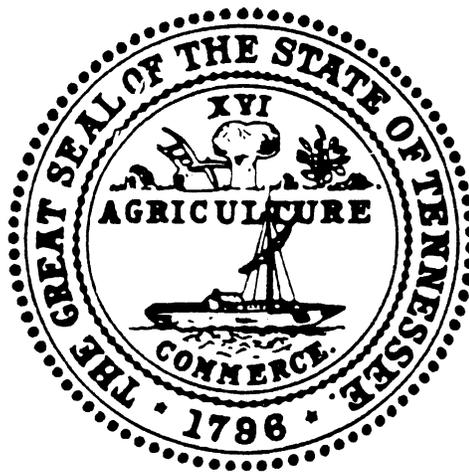


# AUDIT REPORT

Department of Health

July 2008



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY

Department of Audit  
Division of State Audit



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

***Ed Burr, CPA***  
Assistant Director

***Shirley A. Henry, CPA***  
Audit Manager

***Jennifer Whitsel, CPA, CFE***  
In-Charge Auditor

***Dennis J. Blackmon II, CFE***  
***Allan Leslie, CFE***  
***Erica Pettway, CFE***  
***Chelon Wilson, CFE***  
Staff Auditors

***Amy Brack***  
Editor

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 401-7897

Financial/compliance audits of state departments and agencies are available on-line at  
[www.comptroller.state.tn.us/sa/reports/index.html](http://www.comptroller.state.tn.us/sa/reports/index.html).  
For more information about the Comptroller of the Treasury, please visit our website at  
[www.comptroller.state.tn.us](http://www.comptroller.state.tn.us).



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY

State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

John G. Morgan  
Comptroller

July 10, 2008

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

The Honorable Susan R. Cooper, MSN, RN, Commissioner  
Department of Health  
Third Floor, Cordell Hull Building  
425 Fifth Avenue North  
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Department of Health for the period June 1, 2006, through February 29, 2008.

The review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements resulted in a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

A handwritten signature in black ink that reads "John G. Morgan".

John G. Morgan  
Comptroller of the Treasury

JGM/sah  
08/056



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0264  
PHONE (615) 401-7897  
FAX (615) 532-2765

March 31, 2008

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

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Health for the period June 1, 2006, through February 29, 2008.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of internal control significant to the audit objectives and that we design the audit to provide reasonable assurance of the Department of Health's compliance with laws, regulations, and provisions of contracts or grant agreements significant to the audit objectives. Management of the Department of Health is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

Our audit disclosed a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's management has responded to the audit finding; we have included the response following the finding. We will follow up the audit to examine the application of the procedures instituted because of the audit finding.

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

Sincerely,

Arthur A. Hayes, Jr., CPA  
Director

AAH/sah

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

**Department of Health**

July 2008

---

## AUDIT SCOPE

We have audited the Department of Health for the period June 1, 2006, through February 29, 2008. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of contracts, travel claims, payment cards, equipment, the Board of Pharmacy, cash receipts, and the Financial Integrity Act. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include approving accounting policies of the state as prepared by the state's Department of Finance and Administration; approving certain state contracts; and participating in the negotiation and procurement of services for the state.

## AUDIT FINDING

### **The Department of Health Did Not Have Approved Cost Allocation Plans for All Required Subrecipients, Increasing the Risk That Grantees Might Overcharge the Department**

Based on the testwork performed on the cognizant agency list that was in effect beginning July 1, 2004, for 3 of 51 grantees tested (6%), the Department of Health, the cognizant agency, did not have a cost allocation plan on file as required by Department of Finance and Administration Policy 3 (page 5).

# Financial and Compliance Audit Department of Health

---

## TABLE OF CONTENTS

---

	<u>Page</u>
<b>INTRODUCTION</b>	1
Post-Audit Authority	1
Background	1
<b>AUDIT SCOPE</b>	2
<b>PRIOR AUDIT FINDINGS</b>	2
<b>OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS</b>	4
Contracts	4
Finding - The Department of Health did not have approved cost allocation plans for all required subrecipients, increasing the risk that grantees might overcharge the department	5
Travel Claims	7
Payment Cards	7
Equipment	9
Board of Pharmacy	9
Cash Receipts	10
Financial Integrity Act	10
<b>OBSERVATIONS AND COMMENTS</b>	11
Management's Responsibility for Risk Assessment	11
Fraud Considerations	12
Title VI of the Civil Rights Act of 1964	12
<b>APPENDIX</b>	13
Allotment Codes	13

# Financial and Compliance Audit Department of Health

---

## INTRODUCTION

---

### POST-AUDIT AUTHORITY

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

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

### BACKGROUND

The mission of the Department of Health is to promote, protect, and restore the health of Tennesseans by facilitating access to high-quality preventive and primary care services. To fulfill this mission, the department comprises eight functional sections: Executive Administration; the Bureau of Administrative Services; the Office for Information Technology Services; the Office of Policy, Planning, and Assessment; the Bureau of Health Licensure and Regulation; the Bureau of Alcohol and Drug Abuse Services (transferred to the Department of Mental Health and Developmental Disabilities by Executive Order on February 23, 2007); the Bureau of Health Services; and the Division of Laboratory Services.

One of the department’s many responsibilities is to provide overall direction to, coordination of, and supervision for the state and local health departments to enable them to meet the health needs of the state’s citizens. The department ensures the quality of medical resources available in the state through regulation, certification, and licensure of health professionals and health care facilities. The central office works in coordination with 7 rural regional offices, 6 metropolitan health departments, and 89 county health departments to provide services which protect and promote health and prevent disease and injury. The department also works to improve access to quality health care services in underserved areas of the state and to underserved populations. To decrease the incidence and prevalence of alcohol and drug abuse and dependence, the department coordinated prevention, treatment, and rehabilitation services (prior to February 23, 2007). The department is also responsible for preserving and issuing copies of all vital records.

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

---

## AUDIT SCOPE

---

We have audited the Department of Health for the period June 1, 2006, through February 29, 2008. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of contracts, travel claims, payment cards, equipment, the Board of Pharmacy, cash receipts, and the Financial Integrity Act. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include approving accounting policies of the state as prepared by the state's Department of Finance and Administration; approving certain state contracts; and participating in the negotiation and procurement of services for the state.

---

## PRIOR AUDIT FINDINGS

---

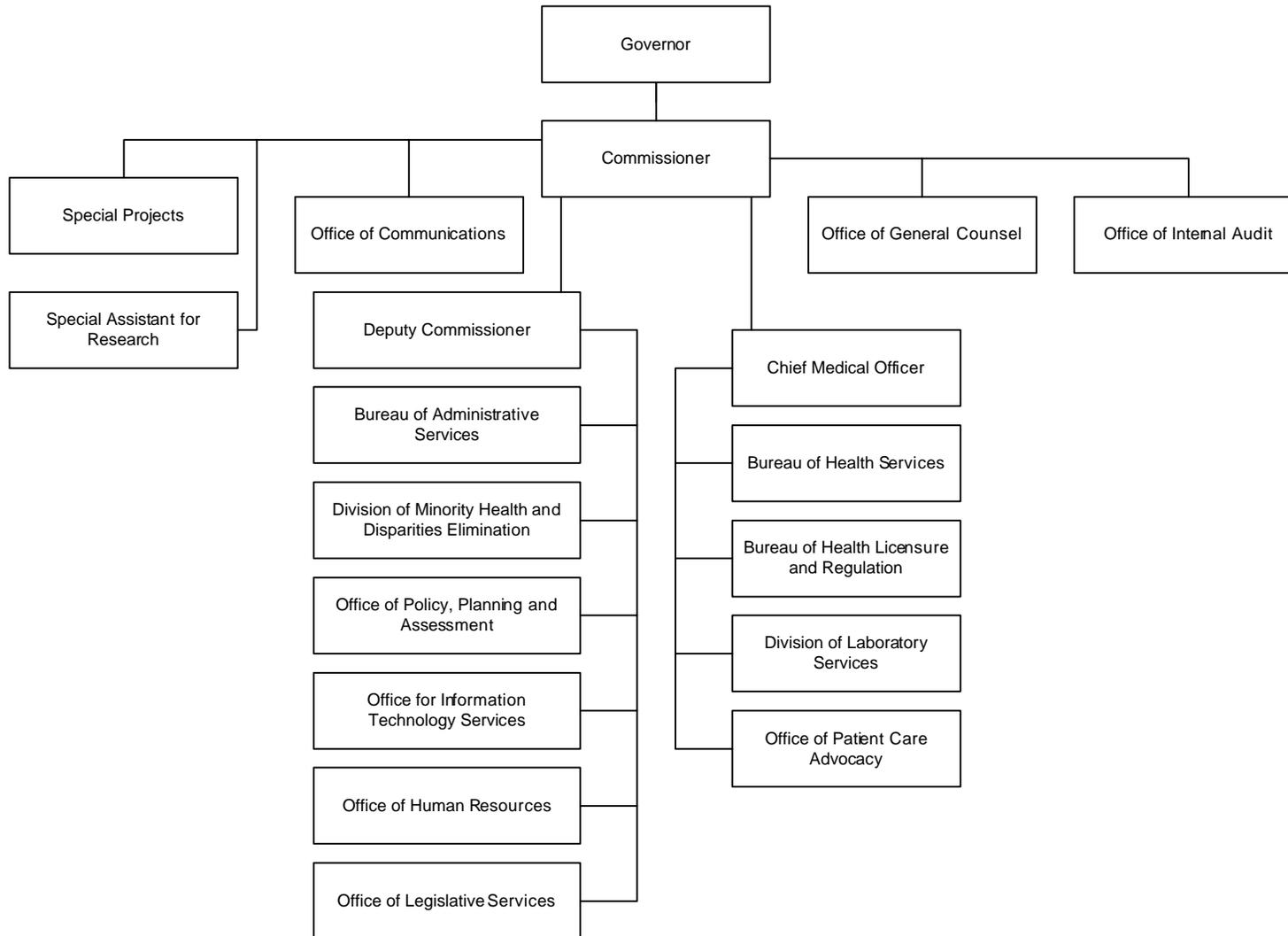
Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Health filed its report with the Department of Audit on July 27, 2007. A follow-up of all prior audit findings was conducted as part of the current audit.

The current audit disclosed that the Department of Health has corrected previous audit findings concerning

- inappropriate purchases involving state payment cards,
- disregard for state purchasing policies when making small-dollar purchases,
- failure to hold subrecipients accountable for unsupported expenditures,
- lack of adequate controls over physical inventories of equipment, and
- an additional benefit given to employees that was not authorized by state law.

# TENNESSEE DEPARTMENT OF HEALTH

## Organization Chart



---

## OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

---

### CONTRACTS

The objectives of our review of contracts were to determine whether

- the awarding of contracts was proper;
- any contract payments were made before the contracts were properly approved;
- approved cost allocation plans were on file for all required subrecipients in accordance with Department of Finance and Administration Policy 3; and
- conflicts of interest were properly disclosed for non-competitive and competitive fee-for-service contracts.

We interviewed key department personnel and reviewed Department of Finance and Administration Policy 3 to gain an understanding of controls and procedures over contracts. We tested a nonstatistical sample of contracts to determine if appropriate procedures were followed in awarding the contracts and if the contracts were properly approved before any contract payments were made. We tested all grantees for which the department was designated as the cognizant agency to determine whether approved cost allocation plans were on file in accordance with Department of Finance and Administration Policy 3. We also tested these contracts to determine if they were properly approved before any contract services were rendered. We reviewed the lists of non-competitive and competitive fee-for-service contracts and selected all contracts that were \$5,000 or greater and determined who the program managers were for those contracts. We then made inquiries of those individuals regarding potential conflicts of interest for the non-competitive contracts. For the competitive contracts, we determined whether the program manager who initiated the contract signed a conflict-of-interest form.

Based on our interviews, reviews, and testwork, we determined that

- the awarding of contracts was proper;
- no contract payments were made before the contracts were properly approved; and
- no conflicts of interest were noted from our inquiries related to the non-competitive fee-for-service contracts, and for the competitive contracts, the program manager had signed a Conflict of Interest Disclosure Statement.

However, as noted in the finding, approved cost allocation plans were not on file for all required subrecipients in accordance with Department of Finance and Administration Policy 3.

**The Department of Health did not have approved cost allocation plans for all required subrecipients, increasing the risk that grantees might overcharge the department**

**Finding**

The Department of Health did not have an approved cost allocation plan on file for all required subrecipients in accordance with Department of Finance and Administration (F&A) Policy 3, increasing the risk that grantees might overcharge the department. Department of Finance and Administration Policy 3, entitled “Uniform Reporting Requirements and Cost Allocation Plans for Subrecipients Federal and State Grant Monies,” paragraph 1, “. . . calls for the development of efficient and effective cost allocation plans and methods of cost determination, under the supervision of the cognizant state agency as determined by the Department of Finance and Administration.”

Based on the testwork performed on the cognizant agency list that was in effect beginning July 1, 2004, for 3 of 51 grantees tested (6%), the Department of Health, the cognizant agency, did not have a cost allocation plan on file. Policy 3 states in paragraph 10:

A cost allocation plan is a means of distributing to various programs costs which benefit more than one program and are not directly assigned. Cost allocation is basically a mathematical exercise to distribute costs to programs in a manner that the costs are proportional to the benefit received.

Furthermore, in paragraph 16, the policy states that “[t]he cognizant state agency shall be responsible for approval of the cost allocation plan of the grantee.” According to the Fiscal Director, the fact that they did not have the cost allocation plans on file was an oversight by staff who were responsible for obtaining the plans.

During fiscal year 2007, only two of the grantees charged indirect/administrative costs to their contracts. One grantee charged \$4,000 to its contract, which was 3% of total expenditures, and the other grantee charged \$34,500, which was 11% of total expenditures. No indirect/administrative costs were charged in fiscal year 2008 as of December 31, 2007.

Without an approved cost allocation plan, a subrecipient could use an unauthorized method to allocate indirect and multi-program expenditures and could overcharge the department for these costs. This risk was not identified in management’s risk assessment.

**Recommendation**

The Commissioner should ensure that all grantees for which the Department of Health has been designated as the cognizant agency have an approved cost allocation plan on file. The Commissioner should give those grantees that do not currently have a cost allocation plan a deadline for submitting an acceptable cost allocation plan. At that time, if an acceptable plan has not been submitted, the grantees should no longer be reimbursed for indirect costs. In addition, if

a grantee requests reimbursement for indirect costs, program staff over that contract should determine if the department is designated as the cognizant agency, and if so, program staff should verify that a cost allocation plan is on file with the department and ensure that the indirect costs are in accordance with the plan prior to reimbursing the grantee for the indirect costs.

The Commissioner should ensure that risks such as those noted in this finding are adequately identified and assessed in management's documented risk assessment. The Commissioner should identify specific staff to be responsible for the design and implementation of internal controls to mitigate the risks identified. The Commissioner should also identify specific staff to be responsible for ongoing monitoring for compliance with all requirements and taking prompt action should exceptions occur.

### **Management's Comment**

We concur. In accordance with Department of Finance and Administration Policy 3, the determination of the cognizant agency is made by the Department of Finance and Administration. The *Policy 03 Cognizant Agency List* is posted on the Department of Finance and Administration's website. The Fiscal Director in charge of the Department of Health's Division of Fiscal Services, Indirect Cost, Cost Allocation Section will review the posted list annually to ensure the Department has an approved cost allocation plan on file for all Department of Health listed subrecipients. If the Department does not have an approved cost allocation plan for a listed subrecipient, the Division of Fiscal Services will contact the subrecipient in writing and request that the subrecipient submit a cost allocation plan within 60 days from the date of the letter. If the subrecipient does not submit a cost allocation plan, the Department will disallow all future requests for reimbursement of indirect costs until such time as the subrecipient submits a cost allocation plan and the plan is reviewed and approved by the Department.

The Division of Fiscal Services will also maintain a listing of all Department of Health listed subrecipients and their approved indirect cost rates. This listing will be sent to program areas annually, and program staff responsible for monitoring grantee performance and approving grantee requests for reimbursements will be responsible for reviewing this list to ensure grantees for which the Department of Health is the cognizant agency are submitting requests for reimbursement of indirect costs in accordance with their agency's approved cost allocation plan.

In addition, the Department's Office of Internal Audit ensures that the required cost allocation plan is approved and in place as a standard audit step in each of its Policy 22 subrecipient monitoring efforts and will be responsible for ensuring that the risks noted in this finding are identified and assessed in management's risk assessment.

---

## TRAVEL CLAIMS

The objectives of our review of travel claims and travel advances were to determine whether

- travel advances were properly deducted from their respective travel claims, and
- travel claims were paid in accordance with the Comprehensive Travel Regulations.

We reviewed the Comprehensive Travel Regulations and interviewed key personnel to gain an understanding of the department's procedures and controls over travel advances and travel claims. We tested all travel advances paid during the audit period to determine that all monies advanced were properly accounted for on their respective travel claims. We tested a nonstatistical sample of travel claims paid from June 1, 2006, through January 9, 2008, to determine if they were in compliance with the Comprehensive Travel Regulations.

Based on our interviews, reviews, and testwork, we determined that all travel advances were properly deducted from their respective travel claims, and travel claims were paid in accordance with the Comprehensive Travel Regulations.

---

## PAYMENT CARDS

The objectives of our review of payment cards were to determine whether

- payment card users were properly approved;
- terminated employees' payment cards were revoked timely;
- suspended employees used their payment card during the time of their suspension;
- payment card purchases were adequately supported, approved, reconciled to the monthly bank statement, and in compliance with the *State of Tennessee State Payment Card Cardholder/Approval Manual*;
- payment card purchases were in compliance with the Department of General Services' purchasing policies and procedures;
- payment card purchases and vendors appeared reasonable and valid;
- disciplinary actions were taken, if necessary; and
- E-Way purchases were appropriate. (E-Way is an online shop for purchasing supplies through Corporate Express; it is a statewide contract made by the Department of General Services.)

We reviewed the *State of Tennessee State Payment Card Cardholder/Approval Manual* and the *Purchasing Manual*, interviewed key department personnel, and reviewed supporting documentation to gain an understanding of the controls and procedures over payment cards and E-Way transactions. We tested new payment card users during the audit period to determine if they had attended the required training and completed the required forms and if there was an approved cardholder agreement on file. We reviewed evidence to determine that payment cards assigned to employees who terminated their employment with the department were revoked timely. We also reviewed evidence to determine that employees who were suspended did not use their payment card during their suspension. We tested a nonstatistical sample of payment card transactions for the period June 1, 2006, through October 15, 2007, for adequate support, proper approvals, reconciliation to the monthly bank statement, and compliance with the *State of Tennessee State Payment Card Cardholder/Approval Manual*. We also tested the sample items to determine if the purchases were in compliance with the Department of General Services' purchasing policies and procedures. We scanned payment card transaction listings looking for questionable purchases and suspicious vendors, and we researched any items noted. We discussed the department's disciplinary procedures with the agency coordinator and inquired about any violations of policies and procedures. We also reviewed the exception logs. We tested a sample of E-Way purchases to determine if the purchase was approved and appeared reasonable, the purchaser was an authorized user of E-Way, and there was an E-Way priced packing slip to support the purchase.

Based on our interviews, reviews, and testwork, we determined that

- payment card users were properly approved;
- terminated employees' payment cards were revoked timely;
- none of the suspended employees were payment cardholders;
- in all material respects, payment card purchases were adequately supported, approved, reconciled to the monthly bank statement, and in compliance with the *State of Tennessee State Payment Card Cardholder/Approval Manual*;
- in all material respects, payment card purchases were in compliance with the Department of General Services' purchasing policies and procedures;
- with minor exceptions, payment card purchases appeared reasonable and necessary to conduct state business and purchases were made from legitimate vendors;
- disciplinary actions were taken, if necessary; and
- E-Way purchases were appropriate.

---

## **EQUIPMENT**

The primary objective of our review of equipment was to determine if the equipment inventory was properly performed and reported to the central office.

We interviewed key department personnel and reviewed supporting documentation to gain an understanding of the department's procedures and controls over the safeguarding of equipment at certain offices. We reviewed inventory procedures performed at those offices to determine if the procedures were in compliance with applicable policies and procedures, including how the results of the inventory are reported to the central office.

Based on our interviews and reviews, we determined that the equipment inventory was performed and reported to the central office in accordance with the department's policies and procedures.

---

## **BOARD OF PHARMACY**

The Board of Pharmacy was transferred to the Department of Health on July 1, 2007. The objectives of our review of the Board of Pharmacy were to determine

- if those receiving licenses from the board met all requirements to be licensed;
- if equipment items located at the Board of Pharmacy were recorded in the Property of the State of Tennessee (POST) system; and
- that all applicable expenses were properly charged to the board.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of controls over the issuance of licenses by the Board of Pharmacy. We reviewed licensure requirements and tested a nonstatistical sample of licenses issued by the board to determine that all licensees met the requirements for licensure. We tested all equipment items located at the Board of Pharmacy to determine if they were properly recorded in POST. We reviewed a listing of all expenses charged to the board to determine if all applicable expenses had been charged.

Based on our interviews, reviews, and testwork, we determined that

- all license requirements were met;
- equipment items located at the Board of Pharmacy were recorded in the POST system; and
- all applicable expenses were properly charged to the board.

---

## CASH RECEIPTS

The objectives of our review of cash receipts were to determine that

- collected funds were properly recorded, deposited timely in accordance with Department of Finance and Administration Policy 25, and deposited intact; and
- charges for services agreed with fee schedules.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of policies and procedures and controls over cash receipts. We tested a nonstatistical sample of cash receipts at certain offices to ensure the collected funds were properly recorded and deposited timely and intact in the correct bank. We also reviewed charges for services for agreement with fee schedules.

Based on our interviews and testwork, we determined that cash collected was properly recorded and deposited timely and intact into the correct bank. We also determined that the correct fees were charged.

---

## FINANCIAL INTEGRITY ACT

Section 9-18-104, *Tennessee Code Annotated*, requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30 each year. In addition, the head of each executive agency is required to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 2007.

Our objectives were to determine whether

- the department's June 30, 2007, and June 30, 2006, responsibility letters and December 31, 2007, internal accounting and administrative control report were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*;
- documentation supporting the department's evaluation of its internal accounting and administrative control was properly maintained;
- procedures used in compiling information for the internal accounting and administrative control report were in accordance with the guidelines prescribed under Section 9-18-103, *Tennessee Code Annotated*; and
- corrective actions were implemented for any weaknesses identified in the report.

We interviewed key employees responsible for compiling information for the internal accounting and administrative control report to gain an understanding of the department's procedures. We also reviewed the June 30, 2007, and June 30, 2006, responsibility letters and the December 31, 2007, internal accounting and administrative control report to determine

whether they had been properly submitted to the Comptroller of the Treasury and the Department of Finance and Administration. We also reviewed the supporting documentation for the department's evaluation of its internal accounting and administrative control, and we reviewed the report to determine if any weaknesses were identified.

Based on our interviews and reviews, we determined that the Financial Integrity Act responsibility letters and internal accounting and administrative control report were submitted on time, support for the internal accounting and administrative control report was properly maintained, and procedures used were substantially in compliance with prescribed guidelines. We also determined that no weaknesses were noted in the report that required corrective actions.

---

## **OBSERVATIONS AND COMMENTS**

---

### **MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT**

Auditors and management are required to assess the risk of fraud in the operations of the entity. The risk assessment is based on a critical review of operations considering what frauds could be perpetrated in the absence of adequate controls. The auditors' risk assessment is limited to the period during which the audit is conducted and is limited to the transactions that the auditors are able to test during that period. The risk assessment by management is the primary method by which the entity is protected from fraud, waste, and abuse. Since new programs may be established at any time by management or older programs may be discontinued, that assessment is ongoing as part of the daily operations of the entity.

Risks of fraud, waste, and abuse are mitigated by effective internal controls. It is management's responsibility to design, implement, and monitor effective controls in the entity. Although internal and external auditors may include testing of controls as part of their audit procedures, these procedures are not a substitute for the ongoing monitoring required of management. After all, the auditor testing is limited and is usually targeted to test the effectiveness of particular controls. Even if controls appear to be operating effectively during the time of the auditor testing, they may be rendered ineffective the next day by management override or by other circumventions that, if left up to the auditor to detect, will not be noted until the next audit engagement and then only if the auditor tests the same transactions and controls. Furthermore, since staff may be seeking to avoid auditor criticisms, they may comply with the controls during the period that the auditors are on site and revert to ignoring or disregarding the control after the auditors have left the field.

The risk assessments and the actions of management in designing, implementing, and monitoring the controls should be adequately documented to provide an audit trail both for auditors and for management, in the event that there is a change in management or staff, and to maintain a record of areas that are particularly problematic. The assessment and the controls should be reviewed and approved by the head of the entity.

---

## **FRAUD CONSIDERATIONS**

Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, promulgated by the American Institute of Certified Public Accountants requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

---

## **TITLE VI OF THE CIVIL RIGHTS ACT OF 1964**

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30 each year. The Department of Health filed its compliance reports and implementation plans on June 27, 2006, and June 28, 2007.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds. The Tennessee Title VI Compliance Commission is responsible for monitoring and enforcement of Title VI.

---

## APPENDIX

---

### ALLOTMENT CODES

Department of Health allotment codes:

- 343.01 Executive Administration
- 343.03 Administrative Services
- 343.04 Office of Information Technology
- 343.05 Bureau of Health Licensure and Regulation
- 343.06 Trauma Systems Fund
- 343.07 Emergency Medical Services
- 343.08 Laboratory Services
- 343.10 Health Related Boards
- 343.20 Policy, Planning, and Assessment
- 343.39 General Environmental Health
- 343.44 Alcohol and Drug Abuse Services
- 343.45 Health Services Administration
- 343.47 Maternal and Child Health
- 343.49 Communicable and Environmental Diseases
- 343.51 Diabetes Prevention and Health Improvement
- 343.52 Community and Medical Services
- 343.53 WIC Supplemental Foods
- 343.60 Local Health Services