obtained for all users. However, the agreement between the agencies has not been signed. We will continue to work with DHS to get the [no-cost inter-departmental] contract in place and/or obtain copies of all signed agreements that DHS currently possesses.

In our rebuttal to management's comment, we reported that despite management's refusal to acknowledge the problem, significant deficiencies existed in access controls to TCMIS. Furthermore, we noted that management's comment did not address all the recommendations.

Considering management's prior-year nonconcurrence with this finding, which indicates a refusal to acknowledge the problem, it should be no surprise that for the audit ended June 30, 2003, there were problems. In fact, our testwork revealed that 11 of 60 users (18%) did not have proper access and/or proper access forms documenting the users' access to TCMIS. The problems noted were as follows:

- one user employed at a county health department had unnecessary access to TCMIS because her position never involved eligibility determinations;

- one DHS user did not have an authorization form on file at DHS;

- three DHS users had access to TCMIS even though their DHS security forms did not request this access; and

- six users — two from the Department of Health, three from DHS, and one from TennCare — were no longer employed by the state.

In addition to the sample, we also called five users with TCMIS access who were employed by county health departments to determine if their positions required access to TCMIS. Of the five, three of the users (60%) had unnecessary access to TCMIS. Two of the three users who needed access to a "read only" user group had unneeded access to an "update" user group, and one user did not require TCMIS access at all. After we discussed this matter with the TennCare security administrator during fieldwork, the unnecessary access for these three individuals was removed in September 2003. Based on discussions with TennCare Information Systems (IS) personnel after the end of the audit period, it appears that TennCare has been working with the Department of Health to terminate the unnecessary access of Health users because eligibility functions that were at the Department of Health now reside at the Department of Human Services, which now determines eligibility for all TennCare enrollees.

<u>TennCare Allowed the Department of Health to Use Pre-signed Authorization Forms and Allowed an Employee at the Department of Health to Approve His Own Access (This portion of the finding has not been reported in previous years.)</u>

We also discovered that authorization forms obtained for some Department of Health users appeared to have been pre-signed by that department's security manager and then photocopied before the user's information was added to the form. In addition, we also discovered that the same security manager whose name appears on the pre-signed forms also approved his own access. This form should have been signed by the security manager's supervisor.

TennCare's long standing failure to ensure that all users both in the Bureau of TennCare and outside the Bureau of TennCare sign justification forms makes it more difficult for IS staff 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. The usage of pre-signed justification forms calls into question whether any of the individuals granted access through the pre-signed forms really needed access to TCMIS.

<u>System Changes to TCMIS Are Not Adequately Documented, and Procedures Over System Changes Need Improvement (This portion of the finding has not been reported in previous years.)</u>

The Bureau of TennCare uses Work Requests (WRs) and System Change Requests (SCRs) to initiate, approve, and document changes to TCMIS. TennCare's *System Change Request and Work Request Procedure Manual* states:

> System change requests (SCRs) are the means by which system modifications, system enhancements, edit/audit status changes and financial requests are transmitted to the [EDS] Facilities Manager. Work Requests are initiated for problems that have been identified in production processes, to request ad hoc reports, special information requests, problem research and other emergency situations that occur. The SCR/WR process provides a method to ensure that: (1) problems/requests are appropriately documented; (2) control is established for all items identified; (3) proper tracking is maintained to monitor timely resolution and documentation of all requests; and (4) proper prioritization of requests is controlled.

In the six-month follow-up to a prior audit finding, TennCare management stated, "The TCMIS currently tracks and logs all modifications to any production dataset elements." However, auditors determined that was not the case. In fact, TCMIS is not equipped to automatically track or log the changes made to TCMIS. To track changes, TennCare uses a "Production Move Log," which is supposed to list all program changes made to TCMIS that have been recorded by EDS (Electronic Data System) production control personnel. EDS is the contractor hired to operate and maintain the TCMIS. Since the system does not track these changes automatically, the changes may go undocumented because personnel responsible for the manual updates could easily forget to do so. In addition, because this activity is not logged automatically by the system, there is a chance that unauthorized system changes can be made without discovery.

In addition, it was noted on the "Production Move Log" that many of the items moved into production indicated "WAIVER" in the reference number column instead of having a supporting SCR or WR number, making it impossible for us to associate that change to a specific SCR or WR or verify that the documentation the Director of Information Systems did eventually provide related to the change in question. This may help explain why, as described below, such a wide variety of documentation was provided in lieu of an SCR or WR. We originally asked for this information in July 2003. However, it took numerous follow-up requests to get all of the information that was provided finally in late October 2003. See finding 03-DFA-33 for further details regarding this matter.

We selected a sample of 60 changes from the "Production Move Log." For those changes, we asked the Director of Information Systems for the supporting authorization forms. The objective of our review of this documentation was to determine if there was a description of the changes made; that IS management and Bureau management, if applicable, approved the request form; and that the changes were approved by the requestor and IS management before they were moved into production.

Based on testwork performed, 47 of 60 program changes tested (78%) were not adequately documented. For 18 changes, TennCare IS personnel could not provide written

documentation that the changes were approved prior to moving the change into production, but they did provide documentation that included a description of the change and approval of the request form. TennCare IS personnel could not provide WR or SCR authorization forms for 29 of the changes made but provided other documentation. Examples of the documentation provided for the 29 changes by TennCare in lieu of an SCR or WR form included copies of pages from a desk calendar that showed on what day a system change was moved to production, copies of status reports showing the status of a system change at that time, and forms documenting that the changes were moved into production. However, these examples did not provide evidence that the system changes were requested, which would have included a description of the change and an approval of the request, and/or that the change was approved to be moved into production.

In addition, when we discussed this issue with the Director of Information Systems, he stated that at times they used verbal sign-offs for certain changes. Based on discussions with EDS personnel, TennCare employees sometimes fail to use the SCR/WR procedure to document that system changes are approved prior to the change's move to production. Test output is provided to the user who requested the change, but the approval of the test output may be verbal, by e-mail, or even by adhesive note. Often it is not reviewed by IS management prior to being moved to production. Discussions revealed that the user and IS management will simply sign the request form after the changes are in production.

Changes Made Using a Generic Work Request Number Were Not Documented (This portion of the finding has not been reported in previous years.)

Discussions with EDS personnel revealed that they will sometimes use a generic work request number to document emergency system changes that occur during nightly processing. They will also use this number if they receive advanced notice of a request from TennCare staff which they will begin the process to research, test, and ultimately implement the change. The formal request should follow the advance notice. Although we recognize that problems can occur that require immediate attention after normal business hours, we noted that none of the 13 generic items in the sample had a formal SCR or WR form. To support these items to the auditors, the Director of Information Systems provided a portion of a report called the "days log" relating to a sampled item. There was no documentation other than the log routinely developed. This log is updated manually by EDS personnel, not automatically by the system. The Director of IS stated that either he or a member of his staff reviews the changes the following day. However, there was no evidence of review of the documents provided. EDS staff also stated that if they receive an advanced notice of a change, they may not receive the approved request form until some time later, usually after the system changes had already moved into production, or a programmer will be contacted directly by TennCare staff to make a change, and an approved form may never be provided.

Having an ineffective process of documenting system changes increases the risk that unauthorized changes can be made without detection.

Recommendation

The Director of TennCare should ensure that adequate access controls are in place and functioning appropriately. The TennCare Security Administrator should review the results of the TennCare Internal Audit work, and ensure that the DHS Security Administrator terminates the DHS user access to TCMIS until appropriate authorization is obtained. The Director of Information Systems should seek appropriate technical assistance to ensure that the new TennCare Management Information System automatically tracks all system changes and that all changes can be clearly associated with supporting documentation.

The Director of Information Systems should ensure that staff who report to him adequately document all system changes using the System Change Request or Work Request, contain a description of the change, and include documentation of approval of that change from TennCare management prior to being moved into production. The Director of Information Systems should assign competent personnel to monitor the system change process. In addition to prohibiting users in the Department of Health from using the pre-signed security forms and approving their own TCMIS access, the TennCare security administrator should ensure the review of users in the Department of Health is completed.

When generic change requests are used, the Director of Information Systems should ensure that the changes made and related approvals are documented. Verbal sign-offs should be prohibited.

Management's Comment

Justification Forms Not Obtained for All Users, and Not All Users Needed Access Granted

We do not concur. Although we agree that certain discrepancies with forms and access were identified during the audit, the TennCare Information Systems Division has made and continues to make great strides in improving the processes over security and access to the TCMIS, as well as over other processes noted. The fact that this audit finding states that TennCare corrected three of the four specific areas cited in the previous year's audit indicates that TennCare management takes responsibility and is committed to ensuring adequate controls are in place, and is contradictory to the auditor's statement that management's non-concurrence with previous findings indicates a refusal to acknowledge the problem.

To efficiently carry out the requirements of the TennCare program, access to the TCMIS is needed by TennCare employees and the staff of several state agencies and contractors; there are in excess of 6,000 users that require access to the TCMIS. Depending on the needs of the users, access may be granted at varying levels from read-only to update. The TennCare Security Administrator grants access based on the justification received from other agencies and access is not granted until the justification is received.

Because of the number of TCMIS users at DHS and in accordance with standard operation procedures as defined by the Office of Information Resources (OIR), TennCare has

established a different arrangement to allow the DHS security administrator to grant access. As noted by the auditors, TennCare and DHS negotiated a no-cost interdepartmental contract for this process. Although contract approval was not obtained until August 2003, the process was implemented in May 2003. DHS is responsible for providing the justification for users' access and grants access based on the interdepartmental agreement.

The TennCare Security Administration staff has worked diligently with other agencies to obtain justification forms referenced in previous audits. We now have on file justification forms for all users that access the TCMIS, except for those forms maintained by DHS. Because the TennCare Security Administration section is fully aware of our responsibility to monitor access to the system, we have also implemented a Security Audit Assessment process. This process involves a random sample of each agency that requires access to the TennCare TCMIS and notes any deficiencies identified, corrective actions needed and improvements needed for Security Administration, if required. In addition, the TennCare Internal Audit section performed a review of DHS security procedures during the audit period and is currently performing a more comprehensive review of others with access to TCMIS.

With respect to the county health department employee having unnecessary access, the Department of Health requested access and provided justification for access, although apparently this person did not require access; as soon as this matter was identified, access was terminated. The finding also references Department of Health users that were called by the auditors and some indicated their access did not match their needs on the system. The Department of Health is responsible for identifying their users who, based on their business functions, require access to the TCMIS and those for whom access to the system is no longer needed. TennCare Security Administration has been working and will continue to work with the Department of Health to ensure that users have appropriate access to the TCMIS.

With respect to a DHS user without an authorization form on file and three DHS users that had access even though their security forms did not request access, it should be noted that the interdepartmental agreement between TennCare and DHS requires DHS to have the appropriate justification on file. DHS was part of the initial Security Audit Assessment that was performed by the TennCare Security Administration staff and while these issues did not arise from our assessment, they are part of the overall procedures performed on the random sample.

While we are being diligent to ensure we have adequate security measures in place, for users that had terminated employment but access had not been terminated, it is incumbent upon the users' agencies to notify the TennCare security administrator or the DHS security administrator, as applicable, when terminations occur. We provide a list of users on file with access to the TCMIS and request any changes. For TennCare employees, we plan to enhance security processes for terminating employees by coordinating with the TennCare personnel office to ensure we are notified. There are processes in place to provide an additional level of security access in the event that incidents such as these happen. Unless a user is on the State of Tennessee Infrastructure, access to the system cannot be obtained. In addition, any user ID that does not access the system after a period of 90 days is automatically revoked. These are statewide policies maintained by the Office for Information Resources and provide another level

of confidence that there are additional measures in place to prevent unauthorized access to the system.

We have incorporated procedures each year based on audit recommendations as well as evaluating our own internal security processes. TennCare is committed to having procedures in place that provide a high confidence level that only the users that need access to the system have access to the system and that users have appropriate access levels. While this audit notes discrepancies with some users, it does not prove that we have not reacted to previous audit findings, or that we have not continued to strengthen controls surrounding security.

TennCare Allowed the Department of Health to Use Pre-Signed Authorization Forms and Allowed an Employee at the Department of Health to Approve His Own Access (This portion of the finding has not been reported in previous years.)

We partially concur. Authorization forms obtained from the Department of Health were submitted using pre-signed agreements, a result of obtaining justification forms for users that already had access to the system but did not have forms on file with TennCare. As noted by the auditors, TennCare did not have justification or security forms on file for all users that had access to the system and in our effort to be diligent and obtain these forms, we allowed a pre-signed form to be submitted from the Department of Health as these users all had the same access to the TCMIS. The Department of Health was required to submit to TennCare a security agreement and justification for those users previously provided access to the TennCare system; this procedure allowed TennCare the ability to ensure that the Department of Health reviewed all of their users that had access to the TCMIS and to only submit forms for those that were needed. Any new user that is added to the system requires an original signed security agreement to be filed with TennCare. We also concur that there was one user that submitted one of the pre-signed forms which should have had his supervisor/manager's approval on the agreement. Unfortunately this was not caught at the time we were attempting to respond to the recommendation of the auditors and ensure that we had all security agreements on file. When this was brought to our attention, it was immediately addressed.

System Changes to TCMIS Are Not Adequately Documented, and Procedures Over System Changes Need Improvement (This portion of the finding has not been reported in previous years.)

We partially concur. The process for system changes is adequately documented. There was no intent by TennCare management to mislead or misrepresent tracking of changes within the TCMIS. The TCMIS does not systematically track and log all modifications to production dataset elements, but all modifications to production dataset elements are tracked and logged manually within Information Systems. TennCare does use a Production Move Log to track and list all production program changes and it is the ongoing responsibility of EDS to record these moves in the log. The Production Move Log report is reviewed by TennCare to ensure that changes are being logged. As stated in this finding, this is a manual process that requires human intervention. There have been no instances that TennCare can identify where any production move has been omitted. There is also a Production Move Sheet that must be submitted to the Data Center to move changes into production. This sheet includes the requestor's name and

must be approved by the supervisor/manager and provides another method to ensure there are no unauthorized moves to production.

As stated in this finding, some of the items moved indicated WAIVER in the reference number column. There are times that, in order to ensure changes can be tracked by TennCare, reference may be made to documentation other than a System Change Request (SCR) or Work Request (WR) number. This is in part due to the nature and criticality of the job being done at the time. Many times changes must be made to the system to ensure that production cycles can run. Completing a critical path production cycle can impact whether an enrollee receives adequate care. Because Waiver was a new program in start-up and there was a need to quickly resolve issues, Production Issue forms (P issues) were developed to assist in the communication and quick resolution of Waiver issues. State approval for moving to production was given in a daily Waiver meeting between EDS and the State Waiver team when one of the issues was resolved and tested.

TennCare can and does track changes made to the TCMIS. This finding states that there was a wide variety of documentation provided for the test cases that were requested by the auditors. This indicates that TennCare is and was aware of all changes made to the system. While we do concur improvement is needed in documenting the process, we do not concur that changes are not documented and cannot be tracked. TennCare is not aware of any change moved into production where user acceptance is not reviewed and approved prior to the move being made although there are times that a formal sign-off occurs after a change is moved into production. The process for an SCR could require several Bureau management signatures from the point it is initiated until completion. There are times when a change can be made, tested and ready to be moved to production before the SCR is routed back for final sign-off. As noted above, there are sometimes circumstances when moving approved program changes are critical to ensure accurate processing of enrollee eligibility.

In conjunction with this finding TennCare Information Systems and TennCare Internal Audit reviewed the sign-off documentation process. TennCare has implemented additional procedures to document, track and report all SCRs and WRs to the TennCare Information Systems Director. TennCare has contracted with a consulting firm to perform an operational review of the Information Systems area in conjunction with the implementation of the new system. This review has indicated a need for a configuration/change manager and process improvement. The Information Systems Director is working with the consultant to implement the needed changes.

<u>Changes Made Using a Generic Work Request Number Were Not Documented (This Portion of the finding has not been reported in previous years.)</u>

We do not concur. While there is a Generic Work Request Number currently used to provide a tracking mechanism for emergency changes, follow-up tracking mechanisms are in place for changes within the TCMIS. There are also controls in place for any moves or changes made to production. The method for tracking these changes is the Days Log, which is reviewed daily. On a weekly basis, a report is provided by EDS to TennCare that documents all issues from the Days Logs for the previous week. In the event that there is an issue that is not closed, it

is discussed in the weekly status meetings until the issue on the report is resolved. Measures are in place that are required and adhered to by EDS concerning the moving of any change into production. To move program changes from the development environment to production requires that a Production Move Sheet be completed, approved by EDS management and submitted to the Data Center. The Production Move Sheet documents the program being moved into production. TennCare Information Systems will continue to monitor and review the use of Generic Work Requests and verbal sign-offs.

Auditor's Rebuttal

TennCare is a $7 billion program within the State of Tennessee. The TennCare Management Information System is a critical component of that program. The management of TennCare is ultimately responsible for ensuring that access to this system is limited to those who have a need for access and who have been properly authorized. What procedures are developed, what policies are written, and which state department performs certain steps are of secondary importance. The real test of whether the management of TennCare has been successful in meeting its responsibilities is whether access to the system has been limited to those who have a need for access and have been authorized to have that access. Regardless of whether management has concurred or not concurred with this or previous years' findings, there have repeatedly been deficiencies in assuring that system access is properly secured. These deficiencies have been reported in audit findings for six consecutive years.

Some deficiencies such as the absence of authorization forms for DHS users, which would appear to be simple to correct, have been reported for several years. Other deficiencies are eventually corrected, but new ones are discovered. As indicated within the finding, management has often stated that certain corrective measures have been taken. Subsequent audits would prove that those statements were not accurate.

Finding Number	03-DHS-07
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	05-0205TN5028, 05-0305TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$22

As noted in the prior audit, the department did not always report alleged employee fraud to the Comptroller of the Treasury and did not always calculate the final pay of terminated employees correctly

Finding

As noted on the prior audit, the Director of Program Integrity did not always notify the Comptroller of the Treasury, as required by state law, about the department's knowledge of and subsequent investigation of employees for possible fraud. The department terminated four employees during the year ended June 30, 2003, for gross misconduct. Termination of two of the four employees (50%) was not reported immediately to the Comptroller of the Treasury. One of the employees was terminated effective July 8, 2002; however, the department did not realize that this had not been reported until the state auditor reported the oversight to the director during fieldwork. Another employee was terminated effective August 26, 2002, but this termination was not reported until May 28, 2003. The department concurred with the prior audit finding and in March 2003 began making a more conscientious effort to report this type of termination as required by the *Human Services Administrative Manual*, revised October 1994.

The department's Director of Investigations indicated that three of the four employees had fraudulently obtained program benefits for themselves or personal friends. As a result, the department had paid $9,487 from the Food Stamps program, $1,179 from the Temporary Assistance for Needy Families program, and $22 from the Medicaid program to people who were not eligible for family assistance. One of the employees has signed an administrative waiver agreeing to repay the money, one employee has been indicted and is awaiting trial, and the applicable district attorney has declined to prosecute the other employee. As of December 31, 2003, $450 of these amounts had been repaid. Section 8-19-501, *Tennessee Code Annotated*, states,

> It shall be the duty of any official of any agency of the state having knowledge of shortages of moneys of the state, or unauthorized removal of state property, occasioned either by malfeasance or misfeasance in office of any state employee, to report the same immediately to the comptroller of the treasury.

The purpose of the statutory requirement to notify the Comptroller is to ensure a thorough investigation and appropriate resolution in the best interest of the state. Failure to report fraud could cause unnecessary delays in prosecution and could result in the state not being able to recover the misappropriated funds.

Also, the department has not been correctly calculating the final pay for employees terminated for gross misconduct. Section 1120-10.07(7)(c), *Rules of the Tennessee Department of Personnel*, states,

> Before an employee can be dismissed, he must be given ten (10) calendar days paid notice. During the notice period an employee will not be required to report for duty. The employee's accumulated annual leave may be used during this notice period only if dismissal was for gross misconduct.

The department interpreted this rule to mean that if an employee was being terminated for gross misconduct, the ten-calendar-day notice period would be charged against the employee's annual leave balance. If the leave balance was not sufficient to cover the notice period, the uncovered portion would be charged to leave without pay. The rule, however, requires that an employee be paid for the ten-calendar-day notice period, regardless of whether or not the employee has enough accrued annual leave to cover it. The four were underpaid in amounts ranging from $459.00 to $555.27. The total underpayment for the four amounted to $2,016.18.

Recommendation

The Commissioner should ensure that the Director of Program Integrity reports all instances or suspected instances of fraud immediately to the Comptroller of the Treasury. Employees who are terminated for gross misconduct should be given ten calendar days of paid notice, regardless of whether or not they have enough accrued annual leave to cover the notice period.

Management's Comment

We concur. The department's Office of Program Integrity and Office of Personnel are working together to ensure instances or suspected instances of fraud are immediately reported to the Comptroller of the Treasury.

The rule regarding the pay for the ten-calendar-day notice for employees terminated due to gross misconduct has been clarified and communicated with Personnel staff. Any amounts owed to these former employees as a result of this finding will be paid.

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Auditee's Section

Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

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State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		Unclustered Programs			
		Department of Agriculture			
Direct Programs					
10.001	Tennessee State University	Agricultural Research_Basic and Applied Research		$ 1,905.40	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research		2,228,853.80	$ 2,230,759.20
10.025	Agriculture	Plant and Animal Disease, Pest Control, and Animal Care		$ 428,108.52	
10.025	University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care		102,960.32	531,068.84
10.064	Agriculture	Forestry Incentives Program			10,676.00
10.163	Agriculture	Market Protection and Promotion		$ 13,725.15	
10.163	University of Tennessee	Market Protection and Promotion		6,780.45	20,505.60
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants			79,847.59
10.206	University of Tennessee	Grants for Agricultural Research_Competitive Research Grants			60,618.68
10.207	University of Tennessee	Animal Health and Disease Research			95,937.22
10.212	East Tennessee State University	Small Business Innovation Research			52,968.81
10.216	Tennessee State University	1890 Institution Capacity Building Grants			173,529.50
10.217	University of Tennessee	Higher Education Challenge Grants			11,034.04
10.220	University of Tennessee	Higher Education Multicultural Scholars Program			37,500.00
10.302	Tennessee State University	Initiative for Future Agriculture and Food Systems		$ 6,769.45	
10.302	University of Tennessee	Initiative for Future Agriculture and Food Systems		190,995.59	197,765.04
10.443	Tennessee State University	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers			191,269.49
10.500	Tennessee State University	Cooperative Extension Service		$ 2,061,522.57	
10.500	University of Tennessee	Cooperative Extension Service		8,154,430.63	10,215,953.20
10.557	Health	Special Supplemental Nutrition Program for Women, Infants, and Children			89,627,439.77
10.558	Human Services	Child and Adult Care Food Program			38,136,039.22
10.560	Agriculture	State Administrative Expenses for Child Nutrition		$ 156,328.36	
10.560	Education	State Administrative Expenses for Child Nutrition		1,604,738.03	
10.560	Human Services	State Administrative Expenses for Child Nutrition		519,467.71	2,280,534.10
10.565	Health	Commodity Supplemental Food Program		$ 933,921.25	
10.565	Health	Commodity Supplemental Food Program (Noncash Award)		2,287,886.00	3,221,807.25
10.570	Commission on Aging and Disability	Nutrition Services Incentive			1,991,792.00
10.572	Health	WIC Farmers' Market Nutrition Program (FMNP)			47,396.74
10.576	Health	Senior Farmer's Market Nutrition Program			266,342.89
10.652	Agriculture	Forestry Research			312,306.16
10.664	Agriculture	Cooperative Forestry Assistance		$ 4,492,416.00	
10.664	Tennessee Technological University	Cooperative Forestry Assistance		38,054.82	
10.664	University of Tennessee	Cooperative Forestry Assistance		(16.13)	4,530,454.69

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
10.769	University of Tennessee	Rural Business Enterprise Grants			602.50
10.855	University of Tennessee	Distance Learning and Telemedicine Loans and Grants			1,333,725.84
10.950	Agriculture	Agricultural Statistics Reports			40,852.30
N.A.	Tennessee State University	Rural Entrepreneural Program	RBS-0026		1,741.16
N.A.	Tennessee State University	1890 Rural Entrepreneurial Program Initiative	RBS-0224		20,739.16
N.A.	University of Tennessee	USDA Market Place of Ideas	R054101003	$ 26.87	
N.A.	University of Tennessee	USDA Market Place of Ideas '03	R054101006	44,298.63	44,325.50
N.A.	University of Tennessee	2001 Healthy Homes Initiatives-Keel	R125310029		60.49
Subtotal Direct Programs					$ 155,765,592.98
Passed Through Mississippi State University					
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R125320021		$ (95.68)
10.200	Tennessee State University	Grants for Agricultural Research, Special Research Grants	2001-38640-10271		153.00
Passed Through North Carolina State University					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R125110005		3,670.92
10.303	University of Tennessee	Integrated Programs	R125110007		5,769.29
10.500	University of Tennessee	Cooperative Extension Service	R122001043	$ 483.56	
10.500	University of Tennessee	Cooperative Extension Service	R122001044	2,838.61	
10.500	University of Tennessee	Cooperative Extension Service	R124010007	48,000.00	
10.500	University of Tennessee	Cooperative Extension Service	R125210010	223.22	51,545.39
Passed Through Southern Regional Aquaculture Center					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112219042		7,376.90
Passed Through University of Georgia					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112615082		(4,797.09)
Passed Through Texas A&M Research Extension Center					
10.303	University of Tennessee	Integrated Programs	R124110023		59,614.67
10.500	University of Tennessee	Cooperative Extension Service	R124110027		4,599.63
Passed Through University of Florida					
10.303	University of Tennessee	Integrated Programs	R124610058	$ 59,154.75	
10.303	University of Tennessee	Integrated Programs	R124610078	12,073.06	71,227.81
10.304	University of Tennessee	Homeland Security_Agricultural	R124610083		1,728.53
Passed Through Michigan State University					
10.500	University of Tennessee	Cooperative Extension Service	R124310023		4.80
Passed Through Texas A & M University					
10.500	Tennessee State University	Cooperative Extension Service	2001-49200-01238		10,511.37
Passed Through Alabama A & M University					
N.A.	Tennessee State University	Southern Agbiotech Consortium for Underserved Communities	00-52100-9616		51,955.45

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Subtotal Pass-Through Programs					$ 263,264.99
Subtotal Department of Agriculture					$ 156,028,857.97
		Department of Commerce			
Direct Programs					
11.552	University of Tennessee	Technology Opportunities			$ 73,203.91
11.609	University of Tennessee	Measurement and Engineering Research and Standards			2,579,583.70
Subtotal Department of Commerce					$ 2,652,787.61
		Department of Defense			
Direct Programs					
12.002	University of Tennessee	Procurement Technical Assistance For Business Firms			$ 114,726.67
12.106	University of Tennessee	Flood Control Projects			4,228.00
12.112	Finance and Administration	Payments to States in Lieu of Real Estate Taxes			528,931.79
12.113	Environment and Conservation	State Memorandum of Agreement Program for the Reimbursement of Technical Services			283,101.49
12.400	Military	Military Construction, National Guard			6,509,865.53
12.401	Military	National Guard Military Operations and Maintenance (O&M) Projects			16,202,452.35
N.A.	Education	Troops to Teachers Memorandum of Agreement	N.A.		44,503.96
N.A.	Tennessee State University	AFROTC - Uniform Commutation Fund	DET-790		35,693.41
N.A.	University of Memphis	Analysis of Focus Group Transcripts	N00639-02-P-0068		9,152.00
N.A.	University of Memphis	US Army Corps of Engineering, St. Louis IPA	CEMVS-ED-HE		4,327.36
N.A.	University of Memphis	Navy Student Workers	N00189-03-D-0011		7,996.59
N.A.	University of Tennessee	IPA-AF/AEDC Davis	N029801009		7,600.18
N.A.	University of Tennessee	IPA-AF/AFOSR Harwell	N029801010		252,924.09
N.A.	University of Tennessee	AF F40600-00-D-0001-0022 Vakili	R024342020		55,802.81
N.A.	University of Tennessee	USDD PROFIS Wertenberger	R042851009		7,460.90
N.A.	University of Tennessee	ARMY MIPR 2002-Barte	R125510009		13,350.70
N.A.	University of Tennessee	Army MIPR Family Assist Program 2002	R125510011		14,143.38
N.A.	University of Tennessee	Army MIPR07-Fmly Employ Asst-2002	R125510012		7,882.97
N.A.	University of Tennessee	Army MIPR08-Fmly Readiness 2002	R125510013	$ 6,117.17	
N.A.	University of Tennessee	Army MIPR07-Fmly Readiness 2003	R125510024	15,397.94	21,515.11
N.A.	University of Tennessee	Army MIPR02-Relocation Office 2002	R125510014	$ 15,350.30	
N.A.	University of Tennessee	Army MIPR02-Relocation Office 2003	R125510026	52,161.72	67,512.02
N.A.	University of Tennessee	Army MIPR03-Drug & Alcohol 2002	R125510015		34,735.26
N.A.	University of Tennessee	Army MIPR05-Cons Affairs/Financial 2002	R125510016	$ 9,595.73	
N.A.	University of Tennessee	Army MIPR05-Cons Affairs/Financial 2003	R125510030	120,657.13	130,252.86
N.A.	University of Tennessee	Army MIPR09-Cons Affairs/Edu 2002	R125510017		11,394.78
N.A.	University of Tennessee	Army MIPR01-Family Asstistant Coor 2002	R125510018	$ 5,554.11	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N.A.	University of Tennessee	Army MIPR01-Family Assistant Coor 2003	R125510028	17,967.68	23,521.79
N.A.	University of Tennessee	Army MIPR04-Except Family Member 2002	R125510019	$ 6,399.35	
N.A.	University of Tennessee	Army MIPR04-Except Family Member 2003	R125510029	17,321.36	23,720.71
N.A.	University of Tennessee	Army MIPR09-Family Team Building 2003	R125510022		21,039.15
N.A.	University of Tennessee	Army MIPR10-Family Action Plan 2003	R125510023		10,408.86
N.A.	University of Tennessee	Army MIPR06-Family Member Employment 03	R125510025		16,958.09
N.A.	University of Tennessee	Army MIPR03-Drug and Alcohol 2003	R125510027		96,514.29
N.A.	University of Tennessee	Army MIPR08-Volunteer Coor 2003	R125510031		9,442.55
N.A.	University of Tennessee	Defense Logistics Agency 2003	R131030065		128,705.37
Subtotal Direct Programs					$ 24,699,865.02
Passed Through Mississippi State University					
12.431	University of Tennessee	Basic Scientific Research	R041303003		$ 51,071.82
Passed Through Logicon Information & Systems Services, Incorporated					
N.A.	Tennessee State University	Programming Environment & Training Using Systems Engineering Principles	DAHC94-96-C-0008		(2,863.46)
Passed Through San Diego State University Foundation					
N.A.	University of Memphis	Student Support Services	N66001-96-D-0046		(5,049.34)
Subtotal Pass-Through Programs					$ 43,159.02
Subtotal Department of Defense					$ 24,743,024.04
Department of Housing and Urban Development					
Direct Programs					
14.228	Economic and Community Development	Community Development Block Grants/State's Program		$ 29,356,371.75	
14.228	Military	Community Development Block Grants/State's Program		2,367,450.90	$ 31,723,822.65
14.231	Human Services	Emergency Shelter Grants Program			1,483,668.69
14.235	University of Tennessee	Supportive Housing Program			101,432.53
14.239	Tennessee Housing Development Agency	HOME Investment Partnerships Programs			15,602,683.37
14.241	Health	Housing Opportunities for Persons with AIDS			676,050.04
14.243	Southwest Tennessee Community College	Opportunities for Youth_Youthbuild Program			462,788.57
14.401	Human Rights Commission	Fair Housing Assistance Program_ State and Local			259,400.00
14.511	East Tennessee State University	Community Outreach Partnership Center Program		$ 50,844.98	
14.511	University of Memphis	Community Outreach Partnership Center Program		67,450.49	
14.511	University of Tennessee	Community Outreach Partnership Center Program		53,992.44	172,287.91

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
14.512	University of Memphis	Community Development Work-Study Program		$ 7,696.00	
14.512	University of Tennessee	Community Development Work-Study Program		107,194.25	114,890.25
14.520	Tennessee State University	Historically Black Colleges and Universities Program			58,757.49
14.871	Tennessee Housing Development Agency	Section 8 Housing Choice Vouchers			26,720,518.74
N.A.	East Tennessee State University	Interest Subsidies	CH-TENN-132D		45,110.00
N.A.	East Tennessee State University	Interest Subsidies	CH-TENN-144D		49,526.00
N.A.	Tennessee Technological University	Interest Subsidies	0-76104		34,586.00
N.A.	University of Tennessee	Sutherland Village Apartments	K010006111		206,078.00
N.A.	University of Tennessee	HUD-Community Outreach Ctr 00	R041078068		99,978.25
Subtotal Direct Programs					$ 77,811,578.49
Passed Through City of Knoxville					
14.244	Pellissippi State Technical Community College	Empowerment Zones Program	C-01-0062	$ 349,358.31	
14.244	Pellissippi State Technical Community College	Empowerment Zones Program	C-02-0177	29,251.98	
14.244	Pellissippi State Technical Community College	Empowerment Zones Program	C-03-0150	133,579.99	
14.244	Pellissippi State Technical Community College	Empowerment Zones Program	C-03-0278	21,522.26	$ 533,712.54
Passed Through Douglas Cheorokee Economic Authority					
14.250	Tennessee State University	Rural Housing and Economic Development	RH-00TNI0184		26,445.52
Passed Through Metropolitan Development and Housing Agency					
14.866	Tennessee State University	Demolition and Revitalization of Severely Distressed Public Housing	TN-43URD00SI199		44,355.48
Passed Through Johnson City Housing Authority					
14.870	East Tennessee State University	Resident Opportunity and Supportive Services	02-0267		6,508.24
Subtotal Pass-Through Programs					$ 611,021.78
Subtotal Department of Housing and Urban Development					$ 78,422,600.27
Department of the Interior					
Direct Programs					
15.252	Environment and Conservation	Abandoned Mine Land Reclamation (AMLR) Program			$ 466,120.00
15.608	Environment and Conservation	Fish and Wildlife Management Assistance			5,632.29
15.615	Environment and Conservation	Cooperative Endangered Species Conservation Fund		$ 19,204.71	
15.615	Tennessee Wildlife Resources Agency	Cooperative Endangered Species Conservation Fund		17,167.77	36,372.48
15.616	Tennessee Wildlife Resources Agency	Clean Vessel Act			239,542.16
15.617	Tennessee Wildlife Resources Agency	Wildlife Conservation and Appreciation			38,296.06

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
15.626	Tennessee Wildlife Resources Agency	Hunter Education and Safety Program			1,285,791.24
15.634	Tennessee Wildlife Resources Agency	State Wildlife Grants			3,250,000.00
15.808	Environment and Conservation	U.S. Geological Survey_Research and Data Acquisition		$ 7,158.70	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition		17,519.71	24,678.41
15.810	Environment and Conservation	National Cooperative Geologic Mapping Program			35,005.86
15.904	Environment and Conservation	Historic Preservation Fund Grants-In-Aid			548,127.56
15.916	Middle Tennessee State University	Outdoor Recreation_Acquisition, Development and Planning			203,658.47
15.924	Tennessee State University	Historically Black Colleges and Universities Preservation Initiative			40,467.27
N.A.	Tennessee Wildlife Resources Agency	Lilly Bridge Gauging Station	1443-CA-5640-97-001		27,600.00
N.A.	Tennessee Wildlife Resources Agency	Big South Fork Gauging Station	1443-CA-5130-A00-01	$ 64,000.00	
N.A.	Tennessee Wildlife Resources Agency	Big South Fork Gauging Station	1443-CA-5130-98-001	25,000.00	
N.A.	Tennessee Wildlife Resources Agency	Big South Fork Gauging Station	1443-CA-5640-A0-001	15,000.00	104,000.00
N.A.	Tennessee Wildlife Resources Agency	Propagation and Reintroduction of Endangered Mussels	1448-40181-98-G-070		30,000.00
N.A.	Tennessee Wildlife Resources Agency	Royal Blue Warblers	2000-0350-003		3,002.00
N.A.	Tennessee Wildlife Resources Agency	NFWF Warm Season Grasses	2001-0361-000		75,000.00
N.A.	Tennessee Wildlife Resources Agency	MORAP GIS Central Hardwoods	TN M-1-P		33,750.00
N.A.	University of Tennessee	US Geo-TN Tech-01/02	N019803054		14,004.09
N.A.	University of Tennessee	NPS-Little Yellow Creek-Gentry	R011334088		8,710.06
N.A.	University of Tennessee	USDI NPS-1443 CA 5000 99 07 Keller	R041011086		11,742.12
N.A.	University of Tennessee	Evaluation of NWR'S for Malformed Anuran	R054010004		7,468.88
N.A.	University of Tennessee	National Fish & Wildlife Service Yr 3	R054017005		7,138.54
N.A.	University of Tennessee	NPS H500099A007 Hemlock Wooly-Lambdin	R111017020		5,508.02
Subtotal Direct Programs					$ 6,501,615.51
Passed Through Southern Appalachian Man and the Biosphere					
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R012540087		$ 347,965.87
Subtotal Pass-Through Programs					$ 347,965.87
Subtotal Department of the Interior					$ 6,849,581.38
Department of Justice					
Direct Programs					
16.007	Military	State Domestic Preparedness Equipment Support Program			$ 2,909,037.85
16.523	Children's Services	Juvenile Accountability Incentive Block Grants		$ (5,800.48)	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
16.523	Commission on Children and Youth	Juvenile Accountability Incentive Block Grants		3,482,089.36	3,476,288.88
16.525	University of Tennessee	Grants to Reduce Violent Crimes Against Women on Campus			31,697.35
16.540	Commission on Children and Youth	Juvenile Justice and Delinquency Prevention_Allocation to States			866,324.11
16.548	Commission on Children and Youth	Title V_Delinquency Prevention Program			586,868.27
16.549	Commission on Children and Youth	Part E_State Challenge Activities			55,301.29
16.550	Tennessee Bureau of Investigation	State Justice Statistics Program for Statistical Analysis Centers			41,507.31
16.554	Finance and Administration	National Criminal History Improvement Program (NCHIP)			394,828.12
16.575	Finance and Administration	Crime Victim Assistance			7,818,050.28
16.576	Treasury	Crime Victim Compensation			5,095,000.00
16.579	Finance and Administration	Byrne Formula Grant Program		$ 8,538,213.52	
16.579	Southwest Tennessee Community College	Byrne Formula Grant Program		60,281.44	8,598,494.96
16.580	Finance and Administration	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			233,352.78
16.585	Court System	Drug Court Discretionary Grant Program			144,717.96
16.586	Correction	Violent Offender Incarceration and Truth in Sentencing Incentive Grants			1,921,480.26
16.588	Finance and Administration	Violence Against Women Formula Grants			2,744,763.02
16.589	University of Tennessee	Rural Domestic Violence and Child Victimization Enforcement Grant Program			198,710.23
16.592	Chattanooga State Technical Community College	Local Law Enforcement Block Grants Program		$ 10,674.64	
16.592	Finance and Administration	Local Law Enforcement Block Grants Program		983,233.27	
16.592	Southwest Tennessee Community College	Local Law Enforcement Block Grants Program		46,941.06	1,040,848.97
16.593	Finance and Administration	Residential Substance Abuse Treatment for State Prisoners			1,185,484.22
16.597	Safety	Motor Vehicle Theft Protection Act Program			29,192.93
16.609	Finance and Administration	Community Prosecution and Project Safe Neighborhoods			(583.53)
16.610	Tennessee Bureau of Investigation	Regional Information Sharing Systems			4,887,442.00
16.615	Tennessee State University	Public Safety Officers' Educational Assistance			66,127.44
16.710	East Tennessee State University	Public Safety Partnership and Community Policing Grants		$ 22,508.44	
16.710	Middle Tennessee State University	Public Safety Partnership and Community Policing Grants		38,369.10	
16.710	Walters State Community College	Public Safety Partnership and Community Policing Grants		4,081.80	64,959.34
16.727	Children's Services	Enforcing Underage Drinking Laws Program		$ 340,856.87	
16.727	Commission on Children and Youth	Enforcing Underage Drinking Laws Program		192,831.87	533,688.74
16.729	University of Tennessee	Drug-Free Communities Support Program Grants			59,489.60
N.A.	Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	2002-90	$ 516,625.69	
N.A.	Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	2003-91	126,619.45	643,245.14
N.A.	University of Tennessee	US Dept Of Justice Cops	R047227001		77,532.07

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N.A.	University of Tennessee	US Dept Justice-LEIC2000-Taylor	R131010036		69,005.59
N.A.	University of Tennessee	National Forensic Science Institute	R131015011		379,493.21
Subtotal Direct Programs					$ 44,152,348.39
Passed Through National CASA Association					
16.547	East Tennessee State University	Victims of Child Abuse	575		$ 27,293.76
Passed Through Memphis Area Legal Services					
16.588	University of Memphis	Violence Against Women Formula Grants	1999WLVX0002		16,472.37
Passed Through Rutherford County Government					
16.592	Middle Tennessee State University	Local Law Enforcement Block Grants Program	994901		1,766.42
Passed Through City of Knoxville					
16.710	University of Tennessee	Public Safety Partnership and Community Policing Grants	R131010025	$ (23.23)	
16.710	University of Tennessee	Public Safety Partnership and Community Policing Grants	R131010038	9,589.35	9,566.12
Passed Through ABT Associates, Incorporated					
N.A.	University of Tennessee	ABT Associates, Inc - Cunningham	R014018022		11,372.26
Passed Through Metropolitan Drug Commission					
N.A.	University of Tennessee	Metro Drug Comm-Youth Emp-Cunningham	R014018020		13,242.86
Subtotal Pass-Through Programs					$ 79,713.79
Subtotal Department of Justice					$ 44,232,062.18
Department of Labor					
Direct Programs					
17.002	Labor and Workforce Development	Labor Force Statistics			$ 1,202,874.78
17.005	Labor and Workforce Development	Compensation and Working Conditions			106,298.41
17.203	Labor and Workforce Development	Labor Certification for Alien Workers			228,121.36
17.225	Labor and Workforce Development	Unemployment Insurance			629,648,825.40
17.235	Commission on Aging and Disability	Senior Community Service Employment Program			1,845,130.03
17.245	Labor and Workforce Development	Trade Adjustment Assistance_ Workers			23,071,117.10
17.261	Education	Employment and Training Administration Pilots, Demonstrations, and Research Projects		$ 720,788.21	
17.261	Tennessee State University	Employment and Training Administration Pilots, Demonstrations, and Research Projects		205,217.82	926,006.03
17.503	Labor and Workforce Development	Occupational Safety and Health_State Program			2,933,872.82
17.504	Labor and Workforce Development	Consultation Agreements			832,570.53

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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			167,052.72
N.A.	University of Tennessee	US DOL - Greenberg - 01	R010445012		107,947.56
Subtotal Direct Programs					$ 661,069,816.74
Passed Through Workforce Essentials, Incorporated					
17.261	University of Memphis	Employment and Training Administration Pilots, Demonstrations, and Research Projects	N.A.		$ 4,953.47
Subtotal Pass-Through Programs					$ 4,953.47
Subtotal Department of Labor					$ 661,074,770.21
Department of State					
Direct Programs					
19.405	University of Tennessee	Educational Partnerships Program			$ 50,551.41
19.424	Tennessee State University	Educational Partnerships Program			6,887.17
Subtotal Direct Programs					$ 57,438.58
Passed Through Meridian International Center					
N.A.	East Tennessee State University	Healthcare Partnership in Northern Iraq	S-LMAQM-02-H-0056		$ 194,510.29
Subtotal Pass-Through Programs					$ 194,510.29
Subtotal Department of State					$ 251,948.87
Department of Transportation					
Direct Programs					
20.005	Tennessee Wildlife Resources Agency	Boating Safety Financial Assistance			$ 1,166,861.00
20.106	Transportation	Airport Improvement Program			10,016,442.42
20.215	Tennessee State University	Highway Training and Education			10,493.70
20.218	Revenue	National Motor Carrier Safety		$ 27,325.21	
20.218	Safety	National Motor Carrier Safety		4,243,594.11	4,270,919.32
20.219	Environment and Conservation	Recreational Trails Program			276,531.64
20.505	Transportation	Federal Transit_Metropolitan Planning Grants			708,326.77
20.509	Transportation	Formula Grants for Other Than Urbanized Areas			9,264,393.76
20.516	Transportation	Job Access_Reverse Commute			954,231.19
20.700	Tennessee Regulatory Authority	Pipeline Safety			568,616.94
20.703	Military	Interagency Hazardous Materials Public Sector Training and Planning Grants			232,384.12
N.A.	University of Tennessee	FHA-DTFH61-98-T-56003-Trng Prg	R012515048		38,928.08
N.A.	University of Tennessee	FHA-DTFH61-98-T-56004-Zacharia	R012515055		5,133.89
N.A.	University of Tennessee	FHA-DTFH61-99-T-56006-Wrk Zone	R012515080		28,421.25
N.A.	University of Tennessee	FHWA DTFH61-97-D-00056 ITS-Zacharia	R012516097		25,832.76
N.A.	University of Tennessee	FHWA DTFH61-01-T-56036 Everett	R012517009		74,819.02
N.A.	University of Tennessee	FHWA DTFH61-01-T-56040 Everett	R012517010		85,292.58
N.A.	University of Tennessee	FHWA-Eisenhower Fellowship	R012517011		3,818.18

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N.A.	University of Tennessee	FHWA DTFH61-02-T-56033 Everett	R012517020		112,306.07
N.A.	University of Tennessee	FHWA DTFH61-02-T-30009 Brewer	R012517036		51,741.17
N.A.	University of Tennessee	FHWA DTFH61-02-T-30007 Everett	R012517040		68,063.78
Subtotal Direct Programs					$ 27,963,557.64
Passed Through South Carolina State University					
20.215	Tennessee State University	Highway Training and Education	DTFH61-01-X-00097		$ 48,338.54
Passed Through Texas A&M University					
N.A.	University of Tennessee	Texas A&M-Travel Survey-Everet	R012516082		370.40
Subtotal Pass-Through Programs					$ 48,708.94
Subtotal Department of Transportation					$ 28,012,266.58
Department of the Treasury					
Direct Programs					
N.A.	Finance and Administration	Temporary State Fiscal Relief	N.A.		$ 53,832,637.73
Subtotal Department of Treasury					$ 53,832,637.73
Appalachian Regional Commission					
Direct Programs					
23.001	East Tennessee State University	Appalachian Regional Development (See individual Appalachian Programs)		$ 122,213.47	
23.001	Education	Appalachian Regional Development (See individual Appalachian Programs)		390,321.41	$ 512,534.88
23.002	Economic and Community Development	Appalachian Area Development			725,804.38
23.011	Economic and Community Development	Appalachian State Research, Technical Assistance, and Demonstration Projects			341,018.07
Subtotal Appalachian Regional Commission					$ 1,579,357.33
Equal Employment Opportunity Commission					
Direct Programs					
30.002	Human Rights Commission	Employment Discrimination_State and Local Fair Employment Practices Agency Contracts			$ 307,600.00
Subtotal Equal Employment Opportunity Commission					$ 307,600.00
General Services Administration					
Direct Programs					
39.003	General Services	Donation of Federal Surplus Personal Property (Noncash Award)			$ 2,017,499.44
Subtotal General Services Administration					$ 2,017,499.44

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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		$ 156,729.09	
43.001	Tennessee State University	Aerospace Education Services Program		65,812.06	$ 222,541.15
43.002	Tennessee State University	Technology Transfer			28,128.50
N.A.	Middle Tennessee State University	Undergraduate Research on the Impact of Urbanization on Flooding in Middle Tennessee	S-70510-G		(20,714.29)
N.A.	University of Tennessee	IPA-NASA-Askew	N029801008		11,260.87
N.A.	University of Tennessee	IPA-NASA-McDonald	N049801011		92,131.56
N.A.	University of Tennessee	NASA NAG5-12134 Greenbert/Muir	R010445015		34,614.72
N.A.	University of Tennessee	NAG5-107904 Taylor	R011042082		8,625.00
N.A.	University of Tennessee	NASA Presr Tchr Enhan Benson00	R041511003		78,284.00
Subtotal Direct Programs					$ 454,871.51
Passed Through University of Alabama					
43.001	Middle Tennessee State University	Aerospace Education Services Program	00-075		$ (1,264.06)
Passed Through Vanderbilt University					
43.002	Tennessee State University	Technology Transfer	NGT5-40074		55,482.16
Passed Through The Institute for Global Environmental Strategies, Incorporated					
N.A.	University of Tennessee	Essea Yr 1	R054060009		19,096.21
Subtotal Pass-Through Programs					$ 73,314.31
Subtotal National Aeronautics and Space Administration					$ 528,185.82
National Foundation of Arts and the Humanities					
Direct Programs					
45.024	University of Memphis	Promotion of the Arts_Grants to Organizations and Individuals		$ 1,152.34	
45.024	University of Tennessee	Promotion of the Arts_Grants to Organizations and Individuals		2,360.27	$ 3,512.61
45.026	Tennessee Arts Commission	Promotion of the Arts_Leadership Initiatives			535,300.00
45.149	University of Tennessee	Promotion of the Humanities_Division of Preservation and Access			89,478.03
45.161	University of Memphis	Promotion of the Humanities_Research			90,119.40
45.163	University of Tennessee	Promotion of the Humanities_ Seminars and Institutes			144,689.10
45.304	University of Memphis	Conservation Assessment Program			1,330.00
45.310	State	State Library Program			2,373,644.51
45.312	Austin Peay State University	Institute of Museum and Library Services_National Leadership Grants		$ 1,242.00	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
45.312	University of Tennessee	Institute of Museum and Library Services_National Leadership Grants		180,908.57	182,150.57
Subtotal National Foundation of Arts and the Humanities					$ 3,420,224.22
		National Science Foundation			
Direct Programs					
47.041	University of Memphis	Engineering Grants		$ 4,999.31	
47.041	University of Tennessee	Engineering Grants		67,937.11	$ 72,936.42
47.049	Tennessee State University	Mathematical and Physical Sciences			831,519.14
47.070	University of Tennessee	Computer and Information Science and Engineering			33,600.00
47.074	University of Tennessee	Biological Sciences			7,958.52
47.076	Austin Peay State University	Education and Human Resources		$ 53.00	
47.076	East Tennessee State University	Education and Human Resources		48,822.13	
47.076	Jackson State Community College	Education and Human Resources		231,434.49	
47.076	Middle Tennessee State University	Education and Human Resources		267,824.08	
47.076	Nashville State Technical Community College	Education and Human Resources		277,192.78	
47.076	Pellissippi State Technical Community College	Education and Human Resources		116,073.59	
47.076	Tennessee State University	Education and Human Resources		314,519.03	
47.076	Tennessee Technological University	Education and Human Resources		36,825.00	
47.076	University of Memphis	Education and Human Resources		228,629.99	
47.076	University of Tennessee	Education and Human Resources		2,052,668.15	3,574,042.24
47.078	University of Tennessee	Polar Programs			312,855.22
Subtotal Direct Programs					$ 4,832,911.54
Passed Through University of Illinois					
47.050	University of Memphis	Geosciences	98-268 AMD8		$ 762.72
Passed Through Clemson University					
47.076	University of Tennessee	Education and Human Resources	R041052083		2,018.87
Passed Through Kentucky Science and Technology Corporation					
47.076	University of Tennessee	Education and Human Resources	R011804057	$ 51.36	
47.076	University of Tennessee	Education and Human Resources	R011804064	674.10	
47.076	University of Tennessee	Education and Human Resources	R011804086	3,093.14	
47.076	University of Tennessee	Education and Human Resources	R011804096	49,901.30	
47.076	University of Tennessee	Education and Human Resources	R011804111	83,973.14	137,693.04
Passed Through Kirkwood Community College					
47.076	Jackson State Community College	Education and Human Resources	DUE-0101507		3,614.33
Passed Through Lemoyne-Owen College					
47.076	University of Memphis	Education and Human Resources	HRD-9553315		(467.68)
Passed Through Metropolitan Government of Nashville and Davidson County					
47.076	Tennessee State University	Education and Human Resources	ESR-0084-891		57,661.77
Passed Through Research Corporation of the University of Hawaii					
47.076	Pellissippi State Technical Community College	Education and Human Resources	DUE-0202452		49,504.46

State of Tennessee
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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Subtotal Pass-Through Programs					$ 250,787.51
Subtotal National Science Foundation					$ 5,083,699.05
Small Business Administration					
Direct Programs					
59.005	East Tennessee State University	Business Development Assistance to Small Business			$ 750.00
59.037	Tennessee Board of Regents	Small Business Development Center		$ 1,427,055.32	
59.037	University of Memphis	Small Business Development Center		101,458.98	1,528,514.30
Subtotal Small Business Administration					$ 1,529,264.30
Tennessee Valley Authority					
Direct Programs					
62.004	Pellissippi State Technical Community College	Tennessee Valley Region_Economic Development		$ 44,856.74	
62.004	Tennessee State University	Tennessee Valley Region_Economic Development		127.38	$ 44,984.12
N.A.	Environment and Conservation	TVA Ocoee Trust Fund	TV-63501A		393,229.40
N.A.	Tennessee State University	Weekend Academy	99BB4-250691		50,753.97
N.A.	University of Tennessee	TVA Release # 36 - Sullivan	R011006055		13,049.48
N.A.	University of Tennessee	TVA TV-80101V Field Prac 92-93	R011082095		30,489.16
N.A.	University of Tennessee	TVA TV77105A Supp#12 Bunting97	R011083070		61,845.95
N.A.	University of Tennessee	TVA-SAMAB	R012540065		107,186.79
N.A.	University of Tennessee	TVA 99998950 Rel# 21Gangaware	R012550090		6,809.89
N.A.	University of Tennessee	TVA Release # 25 - Gangaware	R012550098		11,073.79
N.A.	University of Tennessee	TVA Student Prg Engineering 00	R041302019		49,351.24
N.A.	University of Tennessee	TVA-Waste Water Mgt-Mote	R110115033		34,394.40
N.A.	University of Tennessee	TVA-#00020810-Pond Creek-Walker	R124310026		15,970.55
Subtotal Tennessee Valley Authority					$ 819,138.74
Department of Veterans' Affairs					
Direct Programs					
64.015	Tennessee State Veterans' Homes Board	Veterans State Nursing Home Care			$ 4,067,991.48
64.016	University of Memphis	Veterans State Hospital Care			33,922.90
64.022	East Tennessee State University	Veterans Home Based Primary Care			1,029,472.23
64.101	Veterans Affairs	Burial Expenses Allowance for Veterans			340,950.00
64.123	Roane State Community College	Vocational Training for Certain Veterans Receiving VA Pension			477.97
64.124	Tennessee Higher Education Commission	All-Volunteer Force Educational Assistance			221,865.94
N.A.	University of Memphis	Support of Veteran's Services Office	N.A.		3,796.00
Subtotal Department of Veterans' Affairs					$ 5,698,476.52
Environmental Protection Agency					
Direct Programs					

State of Tennessee
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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
66.001	Environment and Conservation	Air Pollution Control Program Support		$ 1,291,543.46	
66.001	University of Tennessee	Air Pollution Control Program Support		294.06	$ 1,291,837.52
66.032	Environment and Conservation	State Indoor Radon Grants			78,909.01
66.034	Environment and Conservation	Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act			16,557.79
66.419	Environment and Conservation	Water Pollution Control_State and Interstate Program Support			2,971,319.50
66.432	Environment and Conservation	State Public Water System Supervision			1,020,827.16
66.454	Environment and Conservation	Water Quality Management Planning			310,232.74
66.458	Environment and Conservation	Capitalization Grants for Clean Water State Revolving Funds			16,323,501.59
66.460	Agriculture	Nonpoint Source Implementation Grants			2,633,685.16
66.461	Environment and Conservation	Wetland Program Development Grants			32,650.24
66.463	Environment and Conservation	Water Quality Cooperative Agreements			76,700.24
66.467	University of Tennessee	Wastewater Operator Training Grant Program (Technical Assistance)			44,152.94
66.468	Environment and Conservation	Capitalization Grants for Drinking Water State Revolving Funds			9,072,713.31
66.474	Environment and Conservation	Water Protection Grants to the States			30,432.17
66.600	University of Tennessee	Environmental Protection Consolidated Grants_Program Support			148,512.62
66.604	University of Tennessee	Environmental Justice Grants to Small Community Groups			6,972.23
66.605	Agriculture	Performance Partnership Grants			532,750.21
66.606	Agriculture	Surveys, Studies, Investigations and Special Purpose Grants		$ 70,467.58	
66.606	Environment and Conservation	Surveys, Studies, Investigations and Special Purpose Grants		228,869.18	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants		31,370.14	330,706.90
66.607	University of Tennessee	Training and Fellowships for the Environmental Protection Agency			103,214.38
66.608	Environment and Conservation	State Information Grants			176,370.75
66.651	University of Tennessee	Innovative Community Partnership			5,278.18
66.707	Environment and Conservation	TSCA Title IV State Lead Grants Certification of Lead_Based Paint Professionals			312,021.16
66.708	Environment and Conservation	Pollution Prevention Grants Program			57,490.40
66.801	Environment and Conservation	Hazardous Waste Management State Program Support			3,120,435.08
66.802	Environment and Conservation	Superfund State Site_Specific Cooperative Agreements			354,481.21
66.804	Environment and Conservation	State and Tribal Underground Storage Tanks Program			158,476.15
66.805	Environment and Conservation	Leaking Underground Storage Tank Trust Fund			1,483,713.47
66.809	Environment and Conservation	Early Learning Fund			958,490.97
66.951	University of Tennessee	Environmental Education Grants			7,608.99
Subtotal Environmental Protection Agency					$ 41,660,042.07
		Department of Energy			
Direct Programs					

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
81.041	Economic and Community Development	State Energy Program			$ 1,138,093.09
81.042	Human Services	Weatherization Assistance for Low-Income Persons			4,553,123.68
81.049	University of Tennessee	Office of Science Financial Assistance Program			1,757,009.86
81.086	University of Tennessee	Conservation Research and Development			315,268.71
81.092	Environment and Conservation	Environmental Restoration			1,655,004.24
81.114	University of Tennessee	University Nuclear Science and Reactor Support			95,299.68
81.502	Environment and Conservation	Miscellaneous Federal Activities Actions		$ 1,854,352.14	
81.502	Military	Miscellaneous Federal Activities Actions		793,475.27	
81.502	Pellissippi State Technical Community College	Miscellaneous Federal Activities Actions		44,696.17	2,692,523.58
N.A.	Economic and Community Development	Petroleum Violation Escrow-Exxon	N.A.		203,941.53
N.A.	Economic and Community Development	Petroleum Violation Escrow-Stripper	N.A.		(1,224,340.93)
N.A.	Economic and Community Development	Section 155-Warner Amendment	N.A.		597.33
N.A.	Tennessee State University	Department of Energy Chair of Excellence Professorship	DE-FG02-94EW11428		233,712.15
N.A.	Tennessee Wildlife Resources Agency	Oak Ridge Wildlife Management	1448-40181-G-070		65,000.00
N.A.	University of Tennessee	DOE DE-FG02-01ER45885-Musfeldt	R011025050		58,847.17
N.A.	University of Tennessee	DOE DE-FG07-01ER62718-Sepaniak	R011025060		88,860.46
N.A.	University of Tennessee	DOE DE-FC02-01ER25465-SCIDAC-Beck	R011033037		562,280.66
N.A.	University of Tennessee	DOE DE-FC02-01ER25465-SCIDAC-Dongarra	R011033037		160,940.04
N.A.	University of Tennessee	DOE-Ornl Transition-Riedinger	R011060011		1,919.15
N.A.	University of Tennessee	DOE DE-FG02-96ER40982-Sorensen	R011063056		240,603.09
N.A.	University of Tennessee	DOE DE-AC26-01NT41305-Pinnaduwage	R011065048		177,976.58
N.A.	University of Tennessee	DOE DE-FC36-02ID14399-Meek	R011318022		54,123.56
N.A.	University of Tennessee	DOE DE-AC26-01NT41309-Hamel	R011373096		237,357.30
N.A.	University of Tennessee	DOE DE-FC26-02NT41609-Hodgson	R011373113		116,468.76
N.A.	University of Tennessee	DOE DE-FG07-02ID14368-Dodds	R011382074		31,434.61
N.A.	University of Tennessee	TN Reg Sci&Math Summit IV-Fed	R011804075		1,789.76
N.A.	University of Tennessee	JIEE-EC2 Secretariat-Fed Labs	R012540019		17,648.57
N.A.	University of Tennessee	DOE DE-FC26-02NT15341-Hatcher	R013312002		129,461.90
Subtotal Direct Programs					$ 13,364,944.53
Passed Through Clarkson University					
81.036	University of Tennessee	Inventions and Innovations	R011334075		$ 298,942.40
Passed Through American Chemical Society					
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011024030		(892.02)
Passed Through Lawrence Berkeley National Laboratory					
N.A.	University of Tennessee	Lawrence Berkeley Ntl Lab	R011382037		6,111.73
Subtotal Pass-Through Programs					$ 304,162.11

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Subtotal Department of Energy					$ 13,669,106.64
		Federal Emergency Management Agency			
Direct Programs					
83.012	Military	Hazardous Materials Assistance Program			$ 4,287.76
83.105	Economic and Community Development	Community Assistance Program_State Support Services Element (CAP-SSSE)			55,733.15
83.536	Military	Flood Mitigation Assistance			40,456.19
83.544	Military	Public Assistance Grants			10,823,046.67
83.547	Commerce and Insurance	First Responder Counter-Terrorism Training Assistance			84,035.16
83.548	Military	Hazard Mitigation Grant			800,749.81
83.550	Environment and Conservation	National Dam Safety Program			108,455.05
83.552	Military	Emergency Management Performance Grants			1,840,887.32
83.556	Military	Fire Management Assistance Grant			1,726,728.84
83.557	Military	Pre-Disaster Mitigation			45,498.07
83.562	Military	State and Local All Hazards Emergency Operations Planning			47,605.38
83.563	Military	Emergency Operations Centers			64,259.42
83.564	Military	Citizen Corps			143,152.06
Subtotal Federal Emergency Management Agency					$ 15,784,894.88
		Department of Education			
Direct Programs					
84.002	Labor and Workforce Development	Adult Education_State Grant Program			$ 11,947,729.10
84.004	University of Tennessee	Civil Rights Training and Advisory Services			265,446.56
84.010	Education	Title 1 Grants to Local Educational Agencies			140,619,787.39
84.011	Education	Migrant Education_Basic State Grant Program			561,584.09
84.013	Education	Title 1 Program for Neglected and Delinquent Children			629,476.74
84.024	East Tennessee State University	Early Education for Children with Disabilities			98,901.60
84.031	Northeast State Technical Community College	Higher Education_Institutional Aid		$ 26,312.57	
84.031	Tennessee State University	Higher Education_Institutional Aid		5,508,317.11	5,534,629.68
84.032	Tennessee Student Assistance Corporation	Federal Family Education Loans (Guaranty Agencies)			63,567,756.58
84.048	Education	Vocational Education_Basic Grants To States			22,330,860.22
84.069	Tennessee Student Assistance Corporation	Leveraging Educational Assistance Partnership			1,731,552.00
84.078	University of Tennessee	Special Education_Postsecondary Education Programs for Persons with Disabilities			24,799.09
84.116	Chattanooga State Technical Community College	Fund for the Improvement of Postsecondary Education		$ 271,586.52	
84.116	East Tennessee State University	Fund for the Improvement of Postsecondary Education		105,232.83	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.116	University of Memphis	Fund for the Improvement of Postsecondary Education		94,153.92	
84.116	University of Tennessee	Fund for the Improvement of Postsecondary Education		262,450.05	733,423.32
84.126	Human Services	Rehabilitation Services_Vocational Rehabilitation Grants to States			60,812,420.15
84.129	University of Memphis	Rehabilitation Long-Term Training		$ 97,396.98	
84.129	University of Tennessee	Rehabilitation Long-Term Training		229,017.67	326,414.65
84.141	University of Tennessee	Migrant Education_High School Equivalency Program			440,601.76
84.145	University of Memphis	Federal Real Property Assistance Program (Noncash Award)			29,011,572.00
84.153	Tennessee State University	Business and International Education Projects			23,536.73
84.154	State	Public Library Construction and Technology Enhancement			10,850.18
84.160	University of Tennessee	Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind			180,682.01
84.162	Education	Immigrant Education			298,515.21
84.169	Human Services	Independent Living_State Grants			320,848.75
84.177	Human Services	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind			419,728.55
84.181	Education	Special Education_Grants for Infants and Families with Disabilities			8,146,601.84
84.184	University of Tennessee	Safe and Drug-Free Schools and Communities_National Programs			612,466.66
84.185	Education	Byrd Honors Scholarships			772,500.00
84.186	Education	Safe and Drug-Free Schools and Communities_State Grants			7,397,331.91
84.187	Human Services	Supported Employment Services for Individuals with Severe Disabilities			685,629.00
84.194	Education	Bilingual Education Support Services			25,210.83
84.195	Middle Tennessee State University	Bilingual Education_Professional Development		$ 190,846.40	
84.195	University of Tennessee	Bilingual Education_Professional Development		113,491.65	304,338.05
84.196	Education	Education for Homeless Children and Youth			466,461.47
84.200	Middle Tennessee State University	Graduate Assistance in Areas of National Need			59,453.68
84.213	Education	Even Start_State Educational Agencies			3,104,026.01
84.215	Education	Fund for the Improvement of Education			263,258.83
84.216	Education	Capital Expenses			12,700.00
84.220	University of Memphis	Centers for International Business Education			238,233.65
84.224	Human Services	Assistive Technology			301,256.61
84.243	Education	Tech-Prep Education			2,308,245.59
84.257	University of Tennessee	National Institute for Literacy			292,504.92
84.264	University of Tennessee	Rehabilitation Training_Continuing Education			389,567.40
84.265	Human Services	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training			64,376.26
84.276	Education	Goals 2000_State and Local Education Systemic Improvement Grants			860,381.72
84.278	Education	School to Work Opportunities			2,139,919.37
84.281	Education	Eisenhower Professional Development State Grants		$ 2,407,706.22	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.281	Tennessee Higher Education Commission	Eisenhower Professional Development State Grants		1,127,558.99	3,535,265.21
84.282	Education	Charter Schools			200,628.84
84.287	Education	Twenty-First Century Community Learning Centers			1,745,942.59
84.298	Education	Innovative Education Program Strategies			7,377,446.48
84.314	Education	Even Start_Statewide Family Literacy Program			210,299.51
84.318	Education	Technology Literacy Challenge Fund Grants			5,501,441.00
84.324	University of Tennessee	Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities			925,643.93
84.325	Tennessee State University	Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities		$ 62,926.17	
84.325	University of Tennessee	Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities		174,206.53	237,132.70
84.326	Education	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities			227,059.45
84.330	Education	Advanced Placement Program			267,936.85
84.332	Education	Comprehensive School Reform Demonstration			2,508,943.82
84.334	Dyersburg State Community College	Gaining Early Awareness and Readiness for Undergraduate Programs		$ 391,982.28	
84.334	University of Tennessee	Gaining Early Awareness and Readiness for Undergraduate Programs		1,526,420.48	1,918,402.76
84.335	Austin Peay State University	Child Care Access Means Parents in School		$ 13,155.39	
84.335	East Tennessee State University	Child Care Access Means Parents in School		168,143.78	
84.335	Northeast State Technical Community College	Child Care Access Means Parents in School		16,027.16	
84.335	Southwest Tennessee Community College	Child Care Access Means Parents in School		20,294.81	
84.335	University of Tennessee	Child Care Access Means Parents in School		67,490.27	285,111.41
84.336	Education	Teacher Quality Enhancement Grants		$ 823,034.38	
84.336	University of Tennessee	Teacher Quality Enhancement Grants		789,529.41	1,612,563.79
84.338	Education	Reading Excellence			6,170,125.07
84.340	Education	Class Size Reduction			3,972,718.54
84.341	University of Tennessee	Community Technology Centers			110,432.86
84.342	East Tennessee State University	Preparing Tomorrow's Teachers to Use Technology		$ 399,851.43	
84.342	Tennessee Technological University	Preparing Tomorrow's Teachers to Use Technology		110,332.61	
84.342	University of Tennessee	Preparing Tomorrow's Teachers to Use Technology		363,882.46	874,066.50
84.346	Education	Occupational and Employment Information State Grants		$ 73,815.04	
84.346	Southwest Tennessee Community College	Occupational and Employment Information State Grants		280,443.74	354,258.78
84.348	Education	Title 1 Accountability Grants			1,940,838.29

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.349	University of Tennessee	Early Childhood Educator Professional Development			135,217.30
84.352	Education	School Renovation Grants			9,948,656.08
84.353	Nashville State Technical Community College	Tech-Prep Demonstration Grants			158,630.77
84.358	Education	Rural Education Achievement Program			1,977,986.75
84.365	Education	English Language Acquisition Grants			1,150,926.70
84.367	Education	Improving Teacher Quality State Grants			31,713,980.49
84.369	Education	Grants for State Assessments and Related Activities			5,200.00
Subtotal Direct Programs					$ 453,402,436.63
Passed Through Nicholls State University					
84.116	University of Tennessee	Fund for the Improvement of Postsecondary Education	R011436017		$ 26,018.42
Passed Through University of Rochester					
84.116	University of Tennessee	Fund for the Improvement of Postsecondary Education	R011810014		46,828.87
Passed Through Council of Chief State School Officers					
84.215	Education	Fund for the Improvement of Education	R215U960011-01		10,346.28
Passed Through Memphis City Schools					
84.215	University of Memphis	Fund for the Improvement of Education	N.A.		74,845.34
84.334	University of Memphis	Gaining Early Awareness and Readiness for Undergraduate Programs	05-00434-Z-03	$ 206,918.21	
84.334	University of Memphis	Gaining Early Awareness and Readiness for Undergraduate Programs	N.A.	49,766.22	256,684.43
Passed Through University of New Orleans					
84.215	University of Memphis	Fund for the Improvement of Education	R215K010219		16,747.63
84.336	University of Memphis	Teacher Quality Enhancement Grants	R215K000018		2,499.72
Passed Through Warren County Schools					
84.215	Middle Tennessee State University	Fund for the Improvement of Education	S215X020283		104,818.96
Passed Through Georgia State University					
84.264	University of Tennessee	Rehabilitation Training_Continuing Education	R011201083	$ 74,013.67	
84.264	University of Tennessee	Rehabilitation Training_Continuing Education	R011250003	213,978.27	287,991.94
Passed Through Murfreesboro City Schools					
84.287	Middle Tennessee State University	Twenty-First Century Community Learning Centers	01-0143		24,170.22

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Vanderbilt University					
84.325	Tennessee State University	Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities	H325A000097-02		39,621.18
84.334	Tennessee State University	Gaining Early Awareness and Readiness for Undergraduate Programs	P334A000206	$ 41.44	
84.334	Middle Tennessee State University	Gaining Early Awareness and Readiness for Undergraduate Programs	P334A000206	92,811.84	92,853.28
84.342	Middle Tennessee State University	Preparing Tomorrow's Teachers to Use Technology	P342A990348/SUB15067		50,594.31
Passed Through State of Georgia					
84.330	Education	Advanced Placement Program	930738		73,987.43
Passed Through University of Western Kentucky					
84.336	Middle Tennessee State University	Teacher Quality Enhancement Grants	SUB-WKU-523361-00-01	$ 31,845.30	
84.336	Middle Tennessee State University	Teacher Quality Enhancement Grants	SUB-WKU-524522-03-04	17,445.12	49,290.42
Passed Through VSA Arts					
84.351	Middle Tennessee State University	Arts in Education	N.A.		23,274.27
Subtotal Pass-Through Programs					$ 1,180,572.70
Subtotal Department of Education					$ 454,583,009.33
National Archives and Records Administration					
Direct Programs					
89.003	State	National Historical Publications and Records Grants			$ 5,545.52
Subtotal National Archives and Records Administration					$ 5,545.52
Department of Health and Human Services					
Direct Programs					
93.003	Health	Public Health and Social Services Emergency Fund			$ 350,580.31
93.006	Health	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program			165,752.98
93.041	Commission on Aging and Disability	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation			62,390.00
93.042	Commission on Aging and Disability	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals			263,540.00

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.043	Commission on Aging and Disability	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services			382,402.00
93.048	Commission on Aging and Disability	Special Programs for the Aging_Title IV_and Title II_Discretionary Projects			228,692.00
93.052	Commission on Aging and Disability	Nation Family Caregiver Support			704,409.00
93.104	Mental Health and Developmental Disabilities	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)			1,534,280.00
93.110	Health	Maternal and Child Health Federal Consolidated Programs		$ 269,763.44	
93.110	Mental Health and Developmental Disabilities	Maternal and Child Health Federal Consolidated Programs		51,989.88	
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs		121,663.05	443,416.37
93.116	Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs			1,909,873.17
93.121	University of Tennessee	Oral Diseases and Disorders Research			104,897.10
93.124	University of Tennessee	Nurse Anesthetist Traineeships			68,692.00
93.127	Health	Emergency Medical Services for Children			6.49
93.130	Health	Primary Care Services_Resource Coordination and Development			116,216.48
93.136	Health	Injury Prevention and Control Research and State and Community Based Programs			670,602.56
93.150	Mental Health and Developmental Disabilities	Projects for Assistance in Transition from Homelessness (PATH)			541,495.00
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders			34,890.63
93.178	East Tennessee State University	Nursing Workforce Diversity			5,864.42
93.197	Health	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children			503,859.04
93.211	University of Tennessee	Rural Telemedicine Grants			355,202.00
93.217	Health	Family Planning_Services			5,868,701.22
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes			650.00
93.230	Mental Health and Developmental Disabilities	Consolidated Knowledge Development and Application (KD&A) Program			202,431.74
93.234	Health	Traumatic Brain Injury_State Demonstration Grant Program			147,054.06
93.235	Health	Abstinence Education			988,408.69
93.238	Health	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement			856,654.00
93.240	Health	State Capacity Building			168,882.99
93.241	Health	State Rural Hospital Flexibility Program			778,579.80
93.245	Health	Innovative Food Safety Projects			73,384.20
93.247	East Tennessee State University	Advanced Education Nursing Grant Program			217,051.11
93.251	Health	Universal Newborn Hearing Screening			124,051.49
93.253	University of Tennessee	Poison Control Stabilization and Enhancement Grants			231,851.36
93.268	Health	Immunization Grants		$ 3,512,999.05	

State of Tennessee
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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.268	Health	Immunization Grants (Noncash Award)		17,303,699.66	20,816,698.71
93.279	University of Tennessee	Drug Abuse Research Programs			43,663.49
93.283	Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance			16,069,642.27
93.358	East Tennessee State University	Advanced Education Nursing Traineeships		$ 67,043.00	
93.358	Tennessee State University	Advanced Education Nursing Traineeships		25,122.96	
93.358	University of Tennessee	Advanced Education Nursing Traineeships		168,070.00	260,235.96
93.359	East Tennessee State University	Basic Nurse Education and Practice Grants			676,005.32
93.551	University of Tennessee	Abandoned Infants			2,086.37
93.556	Children's Services	Promoting Safe and Stable Families			9,175,181.19
93.558	Human Services	Temporary Assistance for Needy Families			191,166,613.94
93.563	Human Services	Child Support Enforcement			36,943,227.15
93.566	Human Services	Refugee and Entrant Assistance_State Administered Programs			972,934.37
93.568	Human Services	Low-Income Home Energy Assistance			21,951,317.78
93.569	Human Services	Community Services Block Grant			12,101,244.21
93.571	Human Services	Community Services Block Grant Discretionary Awards_Community Food and Nutrition			124,992.82
93.576	Education	Refugee and Entrant Assistance_Discretionary Grants		$ 214,765.00	
93.576	Human Services	Refugee and Entrant Assistance_Discretionary Grants		186,107.45	400,872.45
93.584	Human Services	Refugee and Entrant Assistance_Targeted Assistance			312,381.35
93.585	Human Services	Empowerment Zones Program			568,521.34
93.586	Court System	State Court Improvement Program			233,964.61
93.590	Children's Services	Community-Based Family Resource and Support Grants			582,204.60
93.597	Human Services	Grants to States for Access and Visitation Programs			177,930.90
93.600	Education	Head Start		$ 125,684.97	
93.600	Tennessee State University	Head Start		1,638,726.32	1,764,411.29
93.603	Children's Services	Adoption Incentive Payments			872,528.33
93.630	Mental Health and Developmental Disabilities	Developmental Disabilities Basic Support and Advocacy Grants			1,485,139.47
93.632	University of Tennessee	University Centers for Excellence in Developmental Disabilities Education, Research, and Service			70,565.42
93.643	Children's Services	Children's Justice Grants to States			205,623.85
93.645	Children's Services	Child Welfare Services_State Grants			8,097,189.79
93.647	Human Services	Social Services Research and Demonstration			4,149.56
93.648	University of Tennessee	Child Welfare Services Training Grants			685,773.07
93.658	Children's Services	Foster Care_Title IV-E			24,588,073.81
93.659	Children's Services	Adoption Assistance			12,288,933.37
93.667	Human Services	Social Services Block Grant			16,278,506.00
93.669	Children's Services	Child Abuse and Neglect State Grants			271,771.03
93.671	Finance and Administration	Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes			1,655,936.48
93.674	Children's Services	Chafee Foster Care Independent Living			1,172,395.33
93.767	Finance and Administration	State Children's Insurance Program			100,490.13

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.779	Commission on Aging and Disability	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		$ 258,874.33	
93.779	Mental Health and Developmental Disabilities	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		218,553.37	477,427.70
93.822	University of Tennessee	Health Careers Opportunity Program			742,082.15
93.837	University of Tennessee	Heart and Vascular Diseases Research			272,755.21
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research			4,000.00
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research			143,939.01
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders			286,439.09
93.856	University of Tennessee	Microbiology and Infectious Diseases Research			95,545.76
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research			54,115.91
93.867	University of Tennessee	Vision Research			4,762.92
93.879	East Tennessee State University	Medical Library Assistance			17,887.90
93.880	Tennessee State University	Minority Access to Research Careers			367,544.59
93.884	East Tennessee State University	Grants for Residency Training in General Internal Medicine and/or General Pediatrics		$ 423,983.30	
93.884	University of Tennessee	Grants for Residency Training in General Internal Medicine and/or General Pediatrics		92,003.88	515,987.18
93.887	East Tennessee State University	Health Care and Other Facilities		$ 20,895.00	
93.887	Tennessee Technological University	Health Care and Other Facilities		95,362.12	116,257.12
93.895	East Tennessee State University	Grants for Faculty Development in Family Medicine			74,861.89
93.896	East Tennessee State University	Predoctoral Training in Primary Care (Family Medicine, General Internal Medicine/General Pediatrics)			226,573.58
93.912	Health	Rural Health Outreach and Rural Network Development Program			77,574.05
93.913	Health	Grants to States for Operation of Offices of Rural Health			142,615.88
93.917	Health	HIV Care Formula Grants			10,873,845.05
93.919	Health	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs			251,305.68
93.938	Education	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems			595,710.43
93.940	Health	HIV Prevention Activities_Health Department Based			4,904,399.50
93.944	Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			667,960.38
93.945	Health	Assistance Programs for Chronic Disease Prevention and Control			251,182.41
93.958	Mental Health and Developmental Disabilities	Block Grants for Community Mental Health Services			8,423,902.46
93.959	Health	Block Grants for Prevention and Treatment of Substance Abuse			30,503,685.72

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.977	Health	Preventive Health Services_Sexually Transmitted Diseases Control Grants			3,182,764.45
93.984	East Tennessee State University	Academic Administrative Units in Primary Care			151,707.96
93.988	Health	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems			200,134.91
93.991	Health	Preventive Health and Health Services Block Grant			2,320,710.44
93.994	Health	Maternal and Child Health Services Block Grant to the States			14,400,705.07
N.A.	Tennessee State University	CMS HBCU Research Conference	CMS-02-00324		37,153.08
Subtotal Direct Programs					$ 480,611,505.45
Passed Through University of North Carolina					
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	R011216028	$ 62.69	
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	R011216030	2,092.75	
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	R011216034	106,519.24	$ 108,674.68
Passed Through Vanderbilt University					
93.110	Tennessee State University	Maternal and Child Health Federal Consolidated Programs	5-MCJ-000217-48	$ 39,934.52	
93.110	Tennessee State University	Maternal and Child Health Federal Consolidated Programs	5-MCJ-000217-41-0	(410.76)	
93.110	Tennessee State University	Maternal and Child Health Federal Consolidated Programs	5T773M000050-03	24,121.00	
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	R014030014	37,092.89	100,737.65
93.253	University of Tennessee	Poison Control Stabilization and Enhancement Grants	R073640056	$ 1,106.64	
93.253	University of Tennessee	Poison Control Stabilization and Enhancement Grants	R073640057	1,732.02	2,838.66
93.333	Tennessee State University	Clinical Research	5 R25 RR1256-03		22,000.00
93.960	Tennessee State University	Special Minority Initiatives	1R25GM60190-01		14,460.00
Passed Through Wake Forest University					
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	R073366091	$ (1,979.01)	
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	R073366098	26,469.92	24,490.91
Passed Through University of Cincinnati					
93.114	University of Tennessee	Applied Toxicological Research and Testing	R131030063		164,496.65
93.142	University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	R131030053		(22,688.39)
Passed Through Meharry Medical College					
93.192	Volunteer State Community College	Quentin N. Burdick Programs for Rural Interdisciplinary Training	5 D36 HP 100050-08	$ 3,233.31	
93.192	Middle Tennessee State University	Quentin N. Burdick Programs for Rural Interdisciplinary Training	961218V55396537	4,570.01	7,803.32
93.960	Tennessee State University	Special Minority Initiatives	2R25GM5179-03		11,009.34

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.969	Tennessee State University	Geriatric Education Centers	ID31-HP80004-01		27,609.76
Passed Through University of Kentucky					
93.262	University of Tennessee	Occupational Safety and Health Research Grants	R073640049		6,283.91
Passed Through National Collegiate Athletic Association					
93.570	Tennessee State University	Community Services Block Grant_ Discretionary Awards	93-150	$ 6,374.83	
93.570	Tennessee State University	Community Services Block Grant_ Discretionary Awards	NYSP-02	15,538.87	21,913.70
Passed Through National Youth Sports Corporation					
93.570	Tennessee State University	Community Services Block Grant_ Discretionary Awards	NYSP-03	$ 59,877.20	
93.570	Middle Tennessee State University	Community Services Block Grant_ Discretionary Awards	03-084	27,119.68	
93.570	Middle Tennessee State University	Community Services Block Grant_ Discretionary Awards	SUBN45PF03-0	14,948.94	
93.570	University of Memphis	Community Services Block Grant_ Discretionary Awards	NYSPF 02-189	34,113.43	
93.570	University of Memphis	Community Services Block Grant_ Discretionary Awards	NYSPF 03-189	11,902.41	
93.570	University of Memphis	Community Services Block Grant_ Discretionary Awards	NYSPF 80-8104	9,583.24	157,544.90
N.A.	Tennessee State University	National Youth Sports Program - Girls Sport Clinic	20-8100		4,874.31
Passed Through University of South Florida					
93.630	University of Tennessee	Developmental Disabilities Basic Support and Advocacy Grants	R011202010		26.07
Passed Through Hancock County Board of Education					
93.912	East Tennessee State University	Rural Health Outreach and Rural Network Development Program	03-0259		134,175.32
Passed Through Advocates for Human Potential, Incorporated					
93.958	Mental Health and Developmental Disabilities	Block Grants for Community Mental Health Services	N.A.	$ 2,867.00	
93.958	Mental Health and Developmental Disabilities	Block Grants for Community Mental Health Services	N.A.	11,857.00	14,724.00
Subtotal Pass-Through Programs					$ 800,974.79
Subtotal Department of Health and Human Services					$ 481,412,480.24
Corporation for National and Community Service					
Direct Programs					
94.002	Finance and Administration	Retired and Senior Volunteer Program			$ 94,902.36
94.003	Finance and Administration	State Commissions			208,694.54
94.004	Education	Learn and Serve America_School and Community Based Programs		$ 402,617.24	
94.004	Finance and Administration	Learn and Serve America_School and Community Based Programs		230,186.35	632,803.59

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
94.006	Finance and Administration	AmeriCorps		$ 2,338,336.53	
94.006	Southwest Tennessee Community College	AmeriCorps		106,344.88	2,444,681.41
94.007	East Tennessee State University	Planning and Program Development Grants		$ 1,452.04	
94.007	Finance and Administration	Planning and Program Development Grants		240,817.61	242,269.65
94.009	Finance and Administration	Training and Technical Assistance			88,991.84
94.013	Education	Volunteers in Service to America			(5,874.96)
Subtotal Direct Programs					$ 3,706,468.43
Passed Through Lemoyne-Owen College					
94.007	University of Memphis	Planning and Program Development Grants	N.A.		$ 12,164.73
Passed Through Structured Employment Economic Development Corporation					
94.007	University of Memphis	Planning and Program Development Grants	ADNNY004	$ 9,684.54	
94.007	University of Memphis	Planning and Program Development Grants	N.A.	24,703.21	34,387.75
Subtotal Pass-Through Programs					$ 46,552.48
Subtotal Corporation for National and Community Service					$ 3,753,020.91
Department of Homeland Security					
Direct Programs					
97.034	Labor and Workforce Development	Disaster Unemployment Assistance			$ 62,895.06
Subtotal Department of Homeland Security					$ 62,895.06
United States Agency for International Development					
Passed Through American Council on Education					
N.A.	Tennessee State University	Worldwide Farmer to Farmer Program	FAO-A-00-96-90038-00		$ 2,573.29
N.A.	Tennessee State University	Center for Entrepreneurship and Development at the National Institute of Management	HNE-A-00-09-00150		4,439.40
N.A.	Tennessee State University	Developing Business Management Capacities for 1890 Institution Building Grants Private Sector Development in L'viv Ukraine	HNE-A-00-97-00059-00		39,939.16
N.A.	Tennessee State University	Linkage Grant-Human Resources and Curriculum Development	TELP-031104		268,825.44
Subtotal United States Agency for International Development					$ 315,777.29

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		Other Federal Assistance			
		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	$ 69,417.64	
N.A.	District Attorneys General Conference	Appalachia High Intensity Drug Trafficking Area	I1PAPP501	3,840.00	
N.A.	District Attorneys General Conference	Appalachia High Intensity Drug Trafficking Area	I2PAPP501	88,631.50	
N.A.	District Attorneys General Conference	Appalachia High Intensity Drug Trafficking Area	I3PAPP501	59,450.43	
N.A.	Safety	Appalachia High Intensity Drug Trafficking Area	I2PAPP501	36,990.08	
N.A.	Safety	Appalachia High Intensity Drug Trafficking Area	I2PAPP501-CVE	17,429.54	
N.A.	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I0-PAPP501	67,051.62	
N.A.	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I1-PAPP501	26,571.82	
N.A.	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I2-PAPP501	196,335.14	
N.A.	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I3-PAPP501	269,590.24	
N.A.	Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	I9-PAPP501	60,939.79	$ 896,247.80
Subtotal Office of National Drug Control Policy					$ 896,247.80
		Postal Service			
Direct Programs					
N.A.	University of Tennessee	USPS/Deat 51259301 - Kress	R011361015		$ 800.27
Subtotal Postal Service					$ 800.27
		Corporation for Public Broadcasting			
Direct Programs					
N.A.	University of Tennessee	Corp Public Broad-Prod & ACQ 99	R045815036		$ 12.45
N.A.	University of Tennessee	Corp Public Broad-CSG 99	R045815037	$ 652.12	
N.A.	University of Tennessee	Corp Public Broad-CSG 02	R045815041	2,352.97	
N.A.	University of Tennessee	Corp Public Broad-CSG 2002	R170471002	34,959.72	37,964.81
N.A.	University of Tennessee	CPB - Radio Comm SVR 01	R045815042		108,438.60
Subtotal Corporation for Public Broadcasting					$ 146,415.86
		State Justice Institute			
Direct Programs					
N.A.	Court System	The Solutions Project	SJI-03-N-023		$ 15,793.43
N.A.	University of Memphis	Institute for Faculty Excellence in Judicial Education	SJI-01-N-202	$ 30,712.94	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N.A.	University of Memphis	Institute for Faculty Excellence in Judicial Education 2002-2003	SJI-01-N-202-C02-1	135,115.54	165,828.48
N.A.	University of Memphis	Leadership Institute in Judicial Education-2002	SJI-91-N-021-002-1	$ 121,580.75	
N.A.	University of Memphis	Leadership Institute in Judicial Education-2003	SJI-91-N-021-C03-1	77,641.63	199,222.38
Subtotal State Justice Institute					$ 380,844.29
Subtotal Other Federal Assistance					$ 1,424,308.22
Total Unclustered Programs					$ 2,089,755,062.42

Research and Development Cluster

Department of Agriculture

Direct Programs

10.001	Tennessee State University	Agricultural Research_Basic and Applied Research	58-1230-2-044	$ 4,607.97	
10.001	University of Memphis	Agricultural Research_Basic and Applied Research	5864081098	23,363.19	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R110178009	64,558.79	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R111016093	18.68	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R111415072	(24,799.20)	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R111416009	178,059.93	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R111416019	62,599.79	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R111616035	2,324.43	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R112615078	1,746.17	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R112817098	6,519.31	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R112818011	(1,501.00)	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R112818036	72,833.60	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R112818037	59,417.14	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R118315007	2,415.58	
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R118315009	21,649.40	$ 473,813.78
10.200	Tennessee State University	Grants for Agricultural Research, Special Research Grants	95-38818-1354	$ 297.00	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R111016082	12,560.45	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112015063	1,080.52	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112218095	70,308.73	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112219034	185,328.44	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112219061	198,308.48	467,883.62

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
10.202	University of Tennessee	Cooperative Forestry Research	E111008	$ 740,268.55	
10.202	University of Tennessee	Cooperative Forestry Research	R011084020	190.89	
10.202	University of Tennessee	Cooperative Forestry Research	R011084022	781.32	741,240.76
10.203	University of Tennessee	Payments to Agricultural Experiment Stations Under the Hatch Act	E110105		6,236,921.39
10.205	Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	00-CREN-08915	$ (16,363.78)	
10.205	Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	2001-33100-08915	24,833.38	
10.205	Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	2002-33100-08915	817,603.07	
10.205	Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	2003-33100-08915	1,381,180.22	2,207,252.89
10.206	East Tennessee State University	Grants for Agricultural Research_ Competitive Research Grants	98-35204-6636	$ 10,758.77	
10.206	Tennessee Technological University	Grants for Agricultural Research_ Competitive Research Grants	99-35102-8523	17,479.10	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R011013097	3,859.97	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R011013098	442.38	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R011018043	(804.18)	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R011018059	21,124.29	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R011018076	41,405.97	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R011022020	7,196.49	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R011022032	23,302.57	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R011025021	45,443.19	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R011086014	67,359.15	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R012580098	106,199.75	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R012580123	27,941.06	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R073018028	398.53	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R111017018	35,692.06	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R111216046	19,072.33	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R111415091	70,735.14	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R111415092	(8,175.37)	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R111616008	49,537.00	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112219069	17,628.40	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112415050	22.49	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112415054	(9,953.62)	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112415071	19,313.54	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112415098	3,557.55	

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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	R112615073	25,263.21	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112817092	6,063.49	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112818024	76,397.99	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R181730080	21,108.60	698,369.85
10.216	Tennessee State University	1890 Institution Capacity Building Grants	00-38814-9505	$ 77,974.86	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	00-38820-9523	63,064.12	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	2001-38814-11468	62,932.99	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	2002-38814-12598	35,884.00	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	2002-38814-12721	7,956.46	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	2002-38814-12722	35,814.21	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	98-38814-6236	42,051.09	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	98-38814-6238	48,588.60	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	98-38814-6239	9,690.74	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	99-38814-8201	83,248.91	
10.216	Tennessee State University	1890 Institution Capacity Building Grants	99-38814-8362	57,196.96	524,402.94
10.217	University of Tennessee	Higher Education Challenge Grants	R111017017	$ 13,950.10	
10.217	University of Tennessee	Higher Education Challenge Grants	R181741001	28,233.17	42,183.27
10.218	University of Tennessee	Buildings and Facilities Program	R110115020		621,883.03
10.219	University of Tennessee	Biotechnology Risk Assessment Research	R111017004		33,102.75
10.250	University of Tennessee	Agricultural and Rural Economic Research	R011216031		23,699.15
10.302	Tennessee State University	Initiative for Future Agriculture and Food Systems	2001-52100-11212	$ 52,706.97	
10.302	Tennessee State University	Initiative for Future Agriculture and Food Systems	2001-52101-11409	10,995.73	
10.302	University of Tennessee	Initiative for Future Agriculture and Food Systems	R024337020	26,207.75	
10.302	University of Tennessee	Initiative for Future Agriculture and Food Systems	R111216013	159.22	
10.302	University of Tennessee	Initiative for Future Agriculture and Food Systems	R111216015	79,165.12	169,234.79
10.303	University of Tennessee	Integrated Programs	R110178006		262,072.70
10.652	Tennessee Technological University	Forestry Research	00-CS-11081001-120	$ 5,352.56	
10.652	Tennessee Technological University	Forestry Research	SRS00-CA-11330138-072	5,940.77	
10.652	University of Tennessee	Forestry Research	R011038090	13,363.34	
10.652	University of Tennessee	Forestry Research	R011080011	(13,309.37)	
10.652	University of Tennessee	Forestry Research	R011083090	(14,310.04)	
10.652	University of Tennessee	Forestry Research	R011086034	77,746.15	
10.652	University of Tennessee	Forestry Research	R112218073	(3,285.00)	
10.652	University of Tennessee	Forestry Research	R112218075	497.34	
10.652	University of Tennessee	Forestry Research	R112218091	(64.41)	
10.652	University of Tennessee	Forestry Research	R112218099	6,704.16	
10.652	University of Tennessee	Forestry Research	R112219015	132.12	
10.652	University of Tennessee	Forestry Research	R112219019	19,640.44	
10.652	University of Tennessee	Forestry Research	R112219022	1,512.58	

State of Tennessee
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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
10.652	University of Tennessee	Forestry Research	R112219024	18,716.59	
10.652	University of Tennessee	Forestry Research	R112219026	15,810.23	
10.652	University of Tennessee	Forestry Research	R112219033	24,781.12	
10.652	University of Tennessee	Forestry Research	R112219036	34,241.83	
10.652	University of Tennessee	Forestry Research	R112219046	18,750.62	
10.652	University of Tennessee	Forestry Research	R112219047	34,897.39	
10.652	University of Tennessee	Forestry Research	R112219050	5,352.84	
10.652	University of Tennessee	Forestry Research	R112219052	2,361.62	
10.652	University of Tennessee	Forestry Research	R112219084	20,578.77	
10.652	University of Tennessee	Forestry Research	R112219087	370.24	275,781.89
10.664	University of Tennessee	Cooperative Forestry Assistance	R112218090		61,804.82
10.678	University of Tennessee	Forest Stewardship Program	R112219055	$ 1,000.00	
10.678	University of Tennessee	Forest Stewardship Program	R112219058	1,000.00	
10.678	University of Tennessee	Forest Stewardship Program	R112219077	1,094.54	
10.678	University of Tennessee	Forest Stewardship Program	R112219085	1,000.00	4,094.54
10.961	University of Tennessee	Scientific Cooperation and Research	R012580107		4,445.91
10.962	University of Tennessee	International Training_Foreign Participant	R073252050	$ (6.24)	
10.962	University of Tennessee	International Training_Foreign Participant	R073621070	10,145.52	
10.962	University of Tennessee	International Training_Foreign Participant	R111815015	1,819.75	
10.962	University of Tennessee	International Training_Foreign Participant	R111815016	12,000.24	23,959.27
N.A.	University of Tennessee	USDA-ARS Genomic 58640420057-Trigiano	R111017019		75,098.90
N.A.	University of Tennessee	USDA FS 00CA11242343075 Winist	R112219000		1,180.94
N.A.	University of Tennessee	USDA-FS 02CS11083130010 YR 2-Schlarbaum	R112219038		8,929.41
N.A.	University of Tennessee	USDA FS 02CR11330128070-Hopper	R112219049		2,658.84
N.A.	University of Tennessee	USDA FS 03CS11083130010-Schlarbaum	R112219078		1,875.19
Subtotal Direct Programs					$ 12,961,890.63
Passed Through University of North Carolina					
10.001	University of Tennessee	Agricultural Research_Basic and Applied Research	R112615107		$ 76,120.59
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112615132		64,813.91
Passed Through North Carolina State University					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112615105	$ 5,000.00	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112615120	15,430.60	20,430.60
Passed Through South Dakota State University					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R110115035		67,294.44
Passed Through Southern Region SARE					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R011875019		5,373.65
Passed Through Southern Regional Aquaculture Center					
10.200	University of Memphis	Grants for Agricultural Research, Special Research Grants	2001-38500-10307	$ 1,573.77	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112219080	8,242.29	9,816.06
10.206	University of Memphis	Grants for Agricultural Research_ Competitive Research Grants	N.A.		7,519.26
Passed Through University of Florida					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R111016083		54,808.63
10.664	University of Tennessee	Cooperative Forestry Assistance	R112818010		(815.53)
Passed Through University of Georgia					
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112615077	$ 339.90	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	R112615103	3,630.96	3,970.86
Passed Through Dairy Management, Incorporated					
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112415076	$ 77,355.62	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112415077	59,125.22	
10.206	University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	R112415092	200,197.93	336,678.77
Passed Through Mississippi State University					
10.250	Tennessee State University	Agricultural and Rural Economic Research	43-3AEM-8-80044		11,059.09
Passed Through University of California					
10.250	University of Tennessee	Agricultural and Rural Economic Research	R111216043		12,878.83
10.303	University of Tennessee	Integrated Programs	R110178010		1,697.38
Passed Through University of Missouri					
10.302	University of Tennessee	Initiative for Future Agriculture and Food Systems	R112219008		383,994.03
Passed Through Virginia Polytechnic Institute and State University					
10.302	University of Tennessee	Initiative for Future Agriculture and Food Systems	R111216030		22,793.47
Passed Through North Carolina Agricultural and Technical State University					
10.303	Tennessee State University	Integrated Programs	2001-51110-11448		2,359.52
Subtotal Pass-Through Programs					$ 1,080,793.56
Subtotal Department of Agriculture					$ 14,042,684.19

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		Department of Commerce			
Direct Programs					
11.303	University of Memphis	Economic Development_Technical Assistance	04-66-04863	$ (995.34)	
11.303	University of Memphis	Economic Development_Technical Assistance	04-66-05096	103,959.82	
11.303	University of Memphis	Economic Development_Technical Assistance	04-66-05096-01	29.89	$ 102,994.37
11.609	University of Tennessee	Measurement and Engineering Research and Standards	R011318002		37,263.78
N.A.	University of Tennessee	NIST 43NANB010680-Bartmess	R011025029		3,827.21
Subtotal Department of Commerce					$ 144,085.36
		Department of Defense			
Direct Programs					
12.300	Tennessee State University	Basic and Applied Scientific Research	DAAE07-01-C-L065	$ 5,702.00	
12.300	Tennessee State University	Basic and Applied Scientific Research	DACW42-01-P-0097	26,461.53	
12.300	Tennessee State University	Basic and Applied Scientific Research	DACW62-00-H0001	134,106.49	
12.300	Tennessee State University	Basic and Applied Scientific Research	DCA100-00-D4001	81,052.43	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-98-1-0754	214,309.15	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-99-1-0753	19,560.47	
12.300	Tennessee State University	Basic and Applied Scientific Research	N00014-99-1-0968	339,779.64	
12.300	Tennessee Technological University	Basic and Applied Scientific Research	N00014-01-1-0909	132,028.26	
12.300	Tennessee Technological University	Basic and Applied Scientific Research	N00014-02-1-0612	7,024.56	
12.300	Tennessee Technological University	Basic and Applied Scientific Research	N00178-03-1-9002	4,683.61	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-98-1-0332	24,305.85	
12.300	University of Memphis	Basic and Applied Scientific Research	N61339-01-C-1006	3,412.88	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011030019	194.48	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011033034	315,503.84	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011344098	33,429.29	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011344101	29,136.82	
12.300	University of Tennessee	Basic and Applied Scientific Research	R011373072	68,088.46	$ 1,438,779.76
12.420	University of Memphis	Military Medical Research and Development	DAMD17-02-1-0248	$ 54,496.47	
12.420	University of Tennessee	Military Medical Research and Development	R011344070	37,865.85	
12.420	University of Tennessee	Military Medical Research and Development	R073018044	37,647.34	
12.420	University of Tennessee	Military Medical Research and Development	R073256037	2,049.91	
12.420	University of Tennessee	Military Medical Research and Development	R073256051	122,498.28	
12.420	University of Tennessee	Military Medical Research and Development	R111616037	15,656.72	
12.420	University of Tennessee	Military Medical Research and Development	R181741009	123,115.68	393,330.25
12.431	Tennessee State University	Basic Scientific Research	DAAD-19-01-0-074	$ 63,231.73	
12.431	University of Memphis	Basic Scientific Research	DAAD-19-01-1-0584	(42.52)	
12.431	University of Tennessee	Basic Scientific Research	R024351017	(3,265.69)	59,923.52
12.630	Tennessee State University	Basic, Applied, and Advanced Research in Science and Engineering	F49620-01-1-0534		77,392.82
12.800	University of Memphis	Air Force Defense Research Sciences Program	F29601-02-C-0260	$ 41,139.37	
12.800	University of Memphis	Air Force Defense Research Sciences Program	F33615-02-C-5048	25,147.55	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011025034	101,491.47	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011065060	16,611.00	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011343096	265.89	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011344063	189,198.89	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024325022	22,152.67	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024351021	(0.01)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024351030	(8,853.37)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024352010	(2,430.99)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024354044	(9,380.87)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024357072	957.78	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024357094	(8,350.89)	
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R024361001	(912.07)	367,036.42
12.901	University of Tennessee	Mathematical Sciences Grants Program	R011054007		7,085.24
12.910	University of Memphis	Research and Technology Development	F33615-01-C-1900	$ 162,823.75	
12.910	University of Tennessee	Research and Technology Development	R011344067	514,686.88	677,510.63
N.A.	Tennessee State University	Drawings, and Transient Heat Performance Analysis for Portable Heater System for Launch Tube Maintenance	N00030-02-M-0601		87,817.51
N.A.	Tennessee Technological University	Development of Regional Guidebook for Evaluating the Functions of Wetlands	F40650-00-C-0042		27,612.75
N.A.	Tennessee Technological University	Naval Postgraduate School	NPS(91)		14,927.08
N.A.	University of Memphis	Intergovernmental Personnel Assignment	CEMVM-ED-H		82,660.73
N.A.	University of Memphis	Immunity-Based Intrusion Detection System	F3060200-2-0514MOD6		183,399.04
N.A.	University of Tennessee	DOD-Williams-Tuckaleechee Seis	R011042046		32,197.65
N.A.	University of Tennessee	US Army Corps of Engineers DACA4203P0138-Gross	R011086066		1,083.78
N.A.	University of Tennessee	Army DSG60-02-1-000 QI	R011344077		123,195.06
N.A.	University of Tennessee	DEF LOG-SPO410-99-D-0006 Dicer	R012516002		35,976.86
N.A.	University of Tennessee	DARPA-NBCH1020006-White	R012545003		321,024.78
N.A.	University of Tennessee	Navy N66001-02-C-8045 Sayler	R012580104		272,004.65
N.A.	University of Tennessee	AF F40600-00-D-0001-0018 Bomar	R024312020		29,065.19
N.A.	University of Tennessee	AF F40600-00-D-0001-0016 Collins	R024315020		27,799.69
N.A.	University of Tennessee	AF F40600-00-D-0001-0021 Collins	R024315021		49,447.03
N.A.	University of Tennessee	AF F40600-00-D-0001-0019 Flandro	R024320020		40,900.38
N.A.	University of Tennessee	AF F40600-00-D-0001-0014 Keefer	R024325020		25,413.56
N.A.	University of Tennessee	AF F40600-00-D-0001-0015 Liaw	R024331005		798,146.03
N.A.	University of Tennessee	AF F40600-00-D-0001-0017 Merkle	R024332021		179,333.82
N.A.	University of Tennessee	AF F40600-00-D-0001-0020	R024332022		46,961.39
N.A.	University of Tennessee	Army DAAD19-02-1-0427	R024340020		63,951.69
N.A.	University of Tennessee	AF F40600-94-D-0001 98-07	R024351013		2,223.34
N.A.	University of Tennessee	Army-Helicptr Orient-Stellar	R024354042		6,591.47
N.A.	University of Tennessee	AF-AEDC F40600-00-D-0001-0013 Collins	R024354046		2,789.88

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N.A.	University of Tennessee	AF F40600-00-D-0001-0023 J W Davis	R024361002		32,843.77
N.A.	University of Tennessee	Army Grant DAMD17-01-1-0830	R073621082		249,707.20
N.A.	University of Tennessee	Army Contract DAMD17-03-1-0141	R073621114		30,612.91
N.A.	University of Tennessee	Army DACA420320002-Vehicle Impcs-Ayers	R111416027		12,075.79
N.A.	University of Tennessee	ONR #SP010302D0014 Coranet-Weiss	R112015082		10,732.14
N.A.	University of Tennessee	Army Corps-Grassland Birds	R112218076		85,929.97
Subtotal Direct Programs					$ 5,897,483.78
Passed Through CHI Systems, Incorporated					
12.002	University of Memphis	Procurement Technical Assistance For Business Firms	02019-001		$ 17,050.02
Passed Through Florida Institute of Technology					
12.300	University of Tennessee	Basic and Applied Scientific Research	R011033035		159,031.23
Passed Through Pennsylvania State University					
12.300	University of Tennessee	Basic and Applied Scientific Research	R024351028		25,437.44
N.A.	Tennessee State University	World Perception Modeling of Cooperative Robotic Systems Using Soft-Computing Techniques	DAAD19-01-1-0504		41,917.48
N.A.	Tennessee State University	Design Uncertainty Module Development	N00039-97-D-0042		793.95
Passed Through University of Alabama					
12.300	University of Tennessee	Basic and Applied Scientific Research	R013315036		37,461.94
Passed Through University of Houston					
12.300	University of Tennessee	Basic and Applied Scientific Research	R011334080		14,134.58
Passed Through University of Mississippi					
12.300	University of Memphis	Basic and Applied Scientific Research	01-06-061	$ 106,679.84	
12.300	University of Memphis	Basic and Applied Scientific Research	N00014-01-1-0917	76,636.71	183,316.55
Passed Through University of Pittsburgh					
12.300	University of Memphis	Basic and Applied Scientific Research	400428-1	$ 216,241.13	
12.300	University of Memphis	Basic and Applied Scientific Research	400428ADDENDUM#1	43,017.85	259,258.98
Passed Through Battelle					
12.431	University of Memphis	Basic Scientific Research	DAAHO4-96-C-0086		21,882.36
Passed Through Nichols Research Corporation					
12.431	University of Tennessee	Basic Scientific Research	R011031056	$ (15,284.35)	
12.431	University of Tennessee	Basic Scientific Research	R011031057	129.09	(15,155.26)
Passed Through University of Florida					
12.431	University of Memphis	Basic Scientific Research	UF-EIES-0214005-UME		75,966.39

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through University of South Alabama					
12.431	University of Memphis	Basic Scientific Research	02-020183-01		24,797.81
Passed Through Texas Tech University					
12.800	University of Tennessee	Air Force Defense Research Sciences Program	R011373082		12,017.02
Passed Through Duke University					
12.910	University of Tennessee	Research and Technology Development	R011344050		74,626.34
Passed Through Academy of Applied Science					
N.A.	Tennessee State University	Research and Engineering Apprentice Program	DAAH04-93-G-0163		5,608.32
Passed Through American Ordnance, Limited Liability Company					
N.A.	University of Memphis	Optimal Management Decision Making Using GIS	DAA09-98-G0012		5,085.67
N.A.	University of Memphis	Whitetailed Deer Assessment	DAA09-98-G0012	$ 8,604.05	
N.A.	University of Memphis	Whitetailed Deer Assessment 2002-2003	T-02-5526	23,671.99	32,276.04
N.A.	University of Memphis	Wildlife Project 2001-2002	T-01-2609	$ 1,542.72	
N.A.	University of Memphis	Wildlife Project 2002-2003	T-02-5596	3,817.22	5,359.94
N.A.	University of Memphis	Rare Mammal Survey 2002-2003	T-02-5524		10,886.90
N.A.	University of Memphis	Breeding Bird Survey 2002-2003	T-02-5525		6,163.24
Passed Through BWXT Y-12, Limited Liability Company					
N.A.	Tennessee State University	Technical Support to the Minority Educational Institutions Technology Partnership	DE-AC05-000R22800-1		459.11
Passed Through CACI Technologies, Incorporated					
N.A.	University of Tennessee	CACI Tech 031-01-S-0086 Peterson	R011344065		12,739.34
N.A.	University of Tennessee	CACI Tech 601-01-S-0086 TTO-02 Peterson	R011344092		36,528.86
Passed Through CH2M Hill, Incorporated					
N.A.	University of Memphis	Impact of Browsing by White-Tailed Deer on Rare, Threatened or Endangered Plant	34260		8,717.87
Passed Through Dynamic Structures and Materials, Limited Liability Company					
N.A.	Tennessee Technological University	Miniature Compliant Spatial Parallel Manipulators	TTU08-1501		32,667.79
Passed Through EOIR Technologies, Incorporated					
N.A.	University of Memphis	Reflective MRT Measurements	G6001520-1		5,437.67
Passed Through Materials & Systems Research Incorporated					
N.A.	University of Tennessee	Mat & Sys Res-F40600-99-C-0013	R024354035		114.90

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
Passed Through Mississippi State University				
N.A.	University of Tennessee	Mississippi State - Dongarra	R011033039	706,127.87
Passed Through North Carolina State University				
N.A.	University of Tennessee	NC State 2003-1521-01 QI	R011344106	12,405.59
Passed Through Purdue University				
N.A.	University of Tennessee	Purdue University Lawler 99	R011344019	6,810.21
Passed Through Resource Consultants, Incorporated				
N.A.	University of Memphis	Applying Collaborative Agent Technology to Navy Enlisted Distribution & Systems	N00189-02-F-0652	83,720.09
Passed Through SRS Technologies				
N.A.	University of Tennessee	SRS Technologies STG-00-S-001	R024352008	7,855.10
Passed Through Strategic Systems Programs				
N.A.	Tennessee State University	Prototype Portable Heater System for Launch Maintenance	N00030-02-M-0619	44,575.62
Passed Through Sverdrup Technology, Incorporated				
N.A.	University of Tennessee	Sverdrup T01-01-03 Peterson	R024006020	1,633.93
Passed Through University of Iowa				
N.A.	University of Tennessee	UN Of Iowa 4000078691 Freeman	R011373097	27,910.50
Passed Through University of Massachusetts				
N.A.	University of Tennessee	Univ of Mass 01-528156 C 00 Mays	R011025094	86,395.75
N.A.	University of Tennessee	Univ of Massachusetts Mays	R011025099	103,941.23
Passed Through University of Michigan				
N.A.	University of Tennessee	Univ of Michigan Phase 2 Abidi	R011344018	586,920.38
Passed Through University of South Carolina				
N.A.	Tennessee Technological University	Life Modeling of Li Ion Cells	03-0852	14,192.68
Passed Through University of Virginia				
N.A.	University of Tennessee	Univ of VA-Terahertz Sensing-Stewart	R112615131	24,325.57
Subtotal Pass-Through Programs				$ 2,801,397.00
Subtotal Department of Defense				$ 8,698,880.78
Department of Housing and Urban Development				
Direct Programs				
N.A.	University of Tennessee	HUD B-01-SP-TN-0758 Murray	R011493044	$ 129,610.89
Subtotal Department of Housing and Urban Development				$ 129,610.89

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		Department of the Interior			
Direct Programs					
15.608	Tennessee Technological University	Fish and Wildlife Management Assistance	1448-40181-99-G-055	$ 2,944.52	
15.608	University of Tennessee	Fish and Wildlife Management Assistance	R112218078	50.90	$ 2,995.42
15.615	University of Tennessee	Cooperative Endangered Species Conservation Fund	R011086047		17,459.79
15.807	University of Memphis	Earthquake Hazards Reduction Program	00HQGR0008	$ (332.08)	
15.807	University of Memphis	Earthquake Hazards Reduction Program	00HQGR0031	90.55	
15.807	University of Memphis	Earthquake Hazards Reduction Program	00HQGR0077	69.00	
15.807	University of Memphis	Earthquake Hazards Reduction Program	01HQAG0010 REV 2	487,865.17	
15.807	University of Memphis	Earthquake Hazards Reduction Program	01HQGR0024 REV 001	22,808.00	
15.807	University of Memphis	Earthquake Hazards Reduction Program	01HQGR0063	2,803.72	
15.807	University of Memphis	Earthquake Hazards Reduction Program	02HQAG0103	7,843.89	
15.807	University of Memphis	Earthquake Hazards Reduction Program	02HQGR0004	43,535.57	
15.807	University of Memphis	Earthquake Hazards Reduction Program	02HQGR0025	55,806.11	
15.807	University of Memphis	Earthquake Hazards Reduction Program	02HQGR0029	27,289.87	
15.807	University of Memphis	Earthquake Hazards Reduction Program	02HQGR0053	27,460.41	
15.807	University of Memphis	Earthquake Hazards Reduction Program	02HQGR0077 MOD 2	63,204.24	
15.807	University of Memphis	Earthquake Hazards Reduction Program	03HQGR0011	3,882.80	
15.807	University of Memphis	Earthquake Hazards Reduction Program	03HQGR0035	7,655.29	
15.807	University of Memphis	Earthquake Hazards Reduction Program	03HQGR0036	13,689.34	
15.807	University of Memphis	Earthquake Hazards Reduction Program	03HQGR0044	9,472.80	
15.807	University of Memphis	Earthquake Hazards Reduction Program	03HQGR0064	15,828.40	
15.807	University of Memphis	Earthquake Hazards Reduction Program	03HQGR0109	4,186.31	793,159.39
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#41	$ 19,846.93	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#42	2,998.56	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#43	17,097.56	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#44	1,850.69	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#45	32,394.59	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#46	54,901.93	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#47	14,331.10	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#48	(656.78)	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#49	90,026.78	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#50	18,867.06	
15.808	Tennessee Technological University	U.S. Geological Survey_Research and Data Acquisition	WO#51	13,835.88	
15.808	University of Memphis	U.S. Geological Survey_Research and Data Acquisition	01HQAG0205	7,645.53	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R011035076	133.63	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R011053068	20.72	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R011086003	(387.58)	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R011086033	173,266.10	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R012550088	3,925.80	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R012550092	84,955.97	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R111016092	61,763.17	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112217081	21,598.19	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112218003	65,846.65	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112219040	33,004.12	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112219051	44,944.10	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112219059	24,059.88	
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112219091	4,194.46	790,465.04
15.810	University of Tennessee	National Cooperative Geologic Mapping Program	R011042083	$ 457.12	
15.810	University of Tennessee	National Cooperative Geologic Mapping Program	R013312003	3,351.17	3,808.29
15.912	University of Memphis	National Historic Landmark	P5035010605		2,349.08
15.915	University of Memphis	Technical Preservation Services	H5580000463		171.46
15.916	East Tennessee State University	Outdoor Recreation_Acquisition, Development and Planning	1443-CA-5230-AO001	$ 3,622.83	
15.916	Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	1443-CA-5460-98-012	10,948.44	
15.916	Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	1443-CA-5460-99-006	5,057.80	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011086020	13,943.15	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011334036	132,358.48	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R112218087	16,306.88	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R112218093	22,410.13	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R112219076	12,718.64	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R112219092	7,238.45	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R112615102	6,000.00	230,604.80
15.921	University of Tennessee	Rivers, Trails and Conservation Assistance	R011083085		59,530.98

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
15.926	Austin Peay State University	American Battlefield Protection	P5530000065	$ 188.26	
15.926	Tennessee Technological University	American Battlefield Protection	H5500020483	20,411.12	20,599.38
N.A.	Middle Tennessee State University	Cliffline Archeological Survey Project	J5130030004		1,583.66
N.A.	Middle Tennessee State University	Trail of Tears Project	P7700022004		7,500.00
N.A.	University of Memphis	Phase 1 Archaeological Research in the Walls Phase, Desoto County, MS	P5035020031		7,000.00
N.A.	University of Tennessee	NPS H500099A007 Cumberland Gap-Driskell	R011007068		57,632.22
N.A.	University of Tennessee	NPS H500099A007 Camden-Driskell	R011007069		8,328.20
N.A.	University of Tennessee	NPS GSM-Table Mtn-Grissino-Mayer	R011038079		1,199.90
N.A.	University of Tennessee	NPS GSM P5460010126 Nicholas	R011086039		7,603.20
N.A.	University of Tennessee	NCWRC-Hwy/Black Bears Hopper	R112218079		21,570.23
N.A.	University of Tennessee	NPS-Oral History Trans Project-Hopper	R112219012		3,627.26
N.A.	University of Tennessee	NPS 1443CA500099007-Mod 10-Hopper	R112219030		19,448.08
N.A.	University of Tennessee	NPS 1443CA500099007-Mod 14-Clark	R112219031		9,769.82
N.A.	University of Tennessee	NPS 1443CA500099007-Mod 12-Vanmanen	R112219035		7,388.94
N.A.	University of Tennessee	NPS-H500099A007-Vital Signs-Hopper	R112219062		19,990.16
N.A.	University of Tennessee	NPS H500099A007 Butternut-Schlarbaum	R112219066		26,658.42
N.A.	University of Tennessee	NPS H500099A007 Mt. LeConte-Fly	R112219067		9,699.81
N.A.	University of Tennessee	NPS H500099A007 Rock Climbing-Hodges	R112219068		5,165.91
N.A.	University of Tennessee	NPS H500099A007 Landmarks 2003-Hopper	R112219072		907.96
N.A.	University of Tennessee	USGS-Fecal Samples-Patton	R181731012		4,837.83
Subtotal Direct Programs					$ 2,141,055.23
Passed Through University of Missouri					
15.808	University of Tennessee	U.S. Geological Survey_Research and Data Acquisition	R112219023		$ 284.44
Passed Through Auburn University					
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011086064		7,617.76
Passed Through Indiana University					
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011241050	$ (4,391.59)	
15.916	University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	R011241056	1,269.87	(3,121.72)
Subtotal Pass-Through Programs					$ 4,780.48
Subtotal Department of the Interior					$ 2,145,835.71

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		Department of Justice			
Direct Programs					
16.560	University of Memphis	National Institute of Justice Research, Evaluation, and Development Project Grants	1999-IJ-CX-K007	$ 21,185.32	
16.560	University of Memphis	National Institute of Justice Research, Evaluation, and Development Project Grants	1999-WT-VX-0007	495.38	
16.560	University of Memphis	National Institute of Justice Research, Evaluation, and Development Project Grants	2000-JN-FX-0002	15,801.39	
16.560	University of Tennessee	National Institute of Justice Research, Evaluation, and Development Project Grants	R011076050	57.69	$ 37,539.78
16.609	University of Memphis	Community Prosecution and Project Safe Neighborhoods	2003-GP-CX-0112		16,843.36
N.A.	University of Tennessee	FBI J-FBI-98-083 Birdwell	R011344013		1,472,721.66
Subtotal Direct Programs					$ 1,527,104.80
Passed Through Lockheed Martin Corporation					
N.A.	University of Tennessee	Lockheed Martin Tech-Fingerprint-Shelton	R012615009		$ 261,893.24
N.A.	University of Tennessee	Lockheed Martin Tech Svcs-Bryson	R012615010		293,707.96
N.A.	University of Tennessee	Lockheed Martin Svcs-FBI CJIS Tech-Bryso	R012615011		1,145,198.46
Subtotal Pass-Through Programs					$ 1,700,799.66
Subtotal Department of Justice					$ 3,227,904.46
		Department of Labor			
Direct Programs					
17.002	University of Tennessee	Labor Force Statistics	R011404023	$ 473,613.33	
17.002	University of Tennessee	Labor Force Statistics	R011404036	294,683.52	$ 768,296.85
N.A.	University of Tennessee	US Dept of Labor J-9-F-2-0016 Moore	R011404033		390,873.06
Subtotal Direct Programs					$ 1,159,169.91
Passed Through Arc of Tennessee					
17.720	University of Tennessee	Employment Programs for People with Disabilities	R011250005		$ 49,359.59
Subtotal Pass-Through Programs					$ 49,359.59
Subtotal Department of Labor					$ 1,208,529.50
		Department of Transportation			
Direct Programs					
20.701	University of Tennessee	University Transportation Centers Program	R012514021	$ 1,244.56	
20.701	University of Tennessee	University Transportation Centers Program	R012515096	1,036,669.76	$ 1,037,914.32
N.A.	University of Tennessee	FAA DTFA0200V14830 Winowich	R011373079		36,728.07

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N.A.	University of Tennessee	FAA-Baker	R011373130		5,497.33
N.A.	University of Tennessee	FHWA-DTFH61-00-P-00390 Everett	R012516055		163.27
N.A.	University of Tennessee	FHWA-DTFH61-00-T-56023 Zach	R012516062		45,433.25
N.A.	University of Tennessee	FHWA DTFH61-01-P-00335 Cooper	R012517004		7,037.52
N.A.	University of Tennessee	FHWA DTFH61-01-P-00355	R012517006		61,229.60
N.A.	University of Tennessee	FHWA - Chatterjee	R012517030		20,452.13
N.A.	University of Tennessee	NTRC, INC - Hvy Veh Brake Test - Hodgson	R012517062		1,338.81
Subtotal Direct Programs					$ 1,215,794.30
Passed Through National Safe Skies Alliance					
20.108	University of Tennessee	Aviation Research Grants	R010135041	$ 361,680.95	
20.108	University of Tennessee	Aviation Research Grants	R011344048	101,974.71	
20.108	University of Tennessee	Aviation Research Grants	R011344049	111,263.31	$ 574,918.97
Passed Through University of Missouri					
20.701	University of Memphis	University Transportation Centers Program	S-5-34432-2		7,961.23
Passed Through Georgia Institute of Technology					
N.A.	University of Tennessee	Georgia Tech E20F43S1 Bennett	R011334057		11,740.10
Passed Through Science Applications International					
N.A.	University of Tennessee	Science Applications Intl Corp	R012517025		55,372.48
N.A.	University of Tennessee	SAIC-Task1-Sub4600003576-Urbanik	R012517029		17,068.05
Subtotal Pass-Through Programs					$ 667,060.83
Subtotal Department of Transportation					$ 1,882,855.13
Appalachian Regional Commission					
Direct Programs					
23.001	East Tennessee State University	Appalachian Regional Development (See individual Appalachian Programs)	CO-12600C-A1		$ 36,483.71
N.A.	University of Tennessee	ARC-Appal Higher Edu Network-Lashley	R011804101		57,403.70
N.A.	University of Tennessee	ARC TN-14119-02 Shupp	R012611009		4,220.92
Subtotal Appalachian Regional Commission					$ 98,108.33
National Aeronautics and Space Administration					
Direct Programs					
43.001	Austin Peay State University	Aerospace Education Services Program	H-35281D	$ 8,413.92	
43.001	East Tennessee State University	Aerospace Education Services Program	NAG5-10344	225.00	
43.001	Middle Tennessee State University	Aerospace Education Services Program	NAG8-1486	5,242.94	
43.001	Tennessee Technological University	Aerospace Education Services Program	H33930D	7,447.29	
43.001	Tennessee Technological University	Aerospace Education Services Program	NAG8-1631	8,654.81	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
43.001	Tennessee Technological University	Aerospace Education Services Program	NAG8-1794	50,182.14	
43.001	Tennessee Technological University	Aerospace Education Services Program	NAG8-1919	14,832.62	
43.001	Tennessee Technological University	Aerospace Education Services Program	NGT8-52883	4,085.41	
43.001	Tennessee Technological University	Aerospace Education Services Program	NGT8-52911	80.15	
43.001	University of Memphis	Aerospace Education Services Program	NAG5-12096	15,143.12	
43.001	University of Memphis	Aerospace Education Services Program	NAG5-9783	16,817.74	
43.001	University of Memphis	Aerospace Education Services Program	NCC2-1244	227,426.43	$ 358,551.57
43.002	Tennessee State University	Technology Transfer	NAG2-1419	$ (4,702.17)	
43.002	Tennessee State University	Technology Transfer	NAG2-1473	(3,884.00)	
43.002	Tennessee State University	Technology Transfer	NAG2-1530	203,523.77	
43.002	Tennessee State University	Technology Transfer	NAG2-6052	32,475.27	
43.002	Tennessee State University	Technology Transfer	NAG3-2471	120,580.44	
43.002	Tennessee State University	Technology Transfer	NAG3-2577	727,577.49	
43.002	Tennessee State University	Technology Transfer	NAG5-10896	72,142.77	
43.002	Tennessee State University	Technology Transfer	NCC5-511	1,195,592.59	
43.002	Tennessee State University	Technology Transfer	NCC5-531	329,213.65	
43.002	Tennessee State University	Technology Transfer	NCC5-657	35,400.00	
43.002	Tennessee State University	Technology Transfer	NCC5-96	(30.00)	2,707,889.81
N.A.	University of Memphis	Landscape Hazard in Response to Short-term Climate Change	NAG5-7617-0005		34,720.32
N.A.	University of Tennessee	NASA NAG5-8773 NHSE-Dongarra	R011030006		18,588.33
N.A.	University of Tennessee	JPL-Cal Tech Dunne 99	R011040052		165.63
N.A.	University of Tennessee	Jet Prop Lab Britt	R011041096		1,936.34
N.A.	University of Tennessee	NASA NAG5-8726 Taylor 99-00	R011042045		434.02
N.A.	University of Tennessee	NASA NAG5-8926 Britt	R011042051		28,868.59
N.A.	University of Tennessee	NASA NAG5-9061 Britt	R011042053		51,000.98
N.A.	University of Tennessee	NASA NGT5-50286 McSween-Trng	R011042060		2,903.21
N.A.	University of Tennessee	NASA-NRA00-OSS-01 MDAP McSween	R011042068		29,705.66
N.A.	University of Tennessee	NASA - MARS - Moersch - 01	R011042071		75,940.82
N.A.	University of Tennessee	NASA NAG5-10414 Taylor 01-02	R011042072		8,766.65
N.A.	University of Tennessee	NASA NAG5-10666	R011042081		35,658.25
N.A.	University of Tennessee	NASA Mars Paleolakes Moersch	R011042086		20,518.91
N.A.	University of Tennessee	NASA NAG5-11744 McSween	R011042093		62,890.74
N.A.	University of Tennessee	NASA NAG5-11558 Taylor	R011042094		146,556.12
N.A.	University of Tennessee	NASA NAG5-11978 Taylor	R011042096		15,990.08
N.A.	University of Tennessee	JPL 1241129 Moersch	R011042097		47,786.28
N.A.	University of Tennessee	JPL Moersch	R011042100		113,370.90
N.A.	University of Tennessee	JPL 1245979 Moersch	R011042104		19,497.74
N.A.	University of Tennessee	NASA NAG5-12896 McSween	R011042106		51,336.05
N.A.	University of Tennessee	NASA NRA-02-OSS-01 Britt	R011042107		50.38
N.A.	University of Tennessee	NASA NAG5-8405 Mezzacappa	R011060009		16,106.48
N.A.	University of Tennessee	NASA NAG8-1442 Sanders See	R011063092		43,438.33
N.A.	University of Tennessee	NASA JPL 1232806 Blalock	R011344068		45,696.96
N.A.	University of Tennessee	JPL 1242010 Blalock	R011344084		21,255.96
N.A.	University of Tennessee	JPL 1250391 Blalock	R011344102		2,368.31
N.A.	University of Tennessee	NASA NAG9-1121 Bysn Mthd-	R011382042		1,016.90
N.A.	University of Tennessee	NASA NAG9-1123 Ntrn/Spcta Twns	R011382043		624.03
N.A.	University of Tennessee	NASA NAG8-1669 Townsend	R011382054		71,260.34
N.A.	University of Tennessee	NASA NGT8-52920 Townsend	R011382070		21,447.81
N.A.	University of Tennessee	NASA NAG5-12477 Townsend	R011382075		80,900.54
N.A.	University of Tennessee	NASA NAG8-1901 Townsend	R011382082		18,043.38
N.A.	University of Tennessee	NASA NAG9-1080 Sayler	R012580052		548.57
N.A.	University of Tennessee	NASA NAG5-8760 Sayler	R012580057		2,399.33
N.A.	University of Tennessee	NASA NAG9-1424	R012580105		73,353.49
N.A.	University of Tennessee	NASA NAG8-1568 Bunick	R012813076		71,563.84

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N.A.	University of Tennessee	NASA NAG8-1826 Bunick	R012813097		165,464.47
N.A.	University of Tennessee	NASA-GLENN NAG3-2680 Merkle	R024332020		68,291.80
N.A.	University of Tennessee	NASA-Ames NCC 2-5493 Venke	R024343020		44,081.19
N.A.	University of Tennessee	NASA-NAG91296 Edible Biosensors-Stewart	R112615130		19,936.65
Subtotal Direct Programs					$ 4,600,925.76
Passed Through Arizona State University					
43.001	University of Tennessee	Aerospace Education Services Program	R011042064		$ 36.89
Passed Through Smithsonian Institution					
43.001	East Tennessee State University	Aerospace Education Services Program	GO2-3121X		26,248.80
Passed Through University of Iowa					
43.001	Middle Tennessee State University	Aerospace Education Services Program	4000073315/NAG5-8918		1,965.65
Passed Through University of New Orleans Research Foundation					
43.001	Tennessee Technological University	Aerospace Education Services Program	55404-S4	$ 8,044.60	
43.001	Tennessee Technological University	Aerospace Education Services Program	58404-S3	62,669.04	
43.001	Tennessee Technological University	Aerospace Education Services Program	58404-S6	82,279.78	152,993.42
Passed Through Vanderbilt University					
43.001	Austin Peay State University	Aerospace Education Services Program	15766-S1	$ 6,268.38	
43.001	East Tennessee State University	Aerospace Education Services Program	15766-S12	3,222.47	
43.001	Tennessee Technological University	Aerospace Education Services Program	15766-S9	15,552.39	
43.001	University of Tennessee	Aerospace Education Services Program	R041511047	1,568.57	26,611.81
Passed Through Alabama A & M University					
N.A.	University of Memphis	Weakly Ionized Gas Dynamics and Applications	NAG8-1808		12,635.26
Passed Through Arizona State University					
N.A.	University of Tennessee	Arizona State 01-082 McSween	R011042090		116,472.44
Passed Through California Institute of Technology Jet Propulsion Laboratory					
N.A.	Tennessee State University	Visual Telerobotic Task Planning of Cooperative Robots	10344AD0-C9		11,038.00
Passed Through Old Dominion University					
N.A.	University of Memphis	Data Link Aircraft Communications: An Examination of Interference	03-104-111731		13,694.85

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
Passed Through Pacific Institute for Research and Evaluation				
N.A.	University of Tennessee	PIRE - Cate	R012517071	10,947.39
Passed Through Prairie View A&M University				
N.A.	Tennessee State University	Applied Radiation Research	NCC9-50	(1,314.00)
Passed Through Science Systems and Applications, Incorporated				
N.A.	University of Tennessee	SSAI-NASA LBA/ECO - Alvic	R012539100	128,497.76
Passed Through Search for Extraterrestrial Intelligence Institute				
N.A.	University of Tennessee	SETI Institute-Limits of Life-Moersch	R011042110	1,861.71
Passed Through University of Alabama				
N.A.	University of Tennessee	Sub2003-058 Univ of Al(UAH)	R024332023	44,652.46
Passed Through Vanderbilt University				
N.A.	Middle Tennessee State University	Ultrafast Optoelectronics for Broad Band Width Measurements of Material	15766-S4	1,400.00
N.A.	University of Tennessee	Vanderbilt University 15766-S7	R011042084	94,828.53
N.A.	University of Tennessee	Vanderbilt University 15766-S8 Pujol	R024354045	88,794.11
Subtotal Pass-Through Programs				$ 731,365.08
Subtotal National Aeronautics and Space Administration				$ 5,332,290.84
National Foundation of Arts and the Humanities				
Direct Programs				
45.149	East Tennessee State University	Promotion of the Humanities_ Division of Preservation and Access	PA-23706-01	$ 43,835.66
45.161	University of Tennessee	Promotion of the Humanities_ Research	R011003081	52,464.89
Subtotal Direct Programs				$ 96,300.55
Passed Through National College Choreography Initiative				
45.025	University of Memphis	Promotion of the Arts_Partnership Agreements	N.A.	$ (29.45)
Subtotal Pass-Through Programs				$ (29.45)
Subtotal National Foundation of Arts and the Humanities				$ 96,271.10
National Science Foundation				
Direct Programs				
47.041	Middle Tennessee State University	Engineering Grants	ECS9988797	$ 22,474.59
47.041	Tennessee Technological University	Engineering Grants	DMI-0219859	57,525.45
47.041	University of Tennessee	Engineering Grants	R011005037	(10.64)
47.041	University of Tennessee	Engineering Grants	R011005045	46,241.43
47.041	University of Tennessee	Engineering Grants	R011038072	9.65
47.041	University of Tennessee	Engineering Grants	R011063097	(15,220.80)

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
47.041	University of Tennessee	Engineering Grants	R011305035	88,551.46	
47.041	University of Tennessee	Engineering Grants	R011305055	44,498.60	
47.041	University of Tennessee	Engineering Grants	R011305056	71,300.11	
47.041	University of Tennessee	Engineering Grants	R011309018	(1,331.06)	
47.041	University of Tennessee	Engineering Grants	R011311025	57,157.52	
47.041	University of Tennessee	Engineering Grants	R011317036	(2,163.17)	
47.041	University of Tennessee	Engineering Grants	R011318013	47,785.89	
47.041	University of Tennessee	Engineering Grants	R011318020	(15,188.48)	
47.041	University of Tennessee	Engineering Grants	R011318025	(20,608.05)	
47.041	University of Tennessee	Engineering Grants	R011322066	8,211.99	
47.041	University of Tennessee	Engineering Grants	R011322078	25,692.23	
47.041	University of Tennessee	Engineering Grants	R011334009	(1,829.89)	
47.041	University of Tennessee	Engineering Grants	R011334074	4,022.62	
47.041	University of Tennessee	Engineering Grants	R011334077	46,133.10	
47.041	University of Tennessee	Engineering Grants	R011344059	91,159.42	
47.041	University of Tennessee	Engineering Grants	R011344090	92,399.70	
47.041	University of Tennessee	Engineering Grants	R011361019	5,796.69	
47.041	University of Tennessee	Engineering Grants	R011373060	6,645.67	
47.041	University of Tennessee	Engineering Grants	R011373124	18,423.67	
47.041	University of Tennessee	Engineering Grants	R011382068	112,319.32	
47.041	University of Tennessee	Engineering Grants	R012580094	4,022.84	
47.041	University of Tennessee	Engineering Grants	R073922003	115,286.53	$ 909,306.39
47.049	East Tennessee State University	Mathematical and Physical Sciences	AST-0073853	$ 7,661.18	
47.049	East Tennessee State University	Mathematical and Physical Sciences	AST-0205761	11,270.19	
47.049	East Tennessee State University	Mathematical and Physical Sciences	DMS-0122278	11,002.49	
47.049	East Tennessee State University	Mathematical and Physical Sciences	DMS-0139291	52,856.51	
47.049	Middle Tennessee State University	Mathematical and Physical Sciences	DMS-0070430	26,590.22	
47.049	Tennessee Technological University	Mathematical and Physical Sciences	DMR-0115961	238,472.05	
47.049	Tennessee Technological University	Mathematical and Physical Sciences	DMR-1238113	49,898.02	
47.049	University of Memphis	Mathematical and Physical Sciences	200700	23,229.31	
47.049	University of Memphis	Mathematical and Physical Sciences	200703	35,887.65	
47.049	University of Memphis	Mathematical and Physical Sciences	204594	28,246.92	
47.049	University of Memphis	Mathematical and Physical Sciences	225769	25,898.20	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-0202207	14,388.09	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-0227475	77,424.07	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-9983664	8,842.38	
47.049	University of Memphis	Mathematical and Physical Sciences	CHE-9987775	21,058.05	
47.049	University of Memphis	Mathematical and Physical Sciences	DMS-0100577	18,266.90	
47.049	University of Tennessee	Mathematical and Physical Sciences	R010151001	59,464.69	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024027	79,280.62	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024031	7,545.47	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024085	153,707.49	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024103	70,628.35	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011024110	(9,000.00)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025001	731.45	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025018	22,468.66	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025022	130,531.25	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025024	87,031.35	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025027	130,036.08	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025044	74,717.79	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025073	207,902.44	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025074	20,750.14	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025088	89,143.60	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011025090	90,695.00	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011027038	162,274.77	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011027039	73,243.94	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011052002	6,729.45	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011052015	41,342.51	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053004	25,970.74	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053080	171.60	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053093	12,009.03	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053094	45,592.81	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053097	39,870.47	

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47.049	University of Tennessee	Mathematical and Physical Sciences	R011053099	26,561.34	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053100	56,284.26	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053101	10,599.78	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011053102	5,793.66	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011054004	95,273.20	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011054005	24,524.69	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011054085	7,078.51	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011054086	58,607.09	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011060014	(20,591.43)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011062096	(2,592.64)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063064	(308.13)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063072	(51.44)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063073	(9,441.25)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063096	8.19	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011063099	7,448.35	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065003	3,875.23	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065004	41,643.16	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065009	68,669.16	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065011	(28,011.29)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065024	47,377.33	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065025	150,757.37	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065043	27,185.71	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065045	45,302.98	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065053	11,309.79	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065059	76,502.84	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011065065	27,215.74	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011086025	224,844.59	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011086046	17,040.00	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011315005	(4.35)	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011317059	14,428.64	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011317089	63,183.65	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011318015	221,537.40	
47.049	University of Tennessee	Mathematical and Physical Sciences	R011322080	82,770.83	
47.049	University of Tennessee	Mathematical and Physical Sciences	R041025035	16,406.50	3,645,061.39
47.050	Tennessee Technological University	Geosciences	OCE-9813542	$ (1,954.54)	
47.050	University of Memphis	Geosciences	EAR-0001118	4,704.35	
47.050	University of Memphis	Geosciences	EAR-0003720	64,318.08	
47.050	University of Memphis	Geosciences	EAR-0121140	3,730.54	
47.050	University of Memphis	Geosciences	EAR-0125565	13,056.27	
47.050	University of Memphis	Geosciences	EAR-9803484	16,893.27	
47.050	University of Tennessee	Geosciences	R011015077	28,355.62	
47.050	University of Tennessee	Geosciences	R011040079	3,217.10	
47.050	University of Tennessee	Geosciences	R011042029	(4.31)	
47.050	University of Tennessee	Geosciences	R011042040	15,864.10	
47.050	University of Tennessee	Geosciences	R011042049	132,399.24	
47.050	University of Tennessee	Geosciences	R011042065	(2,901.63)	
47.050	University of Tennessee	Geosciences	R011042077	57,450.75	
47.050	University of Tennessee	Geosciences	R011042078	19,976.82	
47.050	University of Tennessee	Geosciences	R011042087	48,054.26	
47.050	University of Tennessee	Geosciences	R011322086	407.62	
47.050	University of Tennessee	Geosciences	R011334076	236,259.00	
47.050	University of Tennessee	Geosciences	R012580093	122,383.22	
47.050	University of Tennessee	Geosciences	R012580115	51,784.13	
47.050	University of Tennessee	Geosciences	R012580121	29,452.62	
47.050	University of Tennessee	Geosciences	R012580130	630.73	
47.050	University of Tennessee	Geosciences	R012580131	61,832.92	905,910.16
47.070	Middle Tennessee State University	Computer and Information Science and Engineering	NSF-02-073	$ 42,501.46	
47.070	University of Memphis	Computer and Information Science and Engineering	EIA-0130352	174,089.20	
47.070	University of Memphis	Computer and Information Science and Engineering	IIS-0104251	22,787.12	

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47.070	University of Memphis	Computer and Information Science and Engineering	IIS-0133415	18,623.92	
47.070	University of Memphis	Computer and Information Science and Engineering	IIS-0133948	41,330.11	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011030002	289,609.16	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011030007	(0.01)	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011030013	211,882.77	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031065	0.32	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031090	7.59	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031094	62,204.00	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033018	116,881.99	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033027	580,294.71	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033058	177,457.61	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033067	246,319.31	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033069	52,425.00	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033077	41,520.55	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033084	154,758.31	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033085	2,322.50	
47.070	University of Tennessee	Computer and Information Science and Engineering	R012580122	191,201.41	2,426,217.03
47.074	East Tennessee State University	Biological Sciences	DEB-0080921	$ 17,537.22	
47.074	Middle Tennessee State University	Biological Sciences	Z-03-010549-00	128,754.80	
47.074	University of Memphis	Biological Sciences	DEB-9996016	21,451.35	
47.074	University of Memphis	Biological Sciences	MCB-0049026	31,298.15	
47.074	University of Memphis	Biological Sciences	MCB-0080345	56,347.84	
47.074	University of Memphis	Biological Sciences	MCB-0224621	5,043.97	
47.074	University of Tennessee	Biological Sciences	R011012013	187.20	
47.074	University of Tennessee	Biological Sciences	R011012017	0.04	
47.074	University of Tennessee	Biological Sciences	R011015090	77,775.17	
47.074	University of Tennessee	Biological Sciences	R011018038	(2,831.18)	
47.074	University of Tennessee	Biological Sciences	R011018047	(1,636.18)	
47.074	University of Tennessee	Biological Sciences	R011018053	(24,511.08)	
47.074	University of Tennessee	Biological Sciences	R011018058	63,607.06	
47.074	University of Tennessee	Biological Sciences	R011018065	71,482.12	
47.074	University of Tennessee	Biological Sciences	R011018069	153,670.74	
47.074	University of Tennessee	Biological Sciences	R011018075	55,906.66	
47.074	University of Tennessee	Biological Sciences	R011018078	47,775.57	
47.074	University of Tennessee	Biological Sciences	R011018085	7,704.59	
47.074	University of Tennessee	Biological Sciences	R011022003	114.91	
47.074	University of Tennessee	Biological Sciences	R011022022	141,058.58	
47.074	University of Tennessee	Biological Sciences	R011022024	87,875.62	
47.074	University of Tennessee	Biological Sciences	R011022029	156,629.59	
47.074	University of Tennessee	Biological Sciences	R011022030	69,456.51	
47.074	University of Tennessee	Biological Sciences	R011086009	(24,212.59)	
47.074	University of Tennessee	Biological Sciences	R011086024	6,982.09	
47.074	University of Tennessee	Biological Sciences	R011086027	649,035.87	
47.074	University of Tennessee	Biological Sciences	R011086044	9,131.56	
47.074	University of Tennessee	Biological Sciences	R011086045	27,365.88	

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47.074	University of Tennessee	Biological Sciences	R011086052	60,914.43	
47.074	University of Tennessee	Biological Sciences	R011086053	2,662.17	
47.074	University of Tennessee	Biological Sciences	R011086065	31,098.03	
47.074	University of Tennessee	Biological Sciences	R011382068	1,938.58	
47.074	University of Tennessee	Biological Sciences	R012580045	1,564.97	
47.074	University of Tennessee	Biological Sciences	R073003057	54,973.40	
47.074	University of Tennessee	Biological Sciences	R073004019	(18,294.56)	
47.074	University of Tennessee	Biological Sciences	R073004031	59,116.27	
47.074	University of Tennessee	Biological Sciences	R073017084	0.07	
47.074	University of Tennessee	Biological Sciences	R073036010	33,611.24	
47.074	University of Tennessee	Biological Sciences	R073223144	1,490.60	2,062,077.26
47.075	Tennessee Technological University	Social, Behavioral, and Economic Sciences	INT-0215760	$ 2,529.86	
47.075	Tennessee Technological University	Social, Behavioral, and Economic Sciences	INT-0217104	3,760.42	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	115311	6,484.50	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	301894	784.52	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	INT-0077531	8,000.00	
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	SES-9977969	66,578.11	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011005027	3,496.78	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011015097	666.81	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011025003	5,127.28	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011025046	9,312.66	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011038063	3,933.63	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011038087	6,764.40	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011038088	14,344.55	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011053096	698.18	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011063094	878.62	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011065014	(32.57)	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011065051	(3,039.28)	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	R011382009	57.00	130,345.47
47.076	Middle Tennessee State University	Education and Human Resources	NSF-02-060	$ 83,000.86	
47.076	Tennessee State University	Education and Human Resources	HRD-0206028	625,661.75	
47.076	Tennessee State University	Education and Human Resources	HRD-0236793	39,122.75	
47.076	Tennessee State University	Education and Human Resources	HRD-9706268	216,634.26	
47.076	Tennessee Technological University	Education and Human Resources	DGE-0228234	27,377.92	
47.076	Tennessee Technological University	Education and Human Resources	DUE-9950762	11,808.05	
47.076	Tennessee Technological University	Education and Human Resources	EHR-0091632	154,571.77	
47.076	Tennessee Technological University	Education and Human Resources	ESI-227502	284,243.75	
47.076	University of Memphis	Education and Human Resources	DUE-0088534	44.12	
47.076	University of Memphis	Education and Human Resources	EEC-9912439	55,876.17	
47.076	University of Memphis	Education and Human Resources	REC-0106965	441,116.79	
47.076	University of Memphis	Education and Human Resources	REC-0241144	395,335.70	
47.076	University of Tennessee	Education and Human Resources	R011018052	(68.64)	
47.076	University of Tennessee	Education and Human Resources	R011022011	40.72	

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47.076	University of Tennessee	Education and Human Resources	R011022021	68,368.04	
47.076	University of Tennessee	Education and Human Resources	R011033044	521,608.06	
47.076	University of Tennessee	Education and Human Resources	R011083099	(923.67)	
47.076	University of Tennessee	Education and Human Resources	R011317080	337,315.42	
47.076	University of Tennessee	Education and Human Resources	R012615007	132,386.12	
47.076	University of Tennessee	Education and Human Resources	R073921035	48.46	3,393,568.40
47.078	University of Memphis	Polar Programs	OPP-0003834	$ 25,206.56	
47.078	University of Tennessee	Polar Programs	R011015094	19,259.58	
47.078	University of Tennessee	Polar Programs	R011042105	23,639.18	
47.078	University of Tennessee	Polar Programs	R011080007	8,942.66	
47.078	University of Tennessee	Polar Programs	R011080013	(1,605.78)	
47.078	University of Tennessee	Polar Programs	R011080022	34,669.13	
47.078	University of Tennessee	Polar Programs	R011086005	365,667.77	
47.078	University of Tennessee	Polar Programs	R011086032	168,604.75	644,383.85
Subtotal Direct Programs					$ 14,116,869.95
Passed Through Clemson University					
47.041	University of Tennessee	Engineering Grants	R011025076		$ 29,920.31
Passed Through Fast Forward Devices Limited Liability Company					
47.041	University of Tennessee	Engineering Grants	R011318016		16,127.00
Passed Through Johns Hopkins University					
47.041	University of Tennessee	Engineering Grants	R011016013	$ 59.02	
47.041	University of Tennessee	Engineering Grants	R012580092	438.74	497.76
Passed Through University of Illinios					
47.041	University of Memphis	Engineering Grants	98-268(6E-2D)AMD8	$ 1,000.00	
47.041	University of Memphis	Engineering Grants	98-268(6HD-2A)AMD8	23,329.66	
47.041	University of Memphis	Engineering Grants	98-268(6IR-3D)AMD8	11,165.86	
47.041	University of Memphis	Engineering Grants	98-268(6IR-5A)AMD8	42,239.25	
47.041	University of Memphis	Engineering Grants	98-268/2SG-3A	4,711.12	82,445.89
47.050	University of Memphis	Geosciences	98-268(6HD-2B)AMD8	$ 2,736.40	
47.050	University of Memphis	Geosciences	98-268(6HD-3)AMD8	40,501.74	
47.050	University of Memphis	Geosciences	98-268(6HD-4)AMD8	21,151.33	
47.050	University of Memphis	Geosciences	98-268(6HD-5)AMD8	29,924.66	
47.050	University of Memphis	Geosciences	98-268/2RC-2	8,912.37	
47.050	University of Memphis	Geosciences	98-268/3SG-6A	(958.49)	
47.050	University of Memphis	Geosciences	98-268/3SG-7	9,978.08	
47.050	University of Memphis	Geosciences	98-268/3SG-9	(600.39)	
47.050	University of Memphis	Geosciences	98-268/4SG-12	6,546.94	
47.050	University of Memphis	Geosciences	98-268/4ST-21	23,531.81	
47.050	University of Memphis	Geosciences	98-268/5E-1K-AMD6	3,307.21	
47.050	University of Memphis	Geosciences	98-268/5SG-11-AMD6	17,020.28	
47.050	University of Memphis	Geosciences	98-268-5ST-17	10,001.26	
47.050	University of Memphis	Geosciences	98-268-5ST-18	396.66	172,449.86
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031071		192,099.70
47.076	University of Memphis	Education and Human Resources	2-5-28123		93,482.56
Passed Through University of New York					
47.041	University of Memphis	Engineering Grants	150-5500X	$ 1,081.57	
47.041	University of Memphis	Engineering Grants	150-7145E MOD 4	1,284.52	2,366.09

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Passed Through Virginia Polytechnic Institute and State University					
47.041	University of Tennessee	Engineering Grants	R011042099		41,626.89
Passed Through University of Connecticut					
47.049	University of Tennessee	Mathematical and Physical Sciences	R011318024		18,908.26
Passed Through University of North Carolina					
47.049	University of Tennessee	Mathematical and Physical Sciences	R011318010		105,952.62
Passed Through Bowling Green State University					
47.050	University of Tennessee	Geosciences	R011042079		4,665.54
Passed Through Oregon State University					
47.050	University of Tennessee	Geosciences	R011015086		745.26
Passed Through Pennsylvania State University					
47.050	University of Memphis	Geosciences	2321-UM-NSF-3093		4,800.23
Passed Through Princeton University					
47.050	University of Tennessee	Geosciences	R012580065		56,479.91
Passed Through University of Georgia					
47.050	University of Tennessee	Geosciences	R012545008		17.91
Passed Through LeMoyne-Owen College					
47.070	University of Tennessee	Computer and Information Science and Engineering	R073013068		(0.18)
47.076	Tennessee State University	Education and Human Resources	HRD-9553315-03		338.92
Passed Through Research Triangle Institute					
47.070	University of Tennessee	Computer and Information Science and Engineering	R073242076		127,300.33
Passed Through University of Arkansas					
47.070	University of Memphis	Computer and Information Science and Engineering	SA021170		34,806.53
Passed Through University of California					
47.070	University of Memphis	Computer and Information Science and Engineering	SA3739-23598PG	$ 23,339.95	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011031068	104,713.31	
47.070	University of Tennessee	Computer and Information Science and Engineering	R011033032	101,161.84	229,215.10
47.074	University of Tennessee	Biological Sciences	R011086029		65,901.13
Passed Through University of Maryland Baltimore County					
47.070	Tennessee State University	Computer and Information Science and Engineering	DUE-0121531		61,670.38

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Passed Through Arizona State University					
47.074	University of Memphis	Biological Sciences	03-061		3,674.02
Passed Through Western Washington University					
47.074	University of Tennessee	Biological Sciences	R011018066		(1,913.02)
Passed Through Illinois Institute of Technology					
47.075	East Tennessee State University	Social, Behavioral, and Economic Sciences	SA229-1001		18,076.94
Passed Through University of Nevada					
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	13B35422		1,939.07
47.076	University of Memphis	Education and Human Resources	UNR-01-67		3,884.38
Passed Through American Educational Research Association					
47.076	University of Tennessee	Education and Human Resources	R011855044		2,695.42
Passed Through Columbia University					
47.076	University of Tennessee	Education and Human Resources	R011301102		958.45
Passed Through University of Kentucky					
47.076	University of Tennessee	Education and Human Resources	R011054088		97,932.87
Passed Through San Diego State University Foundation					
47.076	Tennessee Technological University	Education and Human Resources	52270A P1623 7803 211		56,879.71
Passed Through University of Alaska					
47.078	University of Tennessee	Polar Programs	R011086026		221.70
Passed Through Association of Universities for Research Astronomy					
N.A.	Tennessee State University	Computational Fluid Dynamics Laboratory for Telescopic Related Applications	AST-0084699		5,245.00
Subtotal Pass-Through Programs					$ 1,531,412.54
Subtotal National Science Foundation					$ 15,648,282.49
Tennessee Valley Authority					
Direct Programs					
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	99998939	$ 4,515.26	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	99999155-Release #1	1,323.00	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	99999155-Release #4	4,327.69	
62.001	Tennessee Technological University	TVA Energy Research and Technology Applications	99999155-Release #6	27,819.33	$ 37,985.28
N.A.	University of Tennessee	TVA Release # 33 - Sullivan	R011006054		6,467.99
N.A.	University of Tennessee	TVA Release # 31 - Driskell	R011007067		7,999.51

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
N.A.	University of Tennessee	TVA Release # 39 - Driskell	R011007076		856.09
N.A.	University of Tennessee	TVA TV-80103V ACD Enrch-Harden	R011038036		36,060.85
N.A.	University of Tennessee	TVA Release # 38 - Boake	R011086070		417.29
N.A.	University of Tennessee	TVA TV-73564A-Bose Peac	R011341098		1,919.00
N.A.	University of Tennessee	TVA Release # 1375538 Birdwell	R011344036		1,895.89
N.A.	University of Tennessee	TVA Release # 29 - Townsend	R011382067		14,813.90
N.A.	University of Tennessee	TVA Release # 34 - Miller	R011382076		73,039.13
N.A.	University of Tennessee	TVA-1438547 Stewart	R011420093		4,801.11
N.A.	University of Tennessee	TVA 99R2A-242850-Ladd 2000	R011436012		35,932.68
N.A.	University of Tennessee	TVA 99998950 Release # 22 Bell	R012540091		20,000.00
N.A.	University of Tennessee	TVA Release # 28 - Bell	R012540094		34,618.32
N.A.	University of Tennessee	TVA Release # 35 - Townsend	R012540102		22,921.82
N.A.	University of Tennessee	TVA Release # 37 - Bell	R012540109		3,261.29
N.A.	University of Tennessee	TVA Release # 26 - Gangware	R012550096		4,398.17
N.A.	University of Tennessee	TVA TV-96737V Wtr Ctr-Burhenn	R041001014		520.38
N.A.	University of Tennessee	TVA-C02-Ray	R111216019		1,706.65
N.A.	University of Tennessee	TVA-99998950 Rel 30-Biodiesel-English	R111216037		38,419.00
N.A.	University of Tennessee	TVA Landscape #2-Rogers	R112615075		745.05
N.A.	University of Tennessee	TVA 00020346 Landscape #3-Rogers	R112615121		5,000.00
Subtotal Tennessee Valley Authority					$ 353,779.40
		Department of Veterans' Affairs			
Direct Programs					
64.022	East Tennessee State University	Veterans Home Based Primary Care	5USC-3371-3376	$ 12,500.04	
64.022	East Tennessee State University	Veterans Home Based Primary Care	5USC-3371-3376	17,651.26	
64.022	East Tennessee State University	Veterans Home Based Primary Care	5USC-3371-3818	16,038.70	
64.022	East Tennessee State University	Veterans Home Based Primary Care	JHQVQABRC	31,681.69	
64.022	East Tennessee State University	Veterans Home Based Primary Care	V621P-3780	13,581.56	$ 91,453.25
N.A.	University of Memphis	Intergovernmental Personnel Assignment	R Cox		(4.11)
N.A.	University of Memphis	Measurement and Prediction of Outcomes of Amplification IV	G Alexander		52,066.07
Subtotal Department of Veterans' Affairs					$ 143,515.21
		Environmental Protection Agency			
Direct Programs					
66.500	Tennessee Technological University	Environmental Protection_ Consolidated Research	1R-0302-NANX	$ 8,427.29	
66.500	Tennessee Technological University	Environmental Protection_ Consolidated Research	R827111-02-2	29,646.22	
66.500	University of Tennessee	Environmental Protection_ Consolidated Research	R012540069	(77.92)	$ 37,995.59
66.606	Tennessee State University	Surveys, Studies, Investigations and Special Purpose Grants	97437601	$ 31,372.41	
66.606	Tennessee Technological University	Surveys, Studies, Investigations and Special Purpose Grants	R83078701-0	13,734.09	
66.606	University of Memphis	Surveys, Studies, Investigations and Special Purpose Grants	2W-0883-NATX	18,365.64	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R011334082	100,894.68	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012531027	57,356.08	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012531030	141,978.74	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012531079	465,135.20	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012537074	(153.72)	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012537075	25,000.00	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012538022	(2,541.17)	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R012538057	16,141.69	
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R112615081	4,939.96	872,223.60
66.807	University of Tennessee	Superfund Innovative Technology Evaluation Program	R013515066		217,905.92
N.A.	University of Tennessee	EP1 2W0041NAEX Kincaid	R012531026		449.62
Subtotal Direct Programs					$ 1,128,574.73
Passed Through First Tennessee Development District					
66.419	East Tennessee State University	Water Pollution Control_State and Interstate Program Support	03-0116		$ 5,168.28
Passed Through Columbia University					
66.500	University of Tennessee	Environmental Protection_ Consolidated Research	R011015091		20,797.93
Passed Through University of Houston					
66.500	University of Tennessee	Environmental Protection_ Consolidated Research	R011334089		32,202.88
Passed Through University of Nevada					
66.500	Tennessee Technological University	Environmental Protection_ Consolidated Research	13B36725		13,776.42
Passed Through University of Nevada, Reno					
66.500	University of Tennessee	Environmental Protection_ Consolidated Research	R011086067		5,378.99
Passed Through University of Tulsa					
66.500	University of Tennessee	Environmental Protection_ Consolidated Research	R012545006	$ 6,404.26	
66.500	University of Tennessee	Environmental Protection_ Consolidated Research	R012545007	5,987.44	12,391.70
Passed Through Water Environment Research Foundation					
66.500	University of Tennessee	Environmental Protection_ Consolidated Research	R011334069		43,586.61
Passed Through University of New Hampshire					
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R011334050		49,509.43

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
Passed Through University of North Carolina				
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	R112615100	56,708.99
Subtotal Pass-Through Programs				$ 239,521.23
Subtotal Environmental Protection Agency				$ 1,368,095.96

Department of Energy

Direct Programs				
81.049	East Tennessee State University	Office of Science Financial Assistance Program	DE-FG02-99ER20333	$ 7,515.28
81.049	Middle Tennessee State University	Office of Science Financial Assistance Program	DE-FG02-86ER10293	3,460.07
81.049	Middle Tennessee State University	Office of Science Financial Assistance Program	ER40293CHWA0	57,911.92
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FC07-99CH10975	5,078.13
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FG02-89ER40530	22,995.92
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FG02-96ER40955	54,074.40
81.049	Tennessee Technological University	Office of Science Financial Assistance Program	DE-FG02-96ER40990	47,771.17
81.049	University of Memphis	Office of Science Financial Assistance Program	DE-FC04-2000AL68280	42,583.32
81.049	University of Memphis	Office of Science Financial Assistance Program	DE-FG02-02ER15289	105,553.22
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011012012	(1.31)
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011022010	42,530.96
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011024039	10.07
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011024068	175,319.17
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011025087	68,858.38
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011026053	11,057.12
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011026072	112,875.93
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011030000	1,860.57
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011031088	3,353.87
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011033068	107,203.00
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011042014	2.83
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011062032	408.74
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063044	140,341.45
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063055	256,509.58
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063056	(6,619.41)
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063078	64,879.90

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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	R011063080	2,746.07	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011065013	279,363.65	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011322024	74,645.89	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R024390011	13,132.04	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R105210006	168,028.89	
81.049	University of Tennessee	Office of Science Financial Assistance Program	R112218068	324.84	$ 1,863,775.66
81.086	University of Tennessee	Conservation Research and Development	R011317084	$ 51,871.06	
81.086	University of Tennessee	Conservation Research and Development	R012540082	112,366.25	164,237.31
81.104	University of Tennessee	Office of Science and Technology for Environmental Management	R011343043		903,107.48
81.114	University of Tennessee	University Nuclear Science and Reactor Support	R011381011		332.81
81.117	Tennessee Technological University	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	DE-FG01-02EE65004		605.18
81.121	University of Tennessee	Nuclear Energy Research, Development and Demonstration	R011382044		14,144.46
81.502	Roane State Community College	Miscellaneous Federal Activities Actions	DE-FG05-96OR22528		39,545.59
N.A.	University of Tennessee	DOE DE-FG05-91ER40627	R011065036		614,437.03
N.A.	University of Tennessee	DOE DE-AR26-97FT34315 Hamel98	R011373032		114,630.50
N.A.	University of Tennessee	DOE DE-FG07-00SF22168 Sawhney	R011382053		186,195.92
N.A.	University of Tennessee	DOE DE-FC36-01GO10618 Moschler	R112219009		39,467.49
Subtotal Direct Programs					$ 3,940,479.43
Passed Through Argonne National Laboratory					
81.049	Middle Tennessee State University	Office of Science Financial Assistance Program	2F-00582		$ 32,226.67
Passed Through Brookhaven National Laboratory					
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011063022		(1,831.08)
Passed Through Lockheed Martin Energy Research Corporation					
81.049	University of Tennessee	Office of Science Financial Assistance Program	R181740090		1,663.10
81.087	University of Tennessee	Renewable Energy Research and Development	R115015007		19,960.72
81.104	University of Tennessee	Office of Science and Technology for Environmental Management	R112218031		48,907.75
Passed Through University of Massachusetts					
81.049	University of Tennessee	Office of Science Financial Assistance Program	R073237098		53,748.44

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
Passed Through Yale University				
81.049	University of Tennessee	Office of Science Financial Assistance Program	R011317097	98,927.88
Passed Through Lockheed Martin Energy Systems, Incorporated				
81.087	University of Tennessee	Renewable Energy Research and Development	R112817050	(51.15)
Passed Through Ames Laboratory				
N.A.	University of Tennessee	Ames Laboratory A2-3590 Musfeldt	R011025097	8,157.33
Passed Through Barrett Technology, Incorporated				
N.A.	University of Tennessee	Barrett Tech PO# 955232 Hamel	R011373121	20,000.00
Passed Through Bechtel Jacobs Company, Limited Liability Company				
N.A.	University of Tennessee	Bechtel CA021FREL0024 Gross	R011086028	12,343.53
N.A.	University of Tennessee	Bechtel CA021FREL0023 Gross	R011086038	51,049.51
N.A.	University of Tennessee	Bechtel CA021FREL0028 Gross	R011086048	5,293.35
N.A.	University of Tennessee	Bechtel CA021FREL0029 Dolislager	R011086059	9,318.15
N.A.	University of Tennessee	Bechtel CA021FREL0030 Dolislager	R011086060	46,605.65
N.A.	University of Tennessee	Bechtel CA021FREL0031 Dolislager	R011086062	2,769.50
N.A.	University of Tennessee	Bechtel CA021FREL0032 Welsh	R011086063	4,573.57
N.A.	University of Tennessee	Bechtel - Welsh	R011086072	1,287.38
N.A.	University of Tennessee	Bechtel CA021FREL0022 Taylor	R011317096	1,446.69
N.A.	University of Tennessee	Bechtel CA021FREL0027 Daves	R011425092	5,475.00
N.A.	University of Tennessee	Bechtel CA021FREL0025 Webster	R012531025	2,479.88
N.A.	University of Tennessee	Bechtel Jacobs 63K-FYT70C	R012537039	550.11
N.A.	University of Tennessee	Bechtel CA021FREL0021 Bell	R012540090	73.68
Passed Through Bioneutrics, Incorporated				
N.A.	University of Tennessee	Bioneutrics, Inc. - Kabalka	R011025041	75,058.42
Passed Through BWXT Y-12, Limited Liability Company				
N.A.	Tennessee State University	STD-2 Fuzzy Logic Data Analysis-CMM Uncertainty Measurement	DE-AC05-00OR22800-2	1,577.96
N.A.	Tennessee State University	Technical Assistance to Evaluate BWXT Y-12 Mentoring Program	DE-AC05-00OR22800-3	1,262.03
N.A.	Tennessee State University	Manufacturing, Engineering, Science Technology	DE-AC05-00OR22800-4	4,942.57
N.A.	University of Tennessee	BWXT 4500013632 Aikens	R011361004	3,208.58
N.A.	University of Tennessee	BWXT 4300017133 Baler	R011373107	100,850.84
N.A.	University of Tennessee	BWXT 99732-PAY23 Dodds	R011382022	39,629.95
N.A.	University of Tennessee	BWXT 4300017131 Hines	R011382071	104,457.68
N.A.	University of Tennessee	BWXT 11K-RF067C Webster	R012536012	147.60
N.A.	University of Tennessee	BWXT 32Y-FPG75C Penniman	R013515059	649,368.16
Passed Through California Institute of Technology				
N.A.	University of Tennessee	California Inst Tec PC245739	R011031069	50,145.20
Passed Through Combustion Byproducts Recycling Corporation				
N.A.	Tennessee Technological University	Long Term Excavation of Florable Fill Containing Coal Cumbustion Byproducts	98-166-TTU	163.97

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
Passed Through FloreScience, Incorporated				
N.A.	Tennessee Technological University	A Development of On-Line Temperature Measurement Instrumentation	DE-FC26-98FT40686	1,050.65
Passed Through Industrial Analytics Corporation				
N.A.	University of Tennessee	Industrial Analytics-Benson	R011318011	53,522.26
Passed Through Lawrence Livermore National Laboratory				
N.A.	University of Tennessee	Univ Ca LLNL B523596 Dongarra	R011033063	43,904.49
Passed Through Rochester Institute of Technology				
N.A.	University of Tennessee	Rochester Institute of Technology - Rack	R011318027	19,487.20
Passed Through RVSI Acuity CiMatrix				
N.A.	University of Tennessee	RVSI Acuity CiMatrix PO#31664 McCay	R024331029	2,779.57
Passed Through Sandia National Laboratories				
N.A.	Tennessee Technological University	Quantitative Structure/Property Relationship (Qsar) for Binding Affinities	15572	41,870.59
N.A.	University of Tennessee	Sandia Ntl Lab PO20199 Kress	R011373091	1,901.86
Passed Through University of California				
N.A.	University of Tennessee	Univ of Cal Berkeley - Kamland	R011060013	207.92
Passed Through University of Oklahoma				
N.A.	University of Tennessee	University of Oklahoma 2003-49 Anovitz	R011042109	15,306.10
Passed Through UT-Battelle, Limited Liability Company				
N.A.	Tennessee Technological University	Stoichiometric Effects in AB2 Laves Phases	4000005119	23,788.04
N.A.	Tennessee Technological University	Aluminide Coatings for Power Generation Applications	4000007035	72,296.16
N.A.	Tennessee Technological University	Engine Exhaust Characterization	4000008764	4,559.76
N.A.	Tennessee Technological University	A Novel Method for the Deposition of Polymer Coatings on Microcantilevers	4000015646	21,948.63
N.A.	Tennessee Technological University	Alloying Effects on Alloy Preparation and Microstructural Features in TbFe2	4000021483	19,210.92
N.A.	Tennessee Technological University	Real-Time Greenhouse Gas and Performance Monitoring Software for NTPC-DADRI	70100009600	26,999.81
N.A.	University of Tennessee	UT-Battelle	B0199BTTL	14,232,187.00
Subtotal Pass-Through Programs				$ 16,036,809.58
Subtotal Department of Energy				$ 19,977,289.01

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		Federal Emergency Management Agency			
Direct Programs					
83.010	University of Memphis	National Fire Academy Educational Program	E334084Y	$ 2,322.80	
83.010	University of Memphis	National Fire Academy Educational Program	EME-2002-CA-0237	4,729.10	$ 7,051.90
Subtotal Federal Emergency Management Agency					$ 7,051.90
		Department of Education			
Direct Programs					
84.031	Roane State Community College	Higher Education_Institutional Aid	P031A010610		$ 7,573.44
84.116	Roane State Community College	Fund for the Improvement of Postsecondary Education	P116R980092		176.25
84.195	University of Tennessee	Bilingual Education_Professional Development	R041501044		199,666.96
84.220	University of Memphis	Centers for International Business Education	P220A990018-01		159,639.43
84.255	Southwest Tennessee Community College	Literacy Program for Prisoners	J11103C-C05		29,331.19
84.305	University of Memphis	National Institute on Student Achievement, Curriculum, and Assessment	R305G020018		177,802.19
84.339	University of Tennessee	Learning Anytime Anywhere Partnerships	R015701004		268,357.01
Subtotal Direct Programs					$ 842,546.47
Passed Through American String Teachers Association					
84.116	University of Memphis	Fund for the Improvement of Postsecondary Education	N.A.		$ 6,174.48
Passed Through Memphis City Schools					
84.184	University of Memphis	Safe and Drug-Free Schools and Communities_National Programs	N.A.		7,179.93
Passed Through Modern Red Schoolhouse Institute, Incorporated					
84.215	Tennessee State University	Fund for the Improvement of Education	R215C000028		(3,863.10)
Passed Through University of New Orleans					
84.215	University of Memphis	Fund for the Improvement of Education	R215K000018	$ 4,893.36	
84.215	University of Memphis	Fund for the Improvement of Education	R215K010219	44,000.00	48,893.36
Passed Through University of Maine					
84.257	University of Tennessee	National Institute for Literacy	R011804084		618,866.89
Passed Through CNA Corporation					
84.302	University of Memphis	Regional Technology in Education Consortia	00-UOFM-1-0050		94,132.37

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through University of Utah					
84.324	East Tennessee State University	Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities	9912011		28,783.09
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	522409/PO P528836		56,167.64
Passed Through Management Planning Research Associates, Incorporated					
84.336	University of Memphis	Teacher Quality Enhancement Grants	1935-184		6,354.21
Subtotal Pass-Through Programs					$ 862,688.87
Subtotal Department of Education					$ 1,705,235.34
National Archives and Records Administration					
Direct Programs					
89.003	University of Tennessee	National Historical Publications and Records Grants	R011002000	$ 6.46	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003064	(12.32)	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003073	1,070.23	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003077	(2,641.33)	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003078	11,551.75	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003082	42,437.44	
89.003	University of Tennessee	National Historical Publications and Records Grants	R011003083	89,206.28	$ 141,618.51
Subtotal National Archives and Records Administration					$ 141,618.51
Department of Health and Human Services					
Direct Programs					
93.103	Tennessee State University	Food and Drug Administration_ Research	FD-U-001950-01	$ (21,253.86)	
93.103	Tennessee State University	Food and Drug Administration_ Research	FD-U-001950-02	91,025.03	
93.103	Tennessee State University	Food and Drug Administration_ Research	FD-U-001950-03	71,422.41	
93.103	Tennessee State University	Food and Drug Administration_ Research	FD-U-002101-01	24,288.23	
93.103	Tennessee State University	Food and Drug Administration_ Research	FD-U-002101-02	45,982.15	
93.103	Tennessee State University	Food and Drug Administration_ Research	FD-U-002259-1	55,396.29	
93.103	University of Tennessee	Food and Drug Administration_ Research	R073621010	4,125.91	$ 270,986.16
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	R105210071		10,396.64

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.113	University of Memphis	Biological Response to Environmental Health Hazards	7 R01 ES08148-03		107,123.91
93.121	University of Tennessee	Oral Diseases and Disorders Research	R012580058	$ 158,813.32	
93.121	University of Tennessee	Oral Diseases and Disorders Research	R073445053	10,489.56	
93.121	University of Tennessee	Oral Diseases and Disorders Research	R073445054	222,561.90	
93.121	University of Tennessee	Oral Diseases and Disorders Research	R073475039	3,323.66	395,188.44
93.173	East Tennessee State University	Research Related to Deafness and Communication Disorders	2 R15 DC02301	$ 4,933.65	
93.173	Tennessee State University	Research Related to Deafness and Communication Disorders	1 K02 DC00180-01Al	75,096.92	
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	3 R01 DC00154-20S1	74,814.72	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R011010024	(2,192.62)	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R011010030	218,339.42	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R073003069	256,888.81	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R073003071	303,413.49	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R073003075	88,162.56	1,019,456.95
93.211	University of Tennessee	Rural Telemedicine Grants	R106903058	$ (4.46)	
93.211	University of Tennessee	Rural Telemedicine Grants	R106903061	310,910.78	310,906.32
93.213	East Tennessee State University	Research and Training in Complementary and Alternative Medicine	5 R21 AT00501		124,217.77
93.226	Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	1 R24 HS11640-01	$ 277,017.78	
93.226	Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	5 R24 HS11640-02	375,177.27	
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R073017097	149,121.49	
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R073237096	260,325.49	
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R073850034	57,783.07	1,119,425.10
93.242	Tennessee State University	Mental Health Research Grants	1 R24 MH59748-01	$ 153.16	
93.242	Tennessee State University	Mental Health Research Grants	1 R24 MH59748-02	5,323.68	
93.242	Tennessee State University	Mental Health Research Grants	1 R24 MH59748-03	153,697.32	
93.242	University of Tennessee	Mental Health Research Grants	R011016011	(41,067.41)	
93.242	University of Tennessee	Mental Health Research Grants	R011018034	(8,227.29)	
93.242	University of Tennessee	Mental Health Research Grants	R011018072	81,261.79	
93.242	University of Tennessee	Mental Health Research Grants	R011018077	156,049.62	
93.242	University of Tennessee	Mental Health Research Grants	R011069062	40,599.67	
93.242	University of Tennessee	Mental Health Research Grants	R011069063	37,855.23	
93.242	University of Tennessee	Mental Health Research Grants	R011210091	434,653.64	
93.242	University of Tennessee	Mental Health Research Grants	R012813090	(34,034.66)	
93.242	University of Tennessee	Mental Health Research Grants	R014030011	738,425.77	
93.242	University of Tennessee	Mental Health Research Grants	R073003009	414,760.98	
93.242	University of Tennessee	Mental Health Research Grants	R073003012	871,848.72	
93.242	University of Tennessee	Mental Health Research Grants	R073024062	50,876.40	
93.242	University of Tennessee	Mental Health Research Grants	R073242078	229,497.91	
93.242	University of Tennessee	Mental Health Research Grants	R112415095	1,290.88	3,132,965.41
93.273	University of Memphis	Alcohol Research Programs	5 U01 AA013506-02	$ 119,140.60	
93.273	University of Memphis	Alcohol Research Programs	5 U01 AA013509-02	316,328.25	
93.273	University of Memphis	Alcohol Research Programs	5 U01 AA013515-02	479,694.14	
93.273	University of Tennessee	Alcohol Research Programs	R012814009	344,070.33	
93.273	University of Tennessee	Alcohol Research Programs	R012814030	28,986.78	

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93.273	University of Tennessee	Alcohol Research Programs	R073003005	25,040.09	
93.273	University of Tennessee	Alcohol Research Programs	R073003049	187,523.84	
93.273	University of Tennessee	Alcohol Research Programs	R073003050	303,067.97	
93.273	University of Tennessee	Alcohol Research Programs	R073003053	454,346.67	
93.273	University of Tennessee	Alcohol Research Programs	R073003055	158,846.63	
93.273	University of Tennessee	Alcohol Research Programs	R073003056	478,842.10	
93.273	University of Tennessee	Alcohol Research Programs	R073004055	(3,008.73)	
93.273	University of Tennessee	Alcohol Research Programs	R073004077	20,423.94	
93.273	University of Tennessee	Alcohol Research Programs	R073024063	142,304.91	
93.273	University of Tennessee	Alcohol Research Programs	R073036089	233,802.55	
93.273	University of Tennessee	Alcohol Research Programs	R073632015	77,488.39	3,366,898.46
93.279	University of Memphis	Drug Abuse Research Programs	1 R01 DA12532-04	$ 461,058.05	
93.279	University of Memphis	Drug Abuse Research Programs	1 R01 DA15765-01	39,884.25	
93.279	University of Tennessee	Drug Abuse Research Programs	R012814030	79,015.35	
93.279	University of Tennessee	Drug Abuse Research Programs	R073004066	(225.99)	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024027	441,483.37	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024035	372,471.91	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024042	200,148.67	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024066	(17,889.81)	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024094	303,343.07	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024120	70,977.85	
93.279	University of Tennessee	Drug Abuse Research Programs	R073024130	26,705.84	
93.279	University of Tennessee	Drug Abuse Research Programs	R073237004	(192.00)	
93.279	University of Tennessee	Drug Abuse Research Programs	R073281032	(936.67)	
93.279	University of Tennessee	Drug Abuse Research Programs	R073281033	(72,454.17)	1,903,389.72
93.281	University of Tennessee	Mental Health Research Career/ Scientist Development Awards	R073003009	$ 3,009,188.33	
93.281	University of Tennessee	Mental Health Research Career/ Scientist Development Awards	R073003012	260,502.67	
93.281	University of Tennessee	Mental Health Research Career/ Scientist Development Awards	R073004083	151,535.10	
93.281	University of Tennessee	Mental Health Research Career/ Scientist Development Awards	R073024061	125,420.95	
93.281	University of Tennessee	Mental Health Research Career/ Scientist Development Awards	R073024062	149,281.99	
93.281	University of Tennessee	Mental Health Research Career/ Scientist Development Awards	R073024064	244,845.57	3,940,774.61
93.283	East Tennessee State University	Centers for Disease Control and Prevention_Investigations and Technical Assistance	R06/CCR421566		151,104.52
93.286	University of Tennessee	Biomedical Imaging Research	R073922013	$ 143,212.53	
93.286	University of Tennessee	Biomedical Imaging Research	R105210064	381,952.52	525,165.05
93.333	University of Tennessee	Clinical Research	R073202060	$ 60,815.69	
93.333	University of Tennessee	Clinical Research	R073223034	122,816.13	
93.333	University of Tennessee	Clinical Research	R073252080	440,455.56	
93.333	University of Tennessee	Clinical Research	R073303027	107,889.98	
93.333	University of Tennessee	Clinical Research	R073371048	155,441.25	
93.333	University of Tennessee	Clinical Research	R073445064	76,619.03	964,037.64
93.361	East Tennessee State University	Nursing Research	1 R15 NR05249	$ 23,832.88	
93.361	University of Tennessee	Nursing Research	R013011003	207,950.29	
93.361	University of Tennessee	Nursing Research	R013011007	239,760.35	
93.361	University of Tennessee	Nursing Research	R073850020	(7.92)	
93.361	University of Tennessee	Nursing Research	R073850022	238,273.88	
93.361	University of Tennessee	Nursing Research	R073850023	447,229.49	
93.361	University of Tennessee	Nursing Research	R073850035	51,640.04	
93.361	University of Tennessee	Nursing Research	R073860038	(7,038.06)	1,201,640.95

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93.375	Southwest Tennessee Community College	Minority Biomedical Research Support	1 R25 GM60180-01A1	$ 162,893.87	
93.375	Tennessee State University	Minority Biomedical Research Support	1 P20 MD00261-01	309,166.68	
93.375	Tennessee State University	Minority Biomedical Research Support	2 S06 GM08092-28	126,740.95	
93.375	Tennessee State University	Minority Biomedical Research Support	5 S06 GM08092-25	(1,983.60)	
93.375	Tennessee State University	Minority Biomedical Research Support	5 S06 GM08092-26	7,405.43	
93.375	Tennessee State University	Minority Biomedical Research Support	5 S06 GM08092-27	183,320.80	
93.375	Tennessee State University	Minority Biomedical Research Support	2 S06 GM08092-24	(4,587.52)	782,956.61
93.389	Tennessee State University	Research Infrastructure	3 P20 RR11808-05	$ 350,256.60	
93.389	Tennessee State University	Research Infrastructure	5 P20 RR11808-04	(114.95)	
93.389	Tennessee State University	Research Infrastructure	5 P20 RR11808-05	13,127.16	
93.389	University of Tennessee	Research Infrastructure	R012580046	153.05	
93.389	University of Tennessee	Research Infrastructure	R073018080	195,253.86	
93.389	University of Tennessee	Research Infrastructure	R073260033	958,051.66	
93.389	University of Tennessee	Research Infrastructure	R073281035	6,547.06	
93.389	University of Tennessee	Research Infrastructure	R073316081	240,517.17	
93.389	University of Tennessee	Research Infrastructure	R073910018	108,350.00	
93.389	University of Tennessee	Research Infrastructure	R181741008	(646.38)	
93.389	University of Tennessee	Research Infrastructure	R181741012	89,435.92	1,960,931.15
93.390	East Tennessee State University	Academic Research Enhancement Award	1 R15 CA80769	$ 749.66	
93.390	East Tennessee State University	Academic Research Enhancement Award	1 R15 EY014559	5,673.99	
93.390	East Tennessee State University	Academic Research Enhancement Award	2 R15 GM57779	43,125.42	
93.390	Tennessee State University	Academic Research Enhancement Award	7 R15 CA74354-02	11,195.60	
93.390	University of Memphis	Academic Research Enhancement Award	1 R15 AG16594-01	29,847.10	90,591.77
93.393	East Tennessee State University	Cancer Cause and Prevention Research	5 R01 CA86927	$ 317,489.78	
93.393	University of Memphis	Cancer Cause and Prevention Research	1 R03 CA93143-01A1	6,281.76	
93.393	University of Tennessee	Cancer Cause and Prevention Research	R073921066	57,696.16	
93.393	University of Tennessee	Cancer Cause and Prevention Research	R181730081	72,754.67	
93.393	University of Tennessee	Cancer Cause and Prevention Research	R181740094	(12,700.42)	
93.393	University of Tennessee	Cancer Cause and Prevention Research	R181741007	68,892.37	
93.393	University of Tennessee	Cancer Cause and Prevention Research	R181741015	287,785.66	798,199.98
93.395	University of Tennessee	Cancer Treatment Research	R011024040	$ 0.01	
93.395	University of Tennessee	Cancer Treatment Research	R011025051	337,938.74	
93.395	University of Tennessee	Cancer Treatment Research	R073024016	(1,681.34)	
93.395	University of Tennessee	Cancer Treatment Research	R073037010	368,384.10	
93.395	University of Tennessee	Cancer Treatment Research	R073256047	97,040.40	
93.395	University of Tennessee	Cancer Treatment Research	R073295054	(644.47)	
93.395	University of Tennessee	Cancer Treatment Research	R073621040	(290.11)	
93.395	University of Tennessee	Cancer Treatment Research	R073621067	547.30	
93.395	University of Tennessee	Cancer Treatment Research	R073621117	1,480.56	
93.395	University of Tennessee	Cancer Treatment Research	R073921067	1,136.50	

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93.395	University of Tennessee	Cancer Treatment Research	R073955048	24,149.43	
93.395	University of Tennessee	Cancer Treatment Research	R105210018	24,218.73	
93.395	University of Tennessee	Cancer Treatment Research	R105210034	179,316.57	
93.395	University of Tennessee	Cancer Treatment Research	R105210059	426,993.63	1,458,590.05
93.396	University of Tennessee	Cancer Biology Research	R011018086	$ 12,316.76	
93.396	University of Tennessee	Cancer Biology Research	R073024072	192,327.16	
93.396	University of Tennessee	Cancer Biology Research	R073298098	301,119.39	505,763.31
93.397	University of Tennessee	Cancer Centers Support Grants	R073018024	$ 206,455.93	
93.397	University of Tennessee	Cancer Centers Support Grants	R073247006	1,514.90	
93.397	University of Tennessee	Cancer Centers Support Grants	R073921062	(314.25)	
93.397	University of Tennessee	Cancer Centers Support Grants	R073955027	165.17	
93.397	University of Tennessee	Cancer Centers Support Grants	R073955048	(2,401.91)	205,419.84
93.399	University of Tennessee	Cancer Control	R073237024	$ 421,304.73	
93.399	University of Tennessee	Cancer Control	R073281042	17,659.72	
93.399	University of Tennessee	Cancer Control	R181741021	59,230.37	
93.399	University of Tennessee	Cancer Control	R181741022	22,441.42	520,636.24
93.577	University of Tennessee	Early Learning Fund	R024317021		33,812.10
93.779	Tennessee State University	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	20-P-91751/4-01		38,078.74
93.837	East Tennessee State University	Heart and Vascular Diseases Research	1 R21 HL72138	$ 92,648.23	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5 R01 HL071519	176,051.95	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5 R01 HL51314	214,884.80	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5 R01 HL51859	114,581.98	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5 R01 HL54633	204,786.48	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5 R01 HL58140	61,627.41	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	5 R01 HL63070	80,472.46	
93.837	East Tennessee State University	Heart and Vascular Diseases Research	7 R01 HL071233	152,452.82	
93.837	University of Memphis	Heart and Vascular Diseases Research	1 R01 HL64050	91,117.01	
93.837	University of Memphis	Heart and Vascular Diseases Research	2 U01 HL062662-05	486,484.64	
93.837	University of Memphis	Heart and Vascular Diseases Research	5 R01 HL50723-11	398,611.18	
93.837	University of Memphis	Heart and Vascular Diseases Research	5 R01 HL63216-03	177,227.08	
93.837	University of Memphis	Heart and Vascular Diseases Research	5 R18 HL53478-06	2,833.00	
93.837	University of Memphis	Heart and Vascular Diseases Research	5 R18 HL56626-04	342,588.96	
93.837	University of Memphis	Heart and Vascular Diseases Research	5 R01 HL64050-03	98,367.09	
93.837	University of Memphis	Heart and Vascular Diseases Research	5 U01 HL62662-04SI	19,491.36	
93.837	University of Memphis	Heart and Vascular Diseases Research	5 U01 HL62662-05	624,866.68	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R011373100	7,344.44	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073018007	102,798.00	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073018065	106,688.17	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073024026	414,244.30	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073024028	241,316.97	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073024033	170,595.17	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073024065	270,938.72	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036004	61,459.24	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036013	269,103.14	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036022	(331.80)	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036027	251,897.69	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036029	175,151.66	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036033	390,134.75	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036046	(4,337.77)	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036053	(22,199.25)	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036078	378,132.91	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073036085	231,790.80	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073037033	172,024.42	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073037034	246,118.17	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073037064	13,224.02	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073222039	(1,789.88)	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073237079	402,459.80	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073237085	424,480.28	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073252025	83,230.07	

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93.837	University of Tennessee	Heart and Vascular Diseases Research	R073311034	340,174.38	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073311037	199,966.01	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073621050	(141.29)	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073621063	170,936.10	
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073621107	40,777.85	8,475,280.20
93.838	University of Tennessee	Lung Diseases Research	R011086057	$ 53,746.60	
93.838	University of Tennessee	Lung Diseases Research	R073036052	194,119.81	
93.838	University of Tennessee	Lung Diseases Research	R073222044	(6,989.20)	
93.838	University of Tennessee	Lung Diseases Research	R073341006	84,717.16	325,594.37
93.839	University of Tennessee	Blood Diseases and Resources Research	R011018055	$ 92,768.76	
93.839	University of Tennessee	Blood Diseases and Resources Research	R011018089	304.50	
93.839	University of Tennessee	Blood Diseases and Resources Research	R073036004	111,803.16	
93.839	University of Tennessee	Blood Diseases and Resources Research	R073297009	132,662.14	
93.839	University of Tennessee	Blood Diseases and Resources Research	R073366079	(32.30)	337,506.26
93.846	University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	1 R29 AR44809-01	$ 89,957.45	
93.846	University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	3 R29 AR44809-04S1	29,803.54	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073003008	(5,951.04)	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073013081	76,543.15	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073220097	195,030.27	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073223032	59,330.04	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073297010	176,143.63	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332022	898,841.06	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332034	12,019.62	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332045	(7,706.49)	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332047	110,512.94	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332050	819,236.41	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332066	1,144,406.04	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332068	671,291.20	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332069	66,633.80	
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	R073332081	3,521.25	4,339,612.87
93.847	East Tennessee State University	Diabetes, Endocrinology and Metabolism Research	1 R01 DK58071	$ 158,873.60	
93.847	East Tennessee State University	Diabetes, Endocrinology and Metabolism Research	1 R21 DK57115	14,917.04	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073024018	27,224.65	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073024133	4,791.81	

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93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073037019	223,647.20	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073037046	233,368.72	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073252056	197,956.29	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073316053	315,968.55	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073316089	299,984.34	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073321009	222,536.81	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073332048	58,720.08	1,757,989.09
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073035092	$ (212.14)	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073035092	323,694.80	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073036034	391,489.63	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073036087	162,211.65	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073316066	1,427,428.53	2,304,612.47
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R073256042	$ 246,653.64	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R073316057	251,425.49	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R073316065	(41,352.80)	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R181740097	28,347.98	485,074.31
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	1 R15 NS39272	$ 14,831.07	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	1 R15 NS40265	42,386.44	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	2 R37 NS018710	80,845.52	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	5 R01 NS18710	141,014.10	
93.853	East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	5 R01 NS39646	111,941.53	
93.853	University of Memphis	Extramural Research Programs in the Neurosciences and Neurological Disorders	1 R15 NS35293-01	21,883.88	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073003026	825,782.24	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073003028	129,856.13	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073003048	146,382.50	

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93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073003054	157,803.00
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073003099	58,765.34
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073003112	3,395.52
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004012	165,392.88
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004013	350,248.61
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004028	199,796.07
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004030	235,986.10
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004056	(5,102.69)
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004057	50,436.49
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004058	2,620.26
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004064	12.78
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004065	151,332.76
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004068	367.67
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004080	279,511.01
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073004082	10.22
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073009094	(13,739.30)
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073009095	288,970.40
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073014003	(3,768.40)
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073036015	277,394.06
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073036080	293,865.43
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073279020	(0.49)

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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	R073279042	5,541.65	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073279047	79,297.63	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073281040	346,302.81	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R105210070	55,410.20	
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R181741011	414,329.76	4,909,103.18
93.855	East Tennessee State University	Allergy, Immunology and Transplantation Research	1 R15 AI43310	$ 11,797.54	
93.855	East Tennessee State University	Allergy, Immunology and Transplantation Research	1 R15 AI45549	25,600.57	
93.855	University of Tennessee	Allergy, Immunology and Transplantation Research	R011015085	(57.18)	
93.855	University of Tennessee	Allergy, Immunology and Transplantation Research	R073018027	282,922.40	
93.855	University of Tennessee	Allergy, Immunology and Transplantation Research	R073018075	2,420.32	322,683.65
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	1 K22 AI053645	$ 71,811.94	
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	1 R15 AI43391	6,020.98	
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	1 R21 AI055267	24,128.86	
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	1 R21 AI45829	137,037.88	
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	1 R29 AI40915	97,136.71	
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	5 R01 AI013446	264,090.85	
93.856	University of Memphis	Microbiology and Infectious Diseases Research	1 R15 AI45984-01	32,957.21	
93.856	University of Memphis	Microbiology and Infectious Diseases Research	3 R15 AI45984-01S1	3,500.00	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R011015084	462,494.62	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R011018056	36,645.65	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073004050	145,389.65	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073017093	(329.00)	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073017098	82,846.11	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073018008	250,489.08	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073018066	100,209.94	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073018067	123,446.96	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073018071	18,838.23	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073321031	851,210.39	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073371033	284,623.54	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073621068	107,921.13	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073621105	54,199.76	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073621115	14,982.17	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R181736082	381,020.55	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R181736083	294,969.73	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R181736085	202,590.43	4,048,233.37
93.859	East Tennessee State University	Pharmacology, Physiology, and Biological Chemistry Research	5 R01 GM053522	$ 242,246.16	
93.859	East Tennessee State University	Pharmacology, Physiology, and Biological Chemistry Research	5 R01 GM062121	148,073.61	
93.859	East Tennessee State University	Pharmacology, Physiology, and Biological Chemistry Research	5 R01 GM59578	71,651.15	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R011015071	48.49	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R011015075	80,317.14	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R011015095	140,988.39	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R011018039	(2,219.26)	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R011018061	173,043.22	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R011018073	383,110.26	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R011024109	10,384.86	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R011080023	97,122.60	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R012814012	118,714.64	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073013091	162,964.66	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073014008	(47,736.14)	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073014022	998.88	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073018004	682.40	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073036081	235,155.05	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073252023	(16,744.52)	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073252031	(1,704.16)	
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research	R073281028	(166.22)	1,796,931.21
93.864	Tennessee State University	Population Research	8 G11 HD34944-03		33,752.71
93.865	Austin Peay State University	Center for Research for Mothers and Children	1 R15 HD35349-01A1	$ 16,647.12	
93.865	University of Tennessee	Center for Research for Mothers and Children	R011018083	14,000.00	
93.865	University of Tennessee	Center for Research for Mothers and Children	R011069059	128,477.55	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073003037	200,655.73	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073004060	(793.73)	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073037042	69,808.73	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073221001	(100,776.81)	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073221087	439,949.82	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073222054	19,514.92	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073223129	738,830.72	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073227088	112,934.24	
93.865	University of Tennessee	Center for Research for Mothers and Children	R073237023	31,665.60	1,670,913.89
93.866	University of Memphis	Aging Research	1 R01 AG14738-01A2	$ 484,889.15	
93.866	University of Tennessee	Aging Research	R011016016	64,494.67	
93.866	University of Tennessee	Aging Research	R011025000	115,952.84	
93.866	University of Tennessee	Aging Research	R012813096	65,336.42	
93.866	University of Tennessee	Aging Research	R073004097	129,217.53	
93.866	University of Tennessee	Aging Research	R073236076	215,758.84	
93.866	University of Tennessee	Aging Research	R073237060	266,960.47	
93.866	University of Tennessee	Aging Research	R105210031	7,466.64	
93.866	University of Tennessee	Aging Research	R105210049	262,112.35	
93.866	University of Tennessee	Aging Research	R105210050	263,725.21	
93.866	University of Tennessee	Aging Research	R105210051	85,772.32	1,961,686.44
93.867	University of Tennessee	Vision Research	R073003010	$ 297,238.75	
93.867	University of Tennessee	Vision Research	R073004034	(0.66)	
93.867	University of Tennessee	Vision Research	R073004074	253,283.86	
93.867	University of Tennessee	Vision Research	R073004081	157,700.92	
93.867	University of Tennessee	Vision Research	R073004088	21,259.42	
93.867	University of Tennessee	Vision Research	R073013083	196,697.84	
93.867	University of Tennessee	Vision Research	R073036062	132,419.28	
93.867	University of Tennessee	Vision Research	R073279063	192,540.52	
93.867	University of Tennessee	Vision Research	R073285054	22,796.49	
93.867	University of Tennessee	Vision Research	R073285067	(0.01)	
93.867	University of Tennessee	Vision Research	R073285079	182,383.68	
93.867	University of Tennessee	Vision Research	R073285085	152,532.09	
93.867	University of Tennessee	Vision Research	R073285096	166,448.97	
93.867	University of Tennessee	Vision Research	R181736078	82,432.42	
93.867	University of Tennessee	Vision Research	R181736089	290,285.41	2,148,018.98
93.919	East Tennessee State University	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	U57/CCU420134		552,439.02
93.989	University of Memphis	Senior International Fellowships	5 R01 TW005962-02		237,394.60
93.990	University of Tennessee	National Health Promotion	R073236031	$ 1,340,697.94	
93.990	University of Tennessee	National Health Promotion	R073236061	914,905.82	2,255,603.76
N.A.	Tennessee State University	NCI Contract Proposal Writing Workshop	263-MQ-308842-1		275.00
N.A.	University of Tennessee	DHHS-CDC-R49CCR419777-GL Fox	R011210099		139,895.42
N.A.	University of Tennessee	NTL LIB MED N01-LM-0-3503	R011344031		259,840.41
N.A.	University of Tennessee	DHHS PO36921 Wasserman	R011373083		15,172.66
Subtotal Direct Programs					$ 63,316,271.31

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Meharry Medical College					
93.004	Middle Tennessee State University	Cooperative Agreements to Improve the Health Status of Minority Populations	990728STS114S2-03		$ 14,030.31
93.226	Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	1 U18 HS11131-01	$ (18.50)	
93.226	Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	1 U18 HS11131-03	234,176.12	
93.226	Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	5 U18 HS11131-02	99,619.71	333,777.33
Passed Through University of Connecticut					
93.113	East Tennessee State University	Biological Response to Environmental Health Hazards	ES09127		51,960.50
Passed Through State University of New York					
93.114	University of Tennessee	Applied Toxicological Research and Testing	R011015093		62,956.23
Passed Through Ohio State University					
93.121	University of Tennessee	Oral Diseases and Disorders Research	R181730090		(2,889.93)
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073621074	$ 1,454.44	
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073621104	43,092.06	44,546.50
Passed Through Kirkwood Community College					
93.142	University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	R012531041	$ 39,335.13	
93.142	University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	R012539076	2,078.95	
93.142	University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	R012539118	13,052.83	
93.142	University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	R012539119	47,773.46	102,240.37
Passed Through Father Flanagan's Boys' Home					
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R073285087	$ 24,909.59	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R073286019	11,029.01	35,938.60
Passed Through Thinking Publications					
93.173	East Tennessee State University	Research Related to Deafness and Communication Disorders	1 R43 DC004743		13,645.29
Passed Through University of Maryland					
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R073003089	$ 105,486.35	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	R073003103	45,097.95	150,584.30

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through University of Utah					
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	99-N-09/9805093-01		22,648.72
Passed Through Northwestern University					
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R070106004		(1,149.98)
93.242	University of Tennessee	Mental Health Research Grants	R073003082	$ 568,926.26	
93.242	University of Tennessee	Mental Health Research Grants	R073003104	153,735.41	722,661.67
93.393	University of Tennessee	Cancer Cause and Prevention Research	R073295047		1,126.69
93.399	University of Tennessee	Cancer Control	R070106013		9,060.00
Passed Through University of California					
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R073227075	$ 34,239.94	
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R073228054	66,855.14	101,095.08
Passed Through University of Texas					
93.226	University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	R070106012		10,567.10
93.395	University of Tennessee	Cancer Treatment Research	R073621089		40,604.00
93.866	University of Tennessee	Aging Research	R073371053		233,182.96
Passed Through University of Illinois at Chicago					
93.242	University of Tennessee	Mental Health Research Grants	R014030025		33,232.56
Passed Through University of Kentucky					
93.242	University of Tennessee	Mental Health Research Grants	R011084025		118,780.00
93.279	University of Tennessee	Drug Abuse Research Programs	R011084014		106,976.47
Passed Through Colorado State University					
93.262	University of Tennessee	Occupational Safety and Health Research Grants	R111416017		123,540.73
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073621095		15,381.97
Passed Through Oregon State University					
93.273	University of Tennessee	Alcohol Research Programs	R073004092		(3,911.24)
Passed Through University of Massachusetts					
93.273	University of Tennessee	Alcohol Research Programs	R073024079	$ (2,270.22)	
93.273	University of Tennessee	Alcohol Research Programs	R073024108	9,051.39	
93.273	University of Tennessee	Alcohol Research Programs	R073024129	2,306.28	9,087.45
Passed Through Cornell University					
93.279	University of Tennessee	Drug Abuse Research Programs	R073281025		(11,452.03)
Passed Through James R. Johnson & Associates					
93.279	University of Tennessee	Drug Abuse Research Programs	R073621112		47,832.12

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Memphis & Shelby County Health Department					
93.283	University of Memphis	Centers for Disease Control and Prevention_Investigations and Technical Assistance	GG-03-09688-00		8,176.47
Passed Through University of North Carolina					
93.283	University of Tennessee	Centers for Disease Control and Prevention_Investigations and Technical Assistance	R073366092	$ 15,689.53	
93.283	University of Tennessee	Centers for Disease Control and Prevention_Investigations and Technical Assistance	R073366100	41,698.03	57,387.56
93.837	University of Memphis	Heart and Vascular Diseases Research	5-51909		26,938.47
93.853	University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	R073228039		(4,550.18)
Passed Through Indiana University					
93.389	University of Tennessee	Research Infrastructure	R011018054		(0.02)
Passed Through University of Missouri					
93.389	University of Tennessee	Research Infrastructure	R011018063		60,949.05
Passed Through University of Alabama					
93.393	University of Memphis	Cancer Cause and Prevention Research	5 R03 CA93143-03		4,103.14
Passed Through Duke University Medical Center					
93.395	University of Tennessee	Cancer Treatment Research	R073252095		24,740.13
Passed Through Pediatric Oncology Group / Northwestern University					
93.395	East Tennessee State University	Cancer Treatment Research	0600-370-C347-ETSU		116.79
Passed Through University of South Florida					
93.395	East Tennessee State University	Cancer Treatment Research	6302-069-L0-K		4,515.66
Passed Through Cancer Therapy and Research Center					
93.399	East Tennessee State University	Cancer Control	CA37429		19,824.43
Passed Through University of Cincinnati					
93.837	University of Tennessee	Heart and Vascular Diseases Research	R073018068		15,307.60
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073237033	$ (23.98)	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073237069	19,988.61	
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073237104	12,139.16	32,103.79
Passed Through University of Minnesota					
93.837	University of Memphis	Heart and Vascular Diseases Research	H6636354102		3,159.88
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R011015087		62,828.80

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through University of Miami					
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	R073220027		312.70
Passed Through University of Mississippi					
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	R073621053		(1.23)
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073632023	$ 22,971.16	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073650004	67,312.93	90,284.09
Passed Through University of Alabama at Birmingham					
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R073223141	$ 50,437.82	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R073223165	18,101.92	68,539.74
Passed Through Vanderbilt University					
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	R011018070		19,181.24
Passed Through New York University					
93.855	University of Tennessee	Allergy, Immunology and Transplantation Research	R073223106		1,277.35
Passed Through Johns Hopkins University					
93.856	University of Memphis	Microbiology and Infectious Diseases Research	8105-49574-4		66,607.98
Passed Through National Institute of Health					
93.856	Middle Tennessee State University	Microbiology and Infectious Diseases Research	1 R15 AI051350-01A1		10,589.26
Passed Through Pennsylvania State University					
93.856	East Tennessee State University	Microbiology and Infectious Diseases Research	5 P01 AI37829		172,961.65
Passed Through St. Jude Children's Research Hospital					
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073227049	$ (283.72)	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073228037	98,195.56	
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	R073228057	3,266.62	101,178.46
Passed Through Jackson Laboratory					
93.865	University of Tennessee	Center for Research for Mothers and Children	R011018081		40,654.17
Passed Through University of Michigan					
93.866	University of Tennessee	Aging Research	R073003020		567.98

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Wake Forest University					
93.866	University of Tennessee	Aging Research	R073237088	$ 50,173.95	
93.866	University of Tennessee	Aging Research	R073237097	105,769.02	155,942.97
Passed Through Wayne State University					
93.866	University of Memphis	Aging Research	WSU02014-A1		27,324.30
Passed Through Jaeb Center for Health Research, Incorporated					
93.867	University of Tennessee	Vision Research	R073285065		166.16
Subtotal Pass-Through Programs					$ 3,457,242.16
Subtotal Department of Health and Human Services					$ 66,773,513.47
Corporation for National and Community Service					
Passed Through University of Pittsburgh					
94.005	Middle Tennessee State University	Learn and Serve America_Higher Education	00-LHEDC004		$ 7,378.46
Subtotal Corporation for National and Community Service					$ 7,378.46
United States Agency for International Development					
Passed Through American Council on Education					
N.A.	Middle Tennessee State University	Sustainable Environmental Management of Informal Settlements in Kwazulu - Natal	HNE-A-00-97-00059-00		$ 42,854.53
Passed Through United Negro College Fund					
N.A.	Tennessee State University	United Negro College Fund - Amazonas Project	IDP-2000-G-2003		87,164.86
Subtotal United States Agency for International Development					$ 130,019.39
Total Research and Development Cluster					$ 143,262,835.43
Federal Student Aid Cluster					
Department of Education					
Direct Programs					
84.007	Austin Peay State University	Federal Supplemental Educational Opportunity Grants		$ 288,049.67	
84.007	Chattanooga State Technical Community College	Federal Supplemental Educational Opportunity Grants		159,816.85	
84.007	Cleveland State Community College	Federal Supplemental Educational Opportunity Grants		33,480.00	
84.007	Columbia State Community College	Federal Supplemental Educational Opportunity Grants		109,511.60	
84.007	Dyersburg State Community College	Federal Supplemental Educational Opportunity Grants		70,541.50	
84.007	East Tennessee State University	Federal Supplemental Educational Opportunity Grants		805,744.00	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.007	Jackson State Community College	Federal Supplemental Educational Opportunity Grants		123,296.80	
84.007	Middle Tennessee State University	Federal Supplemental Educational Opportunity Grants		466,650.50	
84.007	Motlow State Community College	Federal Supplemental Educational Opportunity Grants		92,770.25	
84.007	Nashville State Technical Community College	Federal Supplemental Educational Opportunity Grants		121,827.00	
84.007	Northeast State Technical Community College	Federal Supplemental Educational Opportunity Grants		116,668.00	
84.007	Pellissippi State Technical Community College	Federal Supplemental Educational Opportunity Grants		296,101.00	
84.007	Roane State Community College	Federal Supplemental Educational Opportunity Grants		128,822.00	
84.007	Southwest Tennessee Community College	Federal Supplemental Educational Opportunity Grants		259,859.64	
84.007	Tennessee State University	Federal Supplemental Educational Opportunity Grants		1,193,325.00	
84.007	Tennessee Technological University	Federal Supplemental Educational Opportunity Grants		280,344.00	
84.007	University of Memphis	Federal Supplemental Educational Opportunity Grants		604,550.00	
84.007	University of Tennessee	Federal Supplemental Educational Opportunity Grants		1,309,979.80	
84.007	Volunteer State Community College	Federal Supplemental Educational Opportunity Grants		136,102.00	
84.007	Walters State Community College	Federal Supplemental Educational Opportunity Grants		113,136.04	$ 6,710,575.65
84.032	Austin Peay State University	Federal Family Education Loans		$ 20,555,009.98	
84.032	Chattanooga State Technical Community College	Federal Family Education Loans		4,922,360.00	
84.032	Cleveland State Community College	Federal Family Education Loans		905,974.00	
84.032	Dyersburg State Community College	Federal Family Education Loans		785,685.20	
84.032	East Tennessee State University	Federal Family Education Loans		39,161,599.49	
84.032	Middle Tennessee State University	Federal Family Education Loans		46,310,472.84	
84.032	Northeast State Technical Community College	Federal Family Education Loans		1,423,437.94	
84.032	Pellissippi State Technical Community College	Federal Family Education Loans		2,036,280.00	
84.032	Roane State Community College	Federal Family Education Loans		2,841,608.65	
84.032	Tennessee Technological University	Federal Family Education Loans		752,819.00	
84.032	University of Tennessee	Federal Family Education Loans		130,428,115.18	
84.032	Volunteer State Community College	Federal Family Education Loans		2,434,624.50	
84.032	Walters State Community College	Federal Family Education Loans		2,070,650.00	254,628,636.78
84.033	Austin Peay State University	Federal Work-Study Program		$ 332,921.85	
84.033	Chattanooga State Technical Community College	Federal Work-Study Program		244,372.15	
84.033	Cleveland State Community College	Federal Work-Study Program		49,360.23	
84.033	Columbia State Community College	Federal Work-Study Program		62,853.69	
84.033	Dyersburg State Community College	Federal Work-Study Program		99,978.55	
84.033	East Tennessee State University	Federal Work-Study Program		620,599.72	
84.033	Jackson State Community College	Federal Work-Study Program		139,786.61	
84.033	Middle Tennessee State University	Federal Work-Study Program		841,074.89	
84.033	Motlow State Community College	Federal Work-Study Program		104,228.79	
84.033	Nashville State Technical Community College	Federal Work-Study Program		84,263.33	

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CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.033	Northeast State Technical Community College	Federal Work-Study Program		209,184.09	
84.033	Pellissippi State Technical Community College	Federal Work-Study Program		237,415.83	
84.033	Roane State Community College	Federal Work-Study Program		112,395.87	
84.033	Southwest Tennessee Community College	Federal Work-Study Program		519,147.74	
84.033	Tennessee State University	Federal Work-Study Program		826,535.87	
84.033	Tennessee Technological University	Federal Work-Study Program		428,480.75	
84.033	University of Memphis	Federal Work-Study Program		607,697.07	
84.033	University of Tennessee	Federal Work-Study Program		1,782,238.63	
84.033	Volunteer State Community College	Federal Work-Study Program		32,708.82	
84.033	Walters State Community College	Federal Work-Study Program		167,675.76	7,502,920.24
84.038	Austin Peay State University	Federal Perkins Loan Program_ Federal Capital Contributions		$ 1,416,790.99	
84.038	East Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions		8,162,957.25	
84.038	Jackson State Community College	Federal Perkins Loan Program_ Federal Capital Contributions		93,811.02	
84.038	Middle Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions		2,839,841.82	
84.038	Southwest Tennessee Community College	Federal Perkins Loan Program_ Federal Capital Contributions		555.97	
84.038	Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions		1,799,299.96	
84.038	Tennessee Technological University	Federal Perkins Loan Program_ Federal Capital Contributions		3,019,523.10	
84.038	University of Memphis	Federal Perkins Loan Program_ Federal Capital Contributions		2,678,271.19	
84.038	University of Tennessee	Federal Perkins Loan Program_ Federal Capital Contributions		29,372,602.56	49,383,653.86
84.063	Austin Peay State University	Federal Pell Grant Program		$ 7,227,298.71	
84.063	Chattanooga State Technical Community College	Federal Pell Grant Program		6,941,162.75	
84.063	Cleveland State Community College	Federal Pell Grant Program		2,683,457.37	
84.063	Columbia State Community College	Federal Pell Grant Program		4,117,524.24	
84.063	Dyersburg State Community College	Federal Pell Grant Program		3,251,759.39	
84.063	East Tennessee State University	Federal Pell Grant Program		8,639,797.83	
84.063	Jackson State Community College	Federal Pell Grant Program		5,682,247.36	
84.063	Middle Tennessee State University	Federal Pell Grant Program		12,778,373.50	
84.063	Motlow State Community College	Federal Pell Grant Program		3,987,659.67	
84.063	Nashville State Technical Community College	Federal Pell Grant Program		4,669,546.54	
84.063	Northeast State Technical Community College	Federal Pell Grant Program		4,844,261.47	
84.063	Pellissippi State Technical Community College	Federal Pell Grant Program		6,171,080.73	
84.063	Roane State Community College	Federal Pell Grant Program		6,796,665.84	
84.063	Southwest Tennessee Community College	Federal Pell Grant Program		14,268,124.48	
84.063	Tennessee State University	Federal Pell Grant Program		10,508,126.50	
84.063	Tennessee Technological University	Federal Pell Grant Program		5,713,408.00	
84.063	University of Memphis	Federal Pell Grant Program		13,653,057.81	
84.063	University of Tennessee	Federal Pell Grant Program		20,761,115.82	
84.063	Volunteer State Community College	Federal Pell Grant Program		4,583,877.50	
84.063	Walters State Community College	Federal Pell Grant Program		6,908,924.14	154,187,469.65
84.268	Motlow State Community College	Federal Direct Student Loans		$ 2,339,250.00	
84.268	Tennessee State University	Federal Direct Student Loans		35,966,252.00	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.268	Tennessee Technological University	Federal Direct Student Loans		12,387,526.00	
84.268	University of Memphis	Federal Direct Student Loans		57,131,166.00	107,824,194.00
Subtotal Department of Education					$ 580,237,450.18
		Department of Health and Human Services			
Direct Programs					
93.342	East Tennessee State University	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		$ 85,447.81	
93.342	University of Tennessee	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		4,083,193.15	$ 4,168,640.96
93.364	Tennessee State University	Nursing Student Loans		$ 15,657.94	
93.364	University of Tennessee	Nursing Student Loans		152,335.83	167,993.77
93.925	East Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds		$ 36,784.00	
93.925	Middle Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds		39,618.00	
93.925	Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds		264,599.96	
93.925	University of Tennessee	Scholarships for Health Professions Students from Disadvantaged Backgrounds		415,261.00	756,262.96
Subtotal Department of Health and Human Services					$ 5,092,897.69
Total Federal Student Aid Cluster					$ 585,330,347.87
		Food Stamp Cluster			
		Department of Agriculture			
Direct Programs					
10.551	Human Services	Food Stamps (Noncash Award)			$ 665,293,136.20
10.561	Human Services	State Administrative Matching Grants for Food Stamp Program		$ 29,015,724.89	
10.561	Labor and Workforce Development	State Administrative Matching Grants for Food Stamp Program		3,525,797.12	32,541,522.01
Subtotal Department of Agriculture					$ 697,834,658.21
Total Food Stamp Cluster					$ 697,834,658.21
		Child Nutrition Cluster			
		Department of Agriculture			
Direct Programs					
10.553	Agriculture	School Breakfast Program		$ 28,616.98	
10.553	Education	School Breakfast Program		35,343,880.66	$ 35,372,497.64

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
10.555	Agriculture	National School Lunch Program		$ 48,155.69	
10.555	Agriculture	National School Lunch Program (Noncash Award)		17,097,345.00	
10.555	Education	National School Lunch Program		127,485,136.53	144,630,637.22
10.556	Agriculture	Special Milk Program for Children		$ 18,641.94	
10.556	Education	Special Milk Program for Children		7,356.74	25,998.68
10.559	Human Services	Summer Food Service Program for Children			5,494,973.40
Subtotal Department of Agriculture					$ 185,524,106.94
Total Child Nutrition Cluster					$ 185,524,106.94
Emergency Food Assistance Cluster					
Department of Agriculture					
Direct Programs					
10.568	Agriculture	Emergency Food Assistance Program (Administrative Costs)			$ 1,323,513.29
10.569	Agriculture	Emergency Food Assistance Program (Food Commodities) (Noncash Award)			8,576,784.00
Subtotal Department of Agriculture					$ 9,900,297.29
Total Emergency Food Assistance Cluster					$ 9,900,297.29
Schools and Roads Cluster					
Department of Agriculture					
Direct Programs					
10.665	Finance and Administration	Schools and Roads_Grants to States			$ 525,899.10
Subtotal Department of Agriculture					$ 525,899.10
Total Schools and Roads Cluster					$ 525,899.10
Section 8 Project-Based Cluster					
Department of Housing and Urban Development					
Direct Programs					
14.195	Tennessee Housing Development Agency	Section 8 Housing Assistance Payments Program_Special Allocations			$ 105,385,438.02
14.856	Tennessee Housing Development Agency	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation			60,851.00
Subtotal Department of Housing and Urban Development					$ 105,446,289.02
Total Section 8 Project-Based Cluster					$ 105,446,289.02

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster					
Department of Housing and Urban Development					
Passed Through City of Memphis					
14.218	Tennessee State University	Community Development Block Grants/Entitlement Grants	B-00-MC-47-0006	$ 117.39	
14.218	Tennessee State University	Community Development Block Grants/Entitlement Grants	B-02-MC-47-0006	19,109.49	
14.218	Tennessee State University	Community Development Block Grants/Entitlement Grants	B-03-MC-47-0006	6,209.99	
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N16075	11,037.81	
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N16076	10,089.37	
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N16877	3,074.81	
14.218	University of Memphis	Community Development Block Grants/Entitlement Grants	N16878	634.02	$ 50,272.88
Passed Through Johnson City Community Development					
14.218	East Tennessee State University	Community Development Block Grants/Entitlement Grants	02-0200		30,999.69
Subtotal Department of Housing and Urban Development					$ 81,272.57
Total CDBG - Entitlement and (HUD-Administered) Small Cities Cluster					$ 81,272.57
Fish and Wildlife Cluster					
Department of the Interior					
Direct Programs					
15.605	Tennessee Wildlife Resources Agency	Sport Fish Restoration			$ 7,051,776.25
15.611	Environment and Conservation	Wildlife Restoration		$ 63,226.64	
15.611	Tennessee Wildlife Resources Agency	Wildlife Restoration		4,511,185.83	4,574,412.47
Subtotal Department of the Interior					$ 11,626,188.72
Total Fish and Wildlife Cluster					$ 11,626,188.72
Employment Services Cluster					
Department of Labor					
Direct Programs					
17.207	Labor and Workforce Development	Employment Service			$ 14,397,940.35
17.801	Labor and Workforce Development	Disabled Veterans' Outreach Program (DVOP)			1,208,740.06
17.804	Labor and Workforce Development	Local Veterans' Employment Representative Program			1,330,162.51
Subtotal Department of Labor					$ 16,936,842.92
Total Employment Services Cluster					$ 16,936,842.92

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
		WIA Cluster			
		Department of Labor			
Direct Programs					
17.258	Labor and Workforce Development	WIA Adult Program		$ 21,759,079.83	
17.258	Pellissippi State Technical Community College	WIA Adult Program		54,130.39	$ 21,813,210.22
17.259	Labor and Workforce Development	WIA Youth Activities			23,351,746.82
17.260	Labor and Workforce Development	WIA Dislocated Workers			15,745,629.48
Subtotal Direct Programs					$ 60,910,586.52
Passed Through East Tennessee Human Resource Agency, Incorporated					
17.258	Pellissippi State Technical Community College	WIA Adult Program	AWIA-SC-PSCC-0102-072		$ 593.00
17.259	Pellissippi State Technical Community College	WIA Youth Activities	AWIA-SC-PSCC-0102-072		681.66
17.260	Pellissippi State Technical Community College	WIA Dislocated Workers	AWIA-SC-PSCC-0102-072		2,524.16
Passed Through Knoxville Private Industry Council					
17.258	Pellissippi State Technical Community College	WIA Adult Program	99-STO-2-800/3-810/3-820	$ 273,109.75	
17.258	Pellissippi State Technical Community College	WIA Adult Program	WIA-4-780	22,957.86	
17.258	Pellissippi State Technical Community College	WIA Adult Program	WIA-4-770	18,338.90	314,406.51
Passed Through Upper Cumberland Human Resource Agency					
17.258	Volunteer State Community College	WIA Adult Program	02-07-999-109	$ 50,420.39	
17.258	Volunteer State Community College	WIA Adult Program	03-07-999-117	14,106.98	
17.258	Volunteer State Community College	WIA Adult Program	03-07-999-115	23,303.54	
17.258	Volunteer State Community College	WIA Adult Program	03-07-999-116	18,614.18	106,445.09
17.259	Volunteer State Community College	WIA Youth Activities	03-07-999-115		4,773.01
17.260	Volunteer State Community College	WIA Dislocated Workers	02-07-999-109	$ 35,037.90	
17.260	Volunteer State Community College	WIA Dislocated Workers	03-07-999-117	2,889.39	37,927.29
Passed Through City of Memphis					
17.259	University of Memphis	WIA Youth Activities	N15157		(3,939.03)
Passed Through Southeast Tennessee Development District					
17.259	Chattanooga State Technical Community College	WIA Youth Activities	03-05-PY2-YOUTH	$ 60,091.02	
17.259	Chattanooga State Technical Community College	WIA Youth Activities	01-05-999-227-YOUTH	1,130.33	61,221.35
Passed Through North Tennessee Private Industry Council					
17.260	Austin Peay State University	WIA Dislocated Workers	C-99-0014		625.00
Subtotal Pass-Through Programs					$ 525,258.04
Subtotal Department of Labor					$ 61,435,844.56
Total WIA Cluster					$ 61,435,844.56

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues
Highway Planning and Construction Cluster				
Department of Transportation				
Direct Programs				
20.205	Transportation	Highway Planning and Construction		$ 530,612,853.66
Subtotal Direct Programs				$ 530,612,853.66
Passed Through Bridgetech, Incorporated				
20.205	Tennessee Technological University	Highway Planning and Construction	HR 12-62	$ 6,517.45
Passed Through Florida International University				
20.205	University of Tennessee	Highway Planning and Construction	R011038078	4,727.73
Subtotal Pass-Through Programs				$ 11,245.18
Subtotal Department of Transportation				$ 530,624,098.84
Total Highway Planning and Construction Cluster				$ 530,624,098.84
Federal Transit Cluster				
Department of Transportation				
Direct Programs				
20.500	Transportation	Federal Transit_Capital Investment Grants		$ 1,586,277.40
Subtotal Department of Transportation				$ 1,586,277.40
Total Federal Transit Cluster				$ 1,586,277.40
Highway Safety Cluster				
Department of Transportation				
Direct Programs				
20.600	Transportation	State and Community Highway Safety		$ 2,366,276.68
20.601	Transportation	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants		2,390,339.80
20.602	Transportation	Occupant Protection		603,933.27
20.603	Transportation	Federal Highway Safety Data Improvements Incentive Grants		964,257.98
20.604	Transportation	Safety Incentive Grants for Use of Seatbelts		0.10
20.605	Transportation	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons		4,641,126.69
Subtotal Direct Programs				$ 10,965,934.52
Passed Through University of Toledo				
20.600	University of Tennessee	State and Community Highway Safety	R012814017	$ 5,366.47

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Subtotal Pass-Through Programs					$ 5,366.47
Subtotal Department of Transportation					$ 10,971,300.99
Total Highway Safety Cluster					$ 10,971,300.99
Special Education Cluster					
Department of Education					
Direct Programs					
84.027	Education	Special Education_Grants to States			$ 138,537,161.37
84.173	Education	Special Education_Preschool Grants			6,945,060.50
Subtotal Direct Programs					$ 145,482,221.87
Subtotal Department of Education					$ 145,482,221.87
Total Special Education Cluster					$ 145,482,221.87
TRIO Cluster					
Department of Education					
Direct Programs					
84.042	Austin Peay State University	TRIO_Student Support Services		$ 198,914.06	
84.042	Dyersburg State Community College	TRIO_Student Support Services		283,706.21	
84.042	East Tennessee State University	TRIO_Student Support Services		237,055.01	
84.042	Middle Tennessee State University	TRIO_Student Support Services		212,708.44	
84.042	Northeast State Technical Community College	TRIO_Student Support Services		249,813.43	
84.042	Pellissippi State Technical Community College	TRIO_Student Support Services		234,638.43	
84.042	Tennessee State University	TRIO_Student Support Services		247,129.87	
84.042	University of Tennessee	TRIO_Student Support Services		600,198.10	$ 2,264,163.55
84.044	East Tennessee State University	TRIO_Talent Search		$ 246,078.86	
84.044	Middle Tennessee State University	TRIO_Talent Search		74,170.73	
84.044	Tennessee State University	TRIO_Talent Search		49,960.97	
84.044	University of Tennessee	TRIO_Talent Search		68,338.65	438,549.21
84.047	Austin Peay State University	TRIO_Upward Bound		$ 800,789.05	
84.047	Dyersburg State Community College	TRIO_Upward Bound		285,347.15	
84.047	East Tennessee State University	TRIO_Upward Bound		994,757.86	
84.047	Southwest Tennessee Community College	TRIO_Upward Bound		264,054.02	
84.047	Tennessee State University	TRIO_Upward Bound		531,069.01	
84.047	University of Tennessee	TRIO_Upward Bound		1,834,886.66	4,710,903.75
84.066	Austin Peay State University	TRIO_Educational Opportunity Centers		$ 348,516.18	
84.066	East Tennessee State University	TRIO_Educational Opportunity Centers		149,689.41	
84.066	Southwest Tennessee Community College	TRIO_Educational Opportunity Centers		135,780.29	
84.066	University of Tennessee	TRIO_Educational Opportunity Centers		715,215.35	1,349,201.23

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
84.217	East Tennessee State University	TRIO_McNair Post-Baccalaureate Achievement		$ 266,287.97	
84.217	Middle Tennessee State University	TRIO_McNair Post-Baccalaureate Achievement		241,791.23	
84.217	University of Tennessee	TRIO_McNair Post-Baccalaureate Achievement		537,030.71	1,045,109.91
Subtotal Department of Education					$ 9,807,927.65
Total TRIO Cluster					$ 9,807,927.65
Aging Cluster					
Department of Health and Human Services					
Direct Programs					
93.044	Commission on Aging and Disability	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers			$ 5,595,966.00
93.045	Commission on Aging and Disability	Special Programs for the Aging_Title III, Part C_Nutrition Services			10,860,555.97
Subtotal Department of Health and Human Services					$ 16,456,521.97
Total Aging Cluster					$ 16,456,521.97
Consolidated Health Centers Cluster					
Department of Health and Human Services					
Direct Programs					
93.151	East Tennessee State University	Health Center Grants for Homeless Populations			$ 12,076.32
93.224	East Tennessee State University	Community Health Centers		$ 190,751.85	
93.224	Health	Community Health Centers		1,361,807.56	1,552,559.41
Subtotal Department of Health and Human Services					$ 1,564,635.73
Total Consolidated Health Centers Cluster					$ 1,564,635.73
Child Care Cluster					
Department of Health and Human Services					
Direct Programs					
93.575	Human Services	Child Care and Development Block Grant			$ 99,090,661.39
93.596	Human Services	Child Care Mandatory and Matching Funds of the Child Care and Development Fund			77,970,972.93
Subtotal Direct Programs					$ 177,061,634.32
Passed Through United Way of America					
93.575	University of Tennessee	Child Care and Development Block Grant	R011210086		$ 33,642.88

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

CFDA #	State Grantee Agency	Program Name	Other Identifying #	Disbursement/Issues	
Passed Through Signal Centers, Incorporated					
93.596	University of Tennessee	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	R011210096		3,439.10
Subtotal Pass-Through Programs					$ 37,081.98
Subtotal Department of Health and Human Services					$ 177,098,716.30
Total Child Care Cluster					$ 177,098,716.30
Medicaid Cluster					
Department of Health and Human Services					
Direct Programs					
93.775	Tennessee Bureau of Investigation	State Medicaid Fraud Control Units			$ 1,798,541.09
93.777	Health	State Survey and Certification of Health Care Providers and Suppliers			5,950,679.21
93.778	Finance and Administration	Medical Assistance Program		$ 4,254,786,521.56	
93.778	University of Tennessee	Medical Assistance Program		18,978,988.00	4,273,765,509.56
Subtotal Department of Health and Human Services					$ 4,281,514,729.86
Total Medicaid Cluster					$ 4,281,514,729.86
Disability Insurance/SSI Cluster					
Social Security Administration					
Direct Programs					
96.001	Human Services	Social Security_Disability Insurance			$ 37,139,563.43
Subtotal Social Security Administration					$ 37,139,563.43
Total Disability Insurance/SSI Cluster					$ 37,139,563.43
Grand Total Federal Assistance					$ 9,119,905,639.09

N.A. = Not Available

The accompanying notes are an integral part of this schedule.

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State of Tennessee
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2003

NOTE 1. PURPOSE OF THE SCHEDULE

The Single Audit of the State of Tennessee for the year ended June 30, 2003, 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. UNEMPLOYMENT INSURANCE

State unemployment tax revenues and other payments and revenues are combined with federal funds and used to pay benefits under the Unemployment Insurance (CFDA 17.225) program. The state and federal portions of the total expenditures reported in the Schedule of Expenditures of Federal Awards were $581,115,221 and $48,533,604, respectively.

NOTE 4. LOAN AND LOAN GUARANTEE TRANSACTIONS

Federal Perkins Loan Program_Federal Capital Contributions (CFDA 84.038); Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (CFDA 93.342); and Nursing Student Loans (CFDA 93.364): The loans under these programs are provided under revolving funds maintained by certain state universities and state agencies. Expenditures of federal awards in the accompanying Schedule of Expenditures of Federal Awards include the value of new loans made during the year, the balance of loans from previous years with federal continuing compliance requirements, federal capital contributions received during the year, and administrative cost allowances.

Loan balances outstanding at year-end:

Program	CFDA #	Amount Outstanding
Federal Perkins Loan Program_Federal Capital Contributions	84.038	$48,820,012.61
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	$4,168,640.96
Nursing Student Loans	93.364	$167,993.77

Federal Family Education Loans (CFDA 84.032) and Federal Direct Student Loans (CFDA 84.268): The loans under these programs are made by outside lenders to students at institutions of higher education within the State reporting entity. The institutions are responsible for certain administrative requirements for new loans. As a result, the value of loans made during the year and administrative cost allowances are recognized as expenditures of federal awards in the accompanying Schedule of Expenditures of Federal Awards. The balance of loans for previous years is not included because the lender accounts for the prior balances.

The Federal Family Education Loans are insured by the Tennessee Student Assistance Corporation (TSAC), a component unit. At June 30, 2003 the insured loans outstanding totaled $3,325,912,198. Expenditures of the federal award to TSAC for administrative cost allowances and payments on defaulted loans are reported in the unclustered section of the accompanying Schedule of Expenditures of Federal Awards.

NOTE 5. RESTATEMENTS

Subsequent to the original issuance of the Schedule of Expenditures of Federal Awards, information affecting the schedule and related notes came to the attention of management.

Loan Balances

Loan balances with continuing compliance requirements are required to be reported in the Schedule of Expenditures of Federal Awards. However, the loan balances for Capitalization Grants for Clean Water State Revolving Funds (CFDA 66.458) and Capitalization Grants for Drinking Water (CFDA 66.468) do not have continuing compliance requirements. Accordingly, expenditures presented in the Schedule of Expenditures of Federal Awards and the related notes were restated.

Noncash Awards

The noncash portion of the Immunization Grants (CFDA 93.268) program was understated. Accordingly, expenditures reported in the Schedule of Expenditures of Federal Awards were restated

		As Originally Reported	Restatement	Restated Expenditures
66.458	Capitalization Grants for Clean Water State Revolving Fund	$ 342,189,902.22	$ (325,866,400.63)	$ 16,323,501.59
66.468	Capitalization Grants for Drinking Water State Revolving Funds	29,608,736.56	(20,536,023.25)	9,072,713.31
93.268	Immunization Grants (Noncash Award)	15,777,453.87	1,526,245.79	17,303,699.66
		$ 387,576,092.65	$ (344,876,178.09)	$ 42,699,914.56

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Finding Index

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State Departments, Agencies, and Universities Index

APSU	Austin Peay State University	DOT	Department of Transportation
DOA	Department of Agriculture	LWD	Labor and Workforce Development
DCS	Department of Children's Services	TDT	Department of the Treasury
DOE	Department of Education	TSU	Tennessee State University
DFA	Department of Finance and Administration	TSAC	Tennessee Student Assistance Corporation
TDH	Department of Health	UTH	University of Tennessee Hospital
DHS	Department of Human Services	UTS	University of Tennessee System