

Tennessee

Single Audit Report

June 30, 1997

July 17, 1998

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

Ladies and Gentlemen:

Transmitted herewith is the Single Audit Report of the State of Tennessee for the year ended June 30, 1997. This report contains the Schedule of Expenditures of Federal Awards and the Results of the Audit. Consideration of internal control and tests of compliance for major federal programs were conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and disclosed certain deficiencies, which are included in the Results of the Audit section of this report.

Management has responded to the audit findings, and the responses are included following each finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit findings.

The *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 1997, and our report thereon have been issued under separate cover.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/jr

State of Tennessee
Single Audit Report
For the Year Ended June 30, 1997

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State of Tennessee Single Audit Report For the Year Ended June 30, 1997

INTRODUCTION

BACKGROUND

For the year ended June 30, 1997 the Single Audit Report for the State of Tennessee, required by the Single Audit Act and Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented in two volumes. The *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 1997, and the auditor's report thereon dated December 17, 1997, have been issued under separate cover. The Single Audit Report, the second volume, contains the auditor's reports on compliance and internal control over financial reporting and on compliance and internal control over compliance with requirements applicable to major federal programs and on the Schedule of Expenditures of Federal Awards. The Single Audit Report also contains the Schedule of Findings and Questioned Costs (including summary of auditor's results, financial statement findings, and federal award findings and questioned costs) and the Schedule of Expenditures of Federal Awards. Except for findings related to the *CAFR*, findings applicable to more than one major program or cluster are presented for each respective program.

POST-AUDIT AUTHORITY

This is a report on the single audit of the State of Tennessee. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to "perform currently a post-audit of all accounts and other financial records of the state government and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller." Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds, when the Comptroller considers an audit to be necessary or appropriate.

The Single Audit Act and Office of Management and Budget Circular A-133 establishes audit requirements for state and local governments. It provides for independent audits of financial operations, including compliance with certain provisions of federal laws and regulations. The requirements were established to ensure that audits are organization-wide rather than grant-by-grant.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to test compliance with laws, regulations, contracts, and grants which could have a direct and material effect on the general-purpose financial statements;
2. to consider the state's internal control to determine auditing procedures for the purpose of expressing an opinion on the general-purpose financial statements;

3. to determine the fairness of the presentation of the state's general-purpose financial statements;
4. to determine compliance with requirements applicable to major federal programs;
5. to test controls to evaluate the effectiveness of the design and operation of internal control policies and procedures applicable to major federal programs;
6. to determine the fairness of the presentation of the Schedule of Expenditures of Federal Awards, in all material respects, in relation to the state's general-purpose financial statements taken as a whole; and
7. to recommend appropriate actions to correct any deficiencies.

SCOPE OF THE AUDIT

The audit is limited to the period July 1, 1996, through June 30, 1997, and was conducted in accordance with generally accepted government auditing standards.

The Schedule of Expenditures of Federal Awards and Results of the Audit sections are presented in accordance with the provisions of Office of Management and Budget Circular (OMB) A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Compliance and Internal Control Over Financial Reporting

As a part of obtaining reasonable assurance about whether the state's general-purpose financial statements are free from material misstatement, we performed tests of 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. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In addition, in planning and performing our audit, we considered the internal control over financial reporting in order to determine our auditing procedures for expressing an opinion on the general-purpose financial statements. Reportable conditions, along with recommendations and management's responses, are detailed in Section II - Financial Statement Findings.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the state's general-purpose financial statements. In our opinion, these general-purpose financial statements present fairly, in all material respects, the financial position and the results of operations and cash flows of

proprietary and nonexpendable trust funds as of and for the year ended June 30, 1997. The independent auditor's report dated December 17, 1997, is included in the *Comprehensive Annual Financial Report*, which has been issued under a separate cover.

Compliance and Internal Controls Over Major Federal Programs and Fairness of Presentation of Schedule of Expenditures of Federal Awards

In our opinion, except for items 97-DHS-01 and 97-DHS-02 in Section III - Federal Award Findings and Questioned Costs, regarding Special Tests and Provisions of the Child Support Enforcement program, the state complied in all material respects with requirements applicable to each of its major federal programs for the year ended June 30, 1997.

Reportable conditions and noncompliance that are required to be reported in accordance with OMB Circular A-133, along with recommendations and management's responses, are also detailed in Section III - Federal Award Findings and Questioned Costs. Items 97-DCS-03 through DCS-05, 97-DCS-07 and DCS-08, 97-DHS-01 and DHS-02, 97-TDH-08 and TDH-18, and 97-TSU-01 are considered material weaknesses in internal controls used in administering a major federal program.

In our opinion, the Schedule of Expenditures of Federal Awards is fairly presented in all material respects in relation to the state's general-purpose financial statements taken as a whole.

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

December 17, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the general-purpose financial statements of the State of Tennessee as of and for the year ended June 30, 1997, and have issued our report thereon dated December 17, 1997. We conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management in separate letters.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing

our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Tennessee's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 97-CAFR-01 through CAFR-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing 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, we believe that none of the reportable conditions described above is a material weakness. 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 for the information of the General Assembly of the State Tennessee, management, and the appropriate federal awarding agencies. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

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

AAH/jr

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

July 15, 1998

except for the Schedule of Expenditures of Federal Awards,
as to which the date is December 17, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

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, 1997. The State of Tennessee's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Tennessee's management. Our responsibility is to express an opinion on the State of Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 of the State of Tennessee's compliance with those requirements.

As described in items 97-DHS-01 and 97-DHS-02 in the accompanying Schedule of Findings and Questioned Costs, the State of Tennessee did not comply with requirements regarding Special Tests and Provisions that are applicable to its Child Support Enforcement program. Compliance with such requirements is necessary, in our opinion, for the State of Tennessee to comply with requirements applicable to the 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, 1997. 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 97-DCS-02, 97-DCS-04, 97-DCS-09, 97-DCS-10, 97-DOT-01, 97-TDH-05 through TDH-07, 97-TDH-09, 97-TSU-03, and 97-UTM-01.

Internal Control Over Compliance

The management of the State of Tennessee is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 judgment, could adversely affect the State of Tennessee's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 97-APS-01, 97-CAFR-01 and CAFR-02, 97-DCS-01, 97-DCS-03 through DCS-10, 97-DHS-01 and DHS-02, 97-DOE-01, 97-DOT-01 and DOT-02, 97-HDA-01, 97-MTS-01, 97-TDH-01 through TDH-04, 97-TDH-08 through TDH-18, 97-TSU-01 and TSU-02, 97-TTU-01, 97-UOM-01 and UOM-02, 97-UTK-01, and 97-UTM-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 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

The Honorable W. R. Snodgrass
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described above, we consider items 97-DCS-03 through DCS-05, 97-DCS-07 and DCS-08, 97-DHS-01 and DHS-02, 97-TDH-08 and TDH-18, and 97-TSU-01 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the State of Tennessee as of and for the year ended June 30, 1997, and have issued our report thereon dated December 17, 1997. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended for the information of the General Assembly of the State Tennessee, management, and the appropriate federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

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

AAH/jr

**State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Reportable conditions identified that are not considered to be material weaknesses? x yes none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? x yes no
- Reportable conditions identified that are not considered to be material weaknesses? x yes none reported

Type of auditor’s report issued on compliance for major programs:

Unqualified for all major programs, except for Child Support Enforcement, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? x yes no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.551	Food Stamps
-	Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
10.561	State Administrative Matching Grants for Food Stamp Program
-	Section 8 Cluster
14.228	Community Development Block Grants/State’s Program

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997
(continued)

Section I—Summary of Auditor’s Results

CFDA Number	Name of Federal Program or Cluster
17.225	Unemployment Insurance
17.250	Job Training Partnership Act
20.205	Highway Planning and Construction
66.458	Capitalization Grants for State Revolving Funds
-	Student Financial Aid Cluster
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education - Grants to States
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.558	Temporary Assistance for Needy Families
93.560	Family Support Payments to States - Assistance Payments
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
-	Medicaid Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security - Disability Insurance
-	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$14,975,120.87

Auditee qualified as low-risk auditee? yes x no

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997
(continued)

Section II—Financial Statement Findings

Finding Number	97-CAFR-01
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of General Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Administration of the Property of the State of Tennessee system needs improvement

Finding

Administration of the Property of the State of Tennessee (POST) system does not provide assurance that assets are accurately recorded. Problems were found with retirement batches; security administration; documentation and authorization for retired, surplus, and transferred assets; and asset values and object codes.

Retirement Batches

Sometimes retirement (deletion) batches do not post correctly and halt processing. To restart processing, the Department of General Services makes changes directly to the POST database through Utility Services On-line (USO). This utility overwrites data and leaves no audit trail such as the date of the change, its purpose, and the name of the employee making the change.

Security Administration

To control access to POST, General Services has established user groups, limiting each group's access to specific screens and data. Several POST users at the Department of General Services, however, are not assigned to user groups and have inappropriate access:

- A programmer and an analyst have access to production transactions, USO, and security—access not related to their job duties. With this unlimited access, they can enter or change production transactions that have been approved and entered by others; add, change, and delete files, tables, and data directly in the database; or add or delete users or change users' access.
- Four property representatives at General Services have unlimited access to POST, although they need access only to property records.

- The Property Manager and the Security Administrator have access to USO. The Property Manager would not need this type of access if the system functioned correctly, and the Security Administrator's job duties do not require this type of access.

General Services did not obtain complete and accurate authorization requests for access to POST).

- Six of 15 users (40%) had no written access authorization on file.
- Seven of 15 requests (47%) did not specify the type of access needed.
- Eleven of 15 requests (73%) did not specify to which allotment codes the user needed access.
- Two of eight users (25%) were not given the type of access requested on the form.
- One of 15 users (7%) was no longer employed by the agency that made the request.

Failure to obtain complete and accurate access authorization forms before granting system access and failure to assign the access requested and approved allow some individuals unauthorized access to the system and leave others without the access needed to perform their jobs.

Documentation and Authorization

Written documentation and authorization for retirements, transfers, and surplus items were not always maintained in accordance with state policies and procedures.

- There were no written requests to retire five of 23 assets (22%) from POST.
- Two of eight retirement requests (25%) were not approved by General Services management.
- A signed inspection request form was not on file for two of seven surplus items (29%).
- There was no written transfer request for five of 28 transferred assets (18%).
- Eight of 28 transferred asset requests (29%) had no documentation of approval to transfer the asset.
- Three of 15 transferred assets (20%) did not have adequate supporting documentation.

State policies and procedures require written authorization to retire, transfer, or surplus fixed assets. Without this written authorization, there is no evidence items have been properly retired, transferred, or surplus.

Asset Values and Object Codes

Records on POST were incomplete, invalid, and inaccurate:

- Four hundred six records had blank object codes because the object codes had been incorrectly deleted when the transfers of equipment were keyed. These items totaled \$784,678.25. There are no edits in POST to prevent blank object codes.
- Sixty-four donated items had a cost less than \$1.00 because they were not recorded at fair market value at date of donation. General Services personnel do not investigate items

with low costs to determine whether the items need to be recorded on the POST system, and if so, whether they are recorded at the appropriate amount.

- POST did not have complete funding or location information for two of 19 equipment expenditures (11%).
- The description on POST did not match the description on the invoice for two of 17 equipment expenditures (12%).

Inaccurate object codes, costs, and descriptions affect the accuracy of the state's fixed asset records.

Recommendation

The POST system should be modified so that retirement transactions record correctly, thereby eliminating the need to use USO to correct data. Any use of USO should be well documented to include date of change, purpose of the change, name of employee making the change, and approval.

POST security should be strengthened. Every user should be assigned to a user group. Employees should have no more access in POST than is necessary to perform their job duties. Programmers and analysts should not have access to production transactions or security. Property representatives should not have access to security tables and files and to USO. The Property Manager's and Security Administrator's USO use should be documented, limited as much as possible, and eventually eliminated as the system problems are corrected.

Written security requests should be obtained for all POST users. These requests should specify the allotment codes and type of access needed. Users should be given only the type of access specified in the written request authorized by user management. Employee access to POST should be canceled upon termination.

Proper documentation should be obtained and maintained for all POST retirements, transfers, and surpluses. Requests to retire assets should be approved by General Services management in accordance with state policies. Before assets are surplus, the signed inspection request should be obtained. Assets should not be transferred without a written request for transfer, approval to release the asset, and authorization to accept the asset.

Edits should be established in POST to prevent blank object codes. Donated assets should be recorded at fair market value at the date of donation. General Services personnel should investigate items with low costs to determine whether the items need to be recorded on POST and if so, whether they are recorded at the appropriate amount. All funding and location information should be completed on POST, and the asset's description on POST should match the description on the invoice.

Management's Comment

Retirement Batches

We concur. The POST system currently will not allow two transfer transactions in the same period. If a surplus retirement is attempted during the same period (month) as a transfer was processed, the system "abends." The previous method of correction was through the USO transaction by the Asset Management group. These situations are now turned over to ISM to be handled through Multitrac and OIR utilities to correct the data problem. The long-range solution for this problem will

be when the state migrates to version 16.6.4 of POST. The state is currently operating in version 16.5.0.

Security Administration

We concur. The security for the POST system has been modified to allow analysts and programmers inquiry capability only. General Services employees that work directly in POST now have only those capabilities required for them to complete their day-to-day responsibilities. The section manager will maintain USO until version 16.6.4 is installed by OIR. This provision is only as an aide to the ISM efforts.

The POST Security Administrator is currently auditing the files that relate to the profiles that are needed for users in other departments and agencies. The goal of this audit and subsequent modifications is to ensure that all users are set up correctly in POST. We should be completed with this project by June 30, 1998.

Documentation and Authorization

We concur. Proper documentation will be maintained.

Asset Values and Object Codes

We concur. The blank object code problem was discovered prior to the audit being conducted and was in the process of being corrected. It appears that when a transfer transaction was processed, the object code field was being dropped. The problems with object codes, and those concerning funds and costs, have been corrected in the POST system.

Finding Number	97-CAFR-02
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of General Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Documentation to support access to Tennessee On-line Purchasing System was not on file

Finding

Proper authorization for departmental users' access to the Tennessee On-line Purchasing System (TOPS) was not on file at the Department of General Services. Although each state department determines the access its staff need to perform their jobs and files authorization forms for this access, General Services' staff are responsible for ensuring that the forms are completed and access is established in TOPS. In many instances however, access authorization forms were either not obtained, not complete, or inconsistent with actual access.

- For two of 15 users' access tested (13%), no written request for access was on file at General Services.
- Four of 13 access authorization forms tested (31%) did not specify the type of access (view or update) to give the user.
- Four of 13 access authorization forms tested (31%) did not specify which department the user was approved to access.
- Nine of 13 users (69%) did not have the type of access to TOPS the department had requested on the access authorization form.

There was also no documentation for TOPS security groups. Each user is assigned to a security group which limits access to certain screens. However, the Department of General Services has not documented to which screens each group has access. Without documentation of the screens in each group, it may be difficult for departments to determine in which groups their users need to be included. As a result, users may request more access than they really need. Access controls are needed to prevent the unauthorized alteration or deletion of data.

Recommendation

The Purchasing Division of the Department of General Services should obtain and maintain complete access authorization requests for all TOPS users. The requests should specify the type of access and allotment codes approved by user management. The user should be given only the type of access requested. Users should not be given access to TOPS until their departments submit access authorization forms. Also, TOPS security should be well documented to include the screens each security group may access.

Management's Comment

We concur. The Purchasing Division is in the process of documenting TOPS security set-up, user groups and the various screens involved and what functions these users are allowed to perform.

A completed and signed TOPS security form is required to set up TOPS security for an individual. Forms that are not signed are returned to the sender for signature. It has been our policy to accept security forms only when completely filled out. If a portion is missing, it is our policy to phone the individual who authorized the form and get the needed information from them verbally. The TOPS Security Officer will write this information on the form in the proper field. All security forms are being filed by department in alphabetical order.

In addition, our Systems Security Administrator is obtaining electronic copies of the policies concerning assignment and maintenance of users. This information will be stored on the network in a shared area and will include a copy of the group names as well as a description of each group. In addition, a listing of the screens that are associated with each group will be provided.

Finding Number	97-CAFR-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	Reportable Condition
Questioned Costs	None

Controls over security for the Tennessee Insurance System should be improved

Finding

Controls over security for the Tennessee Insurance Computer System (TIS) are lacking. Two employees have unnecessary access to security maintenance screens. Also, security authorization forms identifying approved access to the system were not maintained.

Two employees, the Information Systems Manager and the Information Resource Support Specialist, have access to add, update, and delete users' security access, which is not needed to perform their job duties. Giving unnecessary access to security maintenance screens is a weakness in internal control. This weakness could result in unauthorized changes to other individuals' access allowing those individuals to enter unauthorized transactions into the system, alter data, and/or improperly modify system programs.

In addition, proper authorization for TIS access was not on file at the Division of Insurance Administration (DIA). DIA was unable to locate 14 of 22 security forms (64%), and the forms for five of eight applicable users (63%) did not have the type of access requested and approved on the forms. Although user management determines and approves the type access necessary for employees to perform their job duties, actual access to TIS must be authorized in the system by the Division of Insurance Administration. Without appropriate access controls, users could inappropriately alter or delete data.

Recommendation

The Division of Insurance Administration Management should review access to security maintenance screens to determine anyone with unnecessary or inappropriate access. The DIA should require complete security requests for all TIS users before authorizing users access to TIS. The security requests should specify the type access needed, the budget and work center codes, and approval by user management. The DIA should only give the type access requested and approved by user management.

Management's Comment

We concur. Management has implemented the following corrective actions: (1) The Division of Insurance Administration has taken steps to ensure that the Information System Manager and the Information Resource Support Specialist do not have access to security maintenance screens on TIS. (2) Management has implemented corrective action by updating user authorizations. File copies of these user authorizations are maintained in a separate area. All user authorization files are now correct and complete.

Finding Number	97-CAFR-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
Questioned Costs	None

**The Tennessee Insurance System has significant problems which have caused
TIS and STARS not to reconcile**

Finding

The Tennessee Insurance System (TIS) has not been designed, implemented, and maintained in a manner which allows it to function efficiently and effectively. As a result, the system is not producing the desired results and changes are being made directly to the TIS database through the Application Development Facility (ADF). Because these changes are not being made to the insurance accounting on the State of Tennessee Accounting and Reporting System (STARS), TIS and STARS do not reconcile.

Because of the many TIS problems, numerous program change requests have been made. These requests are maintained on a System Information Request Log (SIRLOG). This log shows the problem, date of request, and priority of the item. As these problems are researched and corrected through program changes or other measures, they are cleared from the log. However, the current year log included several uncleared items carried over from the prior year:

- Retroactively reinstating coverage
- Processing bad checks
- Changing participants from ineligible to eligible
- Correcting effective date problems with participants with split coverages
- Defining edits for information the State Employee Information System (SEIS) is not allowed to change in TIS
- Needing a “Completed Retro Inquiry” screen showing type of retroactive change, months affected, date keyed, and date updated
- Re-designing TIS notifications
- Researching the year 2000 problem

The division is using Application Development Facility (ADF) to make manual adjustments to participants’ accounts on TIS. ADF is a software program used to change a participant’s account directly in the TIS database rather than through transactions, an approach the Division of Insurance Administration (DIA) called “going through the back door” of the system. In order for an ADF change to be made, the system’s security must be overridden. DIA sends a request for the ADF change to the department’s Information Systems Management (ISM) group, which in turn submits a request to the Office for Information Resources (OIR). OIR assigns one of its employees to make the ADF

changes on the TIS database. Overriding system security to make manual adjustments is a significant deficiency in the design and operation of the system.

The DIA uses ADF as a “quick fix” to correct participant balances or errors attributable to unresolved system problems. Although division staff maintain paper documentation of the ADF changes, the system has no history or record of the changes because they simply overwrite previous information in the database. If the system had been designed and functioning properly, use of ADF would not be necessary. Making changes directly to a database instead of correcting errors through properly authorized and documented transactions circumvents system controls.

In addition, when the TIS database is corrected using ADF, STARS is not updated concurrently. As a result, the two systems do not agree, nor can they be completely reconciled. Management concurred with the prior finding, stating that a work group had been established to identify and remedy problems related to reconciling TIS and STARS. The work group met several times and recommended that a new position be established in the Division of Insurance Administration to work on balancing TIS and STARS. The new employee was hired in September 1997. However, while the work group was meeting, the reconciliations were not performed by anyone. Unreconciled amounts between the daily net change in the TIS database and the cumulative accounting transactions passed from TIS to STARS daily during fiscal year 1997 ranged from \$9.27 to \$93,808.59.

“Certification” of insurance is an example of an accounting transaction that caused reconciliation problems. “Certification” occurs at month-end when employees’ insurance premiums collected during the month are moved from the deferred revenue account into the revenue account. Funds that cannot be identified are considered “uncertified” amounts. We attempted to reconcile total collections per TIS, taking into consideration the “uncertified” amounts, with revenue recorded in STARS. The result was a \$37,749.64 unexplained difference.

Departmental memorandums state that the TIS database is correct but the accounting information on STARS is incorrect. Although, STARS has been corrected to the extent possible, there can be no assurance all needed corrections have been made since not all ADF changes made to TIS were made on STARS and TIS does not maintain history records of all past transactions. We performed analytical reviews and other measures at year-end to ensure the insurance funds’ financial statements presented in the state’s Comprehensive Annual Financial Report were fairly stated. These additional procedures would not have been necessary had all TIS activity been properly reflected on STARS.

Recommendation

TIS system problems should be corrected as soon as possible. Old items on the Systems Information Request Log (SIRLOG) should be corrected and cleared from the log. As the system problems are corrected, the use of ADF changes should be minimized and, if possible, eventually eliminated. Until that time, STARS should be concurrently updated as ADF changes are made to TIS. In addition, the work group should continue to meet until all the problems causing the unreconciled amounts are resolved and TIS and STARS can be reconciled. As problems arise in the future, causes of the problems should be quickly identified and TIS should be corrected quickly through program changes or other appropriate means.

Management's Comment

We concur. The Department of Finance and Administration has restructured to focus resources on implementing corrective action. Specifically, the Division of Insurance:

- Has transferred the duties of balancing TIS to STARS from the Division of Accounts to the Division of Insurance.
- Has established three work groups to address reengineering the information systems and focus on balancing TIS to STARS.
- Has developed a priority list for TIS enhancements (*TIS Re-Engineering Projects List*). This list is now reviewed and updated weekly instead of monthly. Items on the high priority list are included in the *Department of Finance and Administration's Annual System Plan*.
- Is evaluating several options to improve the process for correcting the TIS database. One consideration noted in the *TIS Feasibility Study* is a change in the base design and language of TIS. Also, Division of Insurance Administration is evaluating custom programs, which would allow TIS to be corrected via appropriate updates which leave clear audit trails.
- Is monitoring and tracking changes made through the Application Development Facility (ADF) for the purpose of reducing the number of zero. In March 1998, Division of Insurance Administration moved into production a COBRA 18th month eligibility programming change that will eliminate five to ten ADF changes per month.

Due to the complexities of the systems involved, management does not expect that the actions described above will resolve all reconciliation problems within the next twelve months. However, management is committed to providing both immediate and long-term resources required to implement corrective action.

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997
(continued)

Section III—Federal Award Findings and Questioned Costs

Finding Number	97-TSU-03
CFDA Number	10.205
Program Name	Payments to 1890 Land-Grant Colleges and Tuskegee University
Federal Agency	Department of Agriculture
State Agency	Tennessee State University
Grant/Contract No.	None
Finding Type	Allowable Costs/Cost Principles
Questioned Costs	\$474.00

Unallowable costs were charged to a grant

Finding

Forty research and development transactions were selected for testwork. One of the 40 was charged to the wrong account. Therefore, it was not in conformance with the allowability of the program agreement and was not in conformance with the allocability provisions of OMB Circular A-21.

Recommendation

The Vice President for Business and Finance should direct those responsible for processing transactions to exercise more care in recording transactions.

Management's Comment

We concur. The Third-Party Clerk prepared JV 9088 using an incorrect account number. The correction was made by the Grants Office on September 19, 1997. All account numbers will be reviewed to ensure accuracy.

Finding Number	97-TDH-01
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants and Children
Federal Agency	Department Agriculture
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

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

Finding

The prior two audits noted that correct grant information (grant number and percentage of federal funds) was not entered into POST (Property of the State of Tennessee), the state’s property and equipment-tracking system, for some equipment items purchased with federal funds. Although grant information is entered into POST, the correct information was not entered for 16 of 23 federally funded equipment purchases tested. Management concurred with the prior finding and stated that all bureaus and divisions of the department would be required to document the source of funding, percentage of each funding source, and federal grant number, if applicable, on all purchase requests for equipment. Although the department has made improvements, problems continue.

The department must be able to distinguish between state and federal property. The U.S. Department of Health and Human Services’ “Public Health Service (PHS) Grants Policy Statement (Rev. April 1, 1994)” states that in certain cases grantees should report income earned from the sale of equipment purchased with grant funds on the Federal Financial Status Report: “PHS has the right to require transfer of the equipment including title, to the Federal Government or to an eligible third party” (pages 8-14). If the equipment is damaged beyond repair, lost, or stolen, the recipient may be accountable to PHS for “an amount equal to the Federal share of the original equipment times the fair market value.” If equipment purchased with federal grant funds is not correctly identified in the property records, the department’s ability to transfer equipment, dispose of equipment, or reimburse the federal government in accordance with federal laws and regulations is greatly diminished.

Recommendation

Employees who initiate equipment purchases that are to be funded with federal funds should include correct grant information on the face of the purchase documents. The Director of the Division of General Services should ensure that staff consistently follow the procedures developed to ensure that the appropriate grant information is entered into POST.

Management’s Comment

We concur. Once this problem was brought to our attention in July 1997, procedures were implemented that returned purchase requests to the program that did not provide appropriate grant information. We continue to monitor grant information being entered into the POST system to ensure accuracy.

Finding Number	97-TDH-02
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants and Children
Federal Agency	Department Agriculture
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

The department's WIC voucher reconciliation procedures are inadequate

Finding

Although the Department of Health's one-to-one reconciliation rate for WIC vouchers met federal requirements, the department's inadequate reconciliation procedures contributed to thefts of WIC vouchers.

Federal WIC regulations require the state agency to reconcile vouchers with issuance records. The *Code of Federal Regulations*, Title 7, Section 246.12(n), states:

The State agency shall identify disposition of all food instruments as: Validly redeemed, lost or stolen, expired, duplicate, voided or not matching issuance records. Reconciliation of food instruments shall entail reconciliation of each food instrument issued with food instruments redeemed and adjustment of previously reported financial obligations to account for actual redemptions and other changes in the status of food instrument.

The department's reconciliation process is inefficient primarily because of the inflexibility of its data system. This system does not allow changes to the status of a voucher once that voucher has been recorded as unmatched in the system. To compensate for this system flaw, the department modified its reconciliation formula in the state plan. This modification, however, distorted the department's rate, forcing it to exceed the one percent acceptable rate. But when the U.S. Department of Agriculture's formula (unmodified formula) is used, the department met the rate.

Despite the system flaw, the department did not attempt to manually reconcile unmatched vouchers using unmatched voucher reports from the county clinics. In fact, these reports from the clinics were seldom reviewed.

The department's lack of manual reconciliations and the lack of proper reconciliation at the clinical level allowed the theft of WIC vouchers by a former administrative technician to go undetected for five months. The theft and redemption of 103 WIC vouchers totaling \$11,508.10 occurred during the period October 1996 through May 1997. A proper reconciliation would have indicated missing vouchers as early as December 1996.

The technician misappropriated 103 vouchers by falsifying manual vouchers she was responsible for and by pilfering computer-generated vouchers held at the Southland Mall Clinic for WIC clients. The technician took one or two vouchers from groups of vouchers prepared for clients. The technician avoided detection by indicating that these computer-generated vouchers had been voided on the voucher logs (maintained to account for each WIC voucher). If the clinic clerical staff

had properly accounted for each voided voucher individually rather than by groupings of vouchers by client during their monthly reconciliations of unclaimed vouchers with voucher logs, the theft would have been detected in December 1996.

In an interview, the former technician's acquaintance admitted that he and the technician had both redeemed some of these 103 vouchers by signing fictitious names on the vouchers and redeeming them for infant formula at various participating food markets. The acquaintance also admitted that they subsequently sold the infant formula to other non-WIC food markets.

The administrative technician's employment with the Memphis/Shelby County Health Department was terminated effective May 28, 1997, for falsification of information and acts of misconduct. She did not appeal this decision.

The matter was referred to the Office of the State Attorney General and the Office of the District Attorney General, Thirtieth Judicial District (Shelby County), in Memphis, Tennessee, on September 30, 1997.

Recommendation

The Director of the Special Supplemental Nutrition Program for Women, Infants, and Children should assign staff specific responsibility for ensuring all unmatched redeemed vouchers are accounted for. Procedures should be implemented to ensure that reconciliation rates meet federal guidelines.

Although the department's new system of issuing vouchers on-site in most counties apparently addresses internal control problems relating to the receipt, custody, issuance, and disposal of unclaimed vouchers, the department should monitor the control procedures for the new system and adapt other monitoring procedures as necessary to ensure the safeguarding of assets.

Management's Comment

We concur. The department implemented the "On-Site Voucher Printing System" on June 30, 1997. With this system, automated WIC vouchers are issued on-site at each county health clinic and has eliminated virtually all unmatched redeemed vouchers. If any should occur in the new system, the Regional WIC Director will be responsible, in consultation with the WIC Central Office, for follow-up on any such vouchers. Additionally, the WIC Central Office staff is incorporating new procedures into the clinic monitoring visits that are designed to ensure internal controls on voucher security. The Regional Office staff who monitors the clinics is also using these procedures. The new system of computer-printing vouchers on-site when the participant is in the clinic removes the opportunity for fraudulent issuance of unclaimed vouchers.

Finding Number	97-TDH-03
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants and Children
Federal Agency	Department Agriculture
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

Monitoring of subgrantees is not adequate

Finding

As noted in the five prior audits since 1992, subgrantees of the Department of Health are not adequately monitored. Management concurred with the prior findings, and although improvements have been made, monitoring problems continue.

- The Bureau of Alcohol and Drug Abuse Services and the Bureau of Health Services do not regularly conduct on-site fiscal monitoring reviews of all subgrantees.
- The Bureau of Alcohol and Drug Abuse Services does not have uniform written procedures for fiscal monitoring. Additionally, the Bureau of Health Services does not have uniform written procedures for fiscal or program monitoring.
- The files for 39 subrecipients of grants administered by the Department of Health were reviewed for evidence of compliance and fiscal monitoring. The fiscal activities of five subrecipients had not been monitored, neither had the programmatic goals and objectives of three subrecipients. In addition, two subrecipients had not been monitored on-site since 1994.

Office of Management and Budget (OMB) Circular A-133, “Audits of State, Local Governments, and Non-Profit Organizations,” requires the department 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.” Also, Section 40 of OMB Circular A-102, “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Common Rule),” states that the grantee is responsible for monitoring both its own and its subgrantees’ activities.

The Bureau of Health Services issued a monitoring policy in December 1996, but the policy did not specify the monitoring procedures that program personnel and fiscal staff were to use during their evaluations. In addition, the policy did not establish criteria for selecting which subgrantees to monitor. Although the bureau policy states that a site-visit schedule will be developed, no such schedule was established.

Monitoring also involves obtaining and reviewing subrecipients’ audit reports, prepared by independent CPA firms. Occasionally these reports contain questioned costs and indicate amounts due to the state. The department did not meet federal requirements in the following instances:

- The costs in four of the seven reviewed reports that contained questioned costs were not resolved within six months of receipt of the reports.

- For two of these four reports, the resolution process was completed seven to 203 days after the six-month period ended.
- For the other two reports, which were received in September 1995 and 1996, the resolution process had not been completed as of August 1997.
- At September 1997, two of these subgrantees had not refunded to the state total questioned costs of \$7,114.
- The department's review of the audit reports did not include following up other reported audit exceptions such as internal control weaknesses.
- Two of 20 reports reviewed contained deficiencies that were not appropriately noted in the department's database or followed up.
- Five of eight subrecipients continued to receive federal funding even though prior years' audit reports had not been received or the audits were not performed in compliance with OMB Circular A-133.

Circular A-133 states that it is the recipient's (Department of Health's) responsibility to "issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action." Furthermore, the circular states that "in cases of continued inability or unwillingness to have an audit conducted in accordance with this part, ... pass-through agencies [Department of Health] 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."

In addition, the department has not used the one method available to collect subrecipient audit reports—discontinue funding. The Department of Health did not receive 29 of 40 audit reports within nine months of the end of the reporting period, as required in the department's standard contract with subgrantees and as required by OMB Circular A-133. Reports were received from 51 to 1,216 days after the nine-month period. Furthermore, 31 audit reports with due dates ranging from March 31, 1994, to March 31, 1997, had not been received at June 30, 1997. Despite these delays, the subrecipients continued to receive funding.

The department cannot determine compliance with applicable laws and regulations if it does not monitor subrecipients. Additionally, funds could be used for objectives not associated with the grant or contract.

Recommendation

The commissioner and related bureau directors should assign staff specific responsibility for annual program and fiscal monitoring of all subrecipients. Policies should establish specific procedures for selecting which subgrantees to monitor and what criteria to use. Staff should sufficiently document all monitoring and promptly report deficiencies to subgrantees. Significant deficiencies should be reported to the department's Office of Audit and Investigation and to the Comptroller of the Treasury. Recommendations and deficiencies previously noted should be followed up, and this process should also be documented.

All audit exceptions should be followed up and resolved within six months of the receipt of the subrecipient's audit report. The department should seriously consider withholding federal funding from subgrantees that do not submit the required audits.

Management's Comment

We concur. Staff will be assigned specific responsibility for program and fiscal monitoring of selected subgrantees on an annual basis. Policies will be established for the selection of which subgrantees will be monitored and the criteria to be used in the monitoring process. Any deficiencies will be promptly reported to the subrecipient and any significant deficiencies will be reported to the Office of Audit and Investigations and to the Comptroller of the Treasury. A follow-up review of all deficiencies and the resulting actions taken will be documented for possible payment sanctions if deemed necessary.

Finding Number	97-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.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

Grant payroll cost reallocation and drawdown procedures were not adequate

Finding

As noted in the prior two audits, the department did not promptly draw down federal funds because reallocation journal vouchers were processed late. In addition, these journal vouchers were not based on current data. Management concurred with the prior findings and stated that the payroll costs were reallocated each pay period using estimates based on the most recent actual month's time study available. Management also stated that estimates were corrected to actual upon receipt of the actual time study information and that federal funds were adjusted accordingly. Although improvements have been made, some allocations were late, and outdated information was used for estimates.

To reallocate certain payroll costs to various federal grants, the department used a time study through June 30, 1997, to measure the amount of time direct service employees (employees who provide direct services in local and regional health departments) worked on various programs and activities.

Payroll costs are not drawn for federal programs until a reallocation journal voucher is processed. For three of 19 time periods, reallocations were processed 31 to 59 days after month's end. Department of Finance and Administration Policy 20, Attachment 20 - A, parts 2 and 3, states that "payroll costs...associated with grants must be redistributed to recover federal revenue on a timely basis...the payroll costs must be entered in STARS on a reallocation journal voucher within 30 days of each month-end." However, one of 19 periods spanned one and a half months, causing an entire month to be reallocated untimely. Ideally, payroll costs should be reallocated each pay period, but never less than once per month.

Because reallocations of payroll costs were late, federal revenue associated with those payroll costs was not recovered timely. When federal funds are not drawn down promptly, state funds are used to fund federal grant expenditures, resulting in the loss of interest income on those funds.

In addition, three of 12 estimated reallocations were initially calculated using time study data from prior periods, not current periods. Time study data from periods as much as three months prior to the payroll month were used for estimates when data from the prior month would have been more appropriate.

Recommendation

The Director of Fiscal Services should ensure that payroll costs are allocated timely for each pay period and never less than once per month (within 30 days of month-end as required by Department of Finance and Administration Policy 20). The accounting manager in the Bureau of

Health Services should also ensure that time study information is collected promptly so that reallocations can be based on current-period data.

Management's Comment

We concur. The intended procedure for allocation of payroll cost is the application of available reallocation data to actual payroll cost for each pay period and the allocation of all other costs at least once each month. Currently, the Division of Fiscal Services relies on this data to come from another bureau. We will work with that bureau to decrease the time it takes to get the monthly services data in order to speed up the reallocation process. We will also investigate the possibility of using "distribution tables" in STARS to automatically distribute cost as opposed to using the current journal voucher process.

Finding Number	97-HDA-01
CFDA Number	14.855, 14.856, 14.857
Program Name	Section 8 Cluster
Federal Agency	Department of Housing and Urban Development
State Agency	Tennessee Housing Development Agency
Grant/Contract No.	A-3167, A-3167V, A-3867V
Finding Type	Reportable Condition
Questioned Costs	None

The computer system for Section 8 is not adequate

Finding

The agency's Housing Management Division maintains a computer system that contains information on all tenants participating in its U. S. Department of Housing and Urban Development (HUD) Section 8 program. One purpose of this system is to interface with the State of Tennessee Accounting and Reporting System (STARS) so that assistance payments can be issued. Another purpose is to accumulate information (such as names, dates of birth, social security numbers, expected income, unit address, rent to owner, and utility allowance) to be transmitted to HUD's Multifamily Tenant Characteristics System (MTCS) processing center.

Designed 11 years ago only to generate payment schedules, the agency's system has been reprogrammed frequently to cope with expanding demands. However, the system cannot efficiently accommodate the increasing volume of Section 8 tenants and complex new HUD requirements. The following weaknesses in the computer system were noted:

- When a tenant is relocating or terminating, agency personnel use a cumbersome method of deleting information (to prevent erroneous payments to tenants or landlords), reentering the same information to ensure accurate data is transmitted to MTCS, then deleting the information a final time.
- Tenant histories cannot be accessed on the agency's computer system. The only tenant histories available are printouts kept on file at the central office. However, these printouts are unreliable. For example, the printout for one tenant may contain information from another tenant's file. Update screens contain only current information, not histories, and information on the viewing screen is also undependable because data that has been overwritten or deleted may still appear.
- Because the nine field offices have no access to the computer system, information gathered there is manually sent to the central office to be entered into the system.
- In four of 40 files tested (10%), tenant information was not submitted to HUD. Relocation information should have been submitted in three of the four cases, and annual reexamination data should have been submitted for the fourth case.
- The agency's computer system cannot track total payments to individual Section 8 landlords during the calendar year; therefore, the agency cannot easily verify the state's list of Section 8 landlords who should receive IRS form 1099, which reports payments in excess of \$600.

Obsolescence and programming errors affect the accuracy and efficiency of the system, increasing the possibility of incorrect payments to tenants and landlords, errors in reporting to HUD, and noncompliance with HUD regulations.

In addition, after transmission to MTCS, staff of the Management Information Systems (MIS) Division deleted all error correction reports, all error analysis reports, and most of the files of resubmissions for the fiscal year ending June 30, 1997. The Director of the MIS Division indicated he was not aware of the requirement to retain information after transmission to HUD. HUD instructions for the submission of this data on Form 50058 state, "Record Retention: Housing Agencies are required to retain copies of form HUD-50058 for a three-year period from the date of the latest transaction. This includes paper reports (including facsimiles) as well as electronic media (diskettes, tapes or memory)." Deleting information from the computer system after it has been transmitted to MTCS does not leave an adequate audit trail.

After the completion of the audit field work, the agency purchased new software to be used for the Section 8 program.

Recommendation

The Management Information Systems Division should install the new software as soon as possible and provide the necessary staff training to ensure reliable and accurate information.

Management's Comment

We concur. The computer system currently used for the Section 8 Certificate and Voucher Programs was custom designed for the agency approximately 11 years ago for the primary purpose of generating monthly housing assistance payments to tenants and owners. During the last several years, there have been numerous changes to the Section 8 program regulations. Two of the more significant changes were the creation of the Voucher Program and the requirement that housing authorities electronically transmit tenant and payment data to HUD monthly.

THDA responded to the new demands by making alterations to the existing computer system. However, the current system was not designed to meet the changing requirements, and the decision was made in late 1995 to purchase a new software package from a vendor. There are several vendors who sell software for the Section 8 Certificate and Voucher Program. However, most of the packages are designed for local housing authorities administering the programs in a single locality. Few vendors have software capable of handling a multi-jurisdictional program, such as THDA's. In the first attempt to acquire new software (in early 1996), bids were received from three vendors, and a contract was signed. In August 1996, the contract was canceled when it became apparent that the software could not meet the specifications in the bid request and would not satisfy THDA's needs. In the second attempt to acquire new software (in February 1997), THDA requested proposals from vendors. While three bids were received, none was acceptable. THDA requested bids a third time (in the fall of 1997), and a contract was awarded in February 1998. The software has been installed, and it is anticipated that the new system will be fully operational by June 1, 1998.

While it took three attempts to acquire new software, THDA is confident that we made the right decisions by not accepting software which would not have met our needs nor satisfied the requirements of the Section 8 program. The delay was unfortunate, but it was imperative that the new software meet our needs. We are confident that the system being implemented will do that.

Finding Number 97-DOT-01
CFDA Number 20.205
Program Name Highway Planning and Construction
Federal Agency Department of Transportation
State Agency Department of Transportation
Grant/Contract No. None
Finding Type Reportable Condition, Allowable Costs/Cost Principles
Questioned Costs \$86,341.71

The department did not maintain adequate supporting documentation for all project charges

Finding

As noted in previous audits, Engineers Estimates of Quantities, documents supporting payments made to construction contractors, were not adequately supported by the field books. These estimates list the description, quantity, and cost of all items anticipated to be used on a specific construction contract and are used to monitor individual items and total contract expenditures. Each month the department’s project engineer updates the Engineers Estimate of Quantities to reflect the actual quantity of items used during the month. This information is obtained from the project engineer’s field book, a log kept at the construction site documenting the actual quantities used each day. Each month a progress payment is made to the contractor based on these estimates.

Field books did not adequately support one or more items for ten of the 24 contracts tested.

Testwork Results

<u>Construction Office Visited</u>	<u>Contracts Tested</u>	<u>Contracts With Errors</u>	<u>Bid Items Tested</u>	<u>Errors Noted</u>	<u>Error Percentage</u>	<u>Amount Questioned</u>
Knoxville	3	1	23	1	4%	\$ 200.00
Maryville	2	2	45	6	13%	39,457.33
Morristown	2	0	28	0	0%	-
Chattanooga	3	1	42	1	2%	12.88
Dunlap	1	1	27	3	11%	57.38
McMinnville	2	1	41	2	5%	-
Nashville	3	1	55	1	2%	6,000.00
Clarksville	2	1	17	1	6%	34.96
Jackson	3	1	66	2	3%	34,387.84
Bethel Springs	<u>3</u>	<u>1</u>	<u>56</u>	<u>3</u>	5%	<u>6,191.32</u>
Total	<u>24</u>	<u>10</u>	<u>400</u>	<u>20</u>	5%	<u>\$86,341.71</u>

Quantities recorded on the estimates did not always agree with the quantities recorded in the field books, and items were not always documented in the field books. Although management concurred with the previous finding and stated, “We will endeavor to see that this problem is rectified in the coming year,” the problem continues.

If quantities are not accurately recorded in the field books to support progress payments made to contractors, the department could be incorrectly charged for construction costs. Because field books did not support all payments to contractors, \$86,341.71 has been questioned.

Recommendation

Management should ensure that the engineers improve documentation of contract charges in the field books and accurately transfer that information to the Engineers Estimates of Quantities. Management should evaluate the error rates within the construction offices visited to determine explanations for the variances noted. Any inefficiencies or problems noted should be addressed and corrected department-wide. Management should then ensure that all field personnel are aware of the necessity for accurate and complete recordkeeping and are adequately trained in the department's specific policies and procedures for documenting contract charges. Management should accept responsibility for the proper oversight of these activities and regularly review field personnel's documentation of contract charges for accuracy and completeness.

Management's Comment

We concur. Adequate supporting documentation for all project charges was not available at the time of the audit. However, given the nature of construction work and the estimation process that has to take place, we do not feel we will ever be completely accurate with our field books and monthly estimate payment process. We do feel that these differences in estimates will be caught in following months or when final quantities are calculated.

Finding Number	97-DOT-02
CFDA Number	20.205
Program Name	Highway Planning and Construction
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	None
Finding Type	Reportable Condition
Questioned Costs	None

**Employees do not always follow departmental policies and procedures
to ensure Davis-Bacon compliance**

Finding

In response to prior audit recommendations, the Department of Transportation established program policies and procedures to comply with the Davis-Bacon Act. However, as noted in the past five audits, department personnel do not always adhere to these policies and procedures.

The Davis-Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors to work on federally assisted construction projects be paid wages no less than those established by the Secretary of Labor for the locality of the project. To monitor compliance with this requirement, the department has established a system whereby designated personnel check contractor and subcontractor payrolls. Also, the project engineer or his representative is required to conduct a specific number of monthly interviews with laborers to verify the accuracy of payroll records examined. A separate interview form is completed and signed by the laborer and the project engineer to document each interview. In response to the prior findings, the department issued Circular Letter 1273-03 (previously Circular Letter No. 2-89) which requires that the project engineer conduct five interviews for projects with over 25 employees, three interviews for projects with ten to 25 employees, and one interview for projects with less than ten employees.

A review of the labor interview forms indicated that the project engineers had not conducted a sufficient number of interviews for three of the 24 projects tested (12.5%). Failure to interview a sufficient number of employees decreases the department's assurance that contractor and subcontractor payroll records reflect compliance with the act.

Recommendation

Management should re-evaluate its procedures for ensuring Davis-Bacon compliance (established in Circular Letter 1273-03) to determine whether these procedures continue to be effective. If not, the department's procedures should be appropriately revised. Management should then ensure that all project engineers are aware of the department's procedures and the importance of compliance. Management should regularly monitor the project engineers' compliance with Davis-Bacon procedures and take appropriate action if the engineers fail to carry out their responsibilities.

Management's Comment

We concur. We will continue to work to bring our offices into compliance. The department is presently studying other procedures for compliance with the Davis-Bacon Act as we proceed with our Business Process Re-engineering process.

Finding Number 97-UTM-01
CFDA Number 84.032
Program Name Federal Family Education Loans
Federal Agency Department of Education
State Agency University of Tennessee
Grant/Contract No. None
Finding Type Reportable Condition, Special Tests and Provisions
Questioned Costs None

The University of Tennessee at Martin failed to promptly report enrollment status changes for loan recipients

Finding

The University of Tennessee at Martin does not promptly report changes in student enrollment status for Federal Family Education Loan (FFEL) borrowers. In the 1997 fiscal year, three of seven status changes tested (43%) were reported late, and in the 1996 fiscal year, one of six status changes tested (17%) was reported late. The changes were reported from 11 to 101 days late.

According to the *Code of Federal Regulations*, Title 34, Part 682.610 (c), a school shall

- (1) Upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and
- (2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days
 - (i) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis;
 - (ii) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;
 - (iii) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis.

By not notifying the lender promptly when a student borrower withdraws or ceases to be enrolled at least half-time, the college delays the start of the repayment process.

Recommendation

The Director of Student Financial Assistance and the Data Integrity Supervisor should implement a system which adequately identifies loans requiring notification to lenders and track such notification. The information from the system should be regularly monitored to ensure compliance with federal regulations. Instances of noncompliance should be noted and appropriate corrective action taken. The Director of Student Financial Assistance should consider automating the process and should consult with appropriate staff regarding the development of an automated system.

Management's Comment

The university concurs with the finding. UT Martin, through its Records Office, joined the National Student Loan Clearinghouse in January, 1997. The Clearinghouse is notified of any changes in student status at the end of the fourteenth day of classes, at midterm, and at the end of the semester. The Clearinghouse notifies the lenders of any changes.

Finding Number	97-DOE-01
CFDA Number	84.048
Program Name	Vocational Education–Basic Grants to States
Federal Agency	Office of Assistant Secretary for Vocational and Adult Education, Department of Education
State Agency	Department of Education
Grant/Contract No.	None
Finding Type	Reportable Condition
Questioned Costs	None

The Adult Basic Education Financial Status Reports were not accurately prepared

Finding

As noted in the previous audit, the amounts reported by the department on the Adult Basic Education Financial Status Reports, for the period ended June 30, 1996, for Section 353 Special Projects, Section 353 Training, and Institutionalized Persons were based on required federal percentages rather than on actual expenditures according to the grant accountant. The reports cover grant years 1994, 1995, and 1996. *Code of Federal Regulations*, Title 34, Section 461.33(b), indicates that the state shall use at least 10 percent of its grant for training and an additional 5 percent for training, special projects, or both. Section 461.32(a), states, “[The state] shall use not less than 10 percent of its grant for educational programs for criminal offenders in corrections institutions and for other institutionalized adults.” In addition, Section 461.10(4) states, “The [state] will provide such fiscal control and fund accounting procedures as may be necessary to ensure proper disbursement of, and accounting for, Federal funds paid to the State.”

The grant accountant uses expenditure amounts posted on the State of Tennessee Accounting and Reporting System (STARS) to prepare a worksheet that supports the amounts reported on the financial status report. Although the Section 353 expenditures are posted to STARS, expenditures for Special Projects and Training are not uniquely coded. Separate grant codes have been established by the grant accountant for this purpose, but the program area personnel, who determine how the expenditure should be coded to STARS, have not used these grant codes. Expenditures for Institutionalized Persons are posted to STARS as “program of instruction” expenditures. No separate account or grant code has been established for Institutionalized Persons expenditures. Because these expenditures have not been maintained separately, the department can not prove that it disbursed federal funds in compliance with federal requirements.

Management concurred with the prior finding and indicated that fiscal year 1997 grant expenditures were being recorded in a manner that would allow for proper reporting. They provided us with a copy of the revised reporting document that the Local Education Agencies (LEAs) are required to submit. This form appears to require information that would properly track expenditures. However, these reports were not used for grant years 1994, 1995, and 1996.

In addition, the Financial Status Reports were not adequately reviewed for mathematical accuracy and logic. The Financial Status Report for grant year 1996 included two lines which did not crossfoot. The report also contained two amounts that were not adjusted to reflect a change in the authorized grant award and two amounts for unliquidated obligations that did not reconcile with the accounting records. The Financial Status Report for grant year 1995 included an amount for “Net

Outlays Previously Reported–Institutionalized Persons” which was \$473,861 more than previously reported. No documentation was provided to explain the difference.

Recommendation

The Director of the Division of Adult and Community Education should ensure that the amounts reported on the Adult Basic Education Financial Status Report for Section 353 Special Projects, Section 353 Training, and Institutionalized Persons represent the expenditures made in each area rather than the percentages required by federal regulations. The director should also ensure that adequate documentation exists to support the expenditures. Program area personnel should use the established grant codes in STARS to record Section 353 Special Projects and Section 353 Training expenditures. A method to separately record expenditures for Institutionalized Persons should be established. Management should periodically review the procedures used to record the expenditures to ensure that established grant codes are used and that the amounts reported on the Adult Basic Education Financial Status Report for Section 353 Special Projects, Section 353 Training, and Institutionalized Persons are based on the expenditures made in each area. Additionally, the Financial Status Report should be reviewed to ensure the mathematical accuracy and logic of reported amounts.

Management’s Comment

We concur with the finding concerning ABE Financial Status Reports. The finding addresses the reporting of Section 353 and institutionalized expenditures. The finding illustrated the need for separate grant codes to identify expenditures in the aforementioned funding areas.

The Director of the Division of Adult and Community Education has established separate grant codes for Section 353 funding into two categories. One for staff development and one for special projects as outlined by the Adult Education Act. An additional code was developed for institution funding. Separate codes will enable the Division of Adult and Community Education to track funding and expenditures more accurately. The new grant codes have been used since the 1996-97 fiscal year. Additionally, a computer program has been developed by the United States Department of Education for each state’s use to prepare the Financial Status Report with the intent of eliminating mathematical errors. This program has been implemented also.

We believe that your office will find the Division of Adult and Community Education in compliance with reporting requirements.

Finding Number	97-APS-01
CFDA Number	84.063
Program Name	Federal Pell Grant Program
Federal Agency	Department of Education
State Agency	Austin Peay State University
Grant/Contract No.	E-P063P66150
Finding Type	Reportable Condition
Questioned Costs	None

Pell awards are not recalculated when students do not begin attendance in some of their classes

Finding

The university does not recalculate Federal Pell Grant awards to students who fail to begin attendance in some of their classes. Recalculations do not occur because the student financial aid office does not have a procedure in place to determine if Pell recipients do not begin attendance in some classes. The unofficial withdrawal of student financial aid recipients from all classes is monitored; however, those who fail to attend a portion of their classes are not detected through this procedure. The *Federal Student Financial Aid Handbook*, chapter 4, page 64, states, “if the student does not begin attendance in all of his or her classes, the school must recalculate the student’s [Pell] award based on the lower enrollment status.”

The absence of a procedure to determine if a Pell recipient has failed to begin attendance in some, but not all, classes could result in an overaward to some recipients.

Recommendation

The Director of Student Financial Aid should develop and implement a procedure to determine if Pell recipients begin attendance in all classes. Pell awards should be recalculated whenever a student fails to begin attendance in any classes.

Management’s Comment

We concur with the finding. Our plan is to implement a procedure using data we have in place to monitor unofficial withdrawals, so that we can identify courses in which the student failed to begin attendance. In addition, we will notify our students if they fail to begin attendance in a course that changes their enrollment status, their Pell Grant awards will be re-calculated and they will be billed. We will test the procedure during the Spring 1998 semester and implement the process effective Fall 1998-99.

Finding Number	97-MTS-01
CFDA Number	84.063
Program Name	Federal Pell Grant Program
Federal Agency	Department of Education
State Agency	Middle Tennessee State University
Grant/Contract No.	E-P063P66219
Finding Type	Reportable Condition
Questioned Costs	None

Pell awards are not recalculated when students do not begin attendance in some classes

Finding

The university does not recalculate Federal Pell Grant awards to students who fail to begin attendance in some of their classes. The awards are not recalculated because the student financial aid office does not have a procedure in place to determine if Pell recipients do not begin attendance in some classes. The unofficial withdrawal of student financial aid recipients from all classes is monitored; however, those who fail to attend some of their classes are not detected through this procedure.

The *Federal Student Financial Aid Handbook*, Chapter 4, page 64, states, “If the student does not begin attendance in all of his or her classes, the school must recalculate the student’s [Pell] award based on the lower enrollment status.”

The lack of a procedure to determine if a Pell recipient has failed to begin attendance in some, but not all, classes could result in an overaward to some recipients.

Recommendation

The Director of Student Financial Aid should develop and implement a procedure to determine if Pell recipients begin attendance in all classes. Pell awards should be recalculated whenever a student does not begin attendance in some classes.

Management’s Comment

We concur with the finding and recommendation. The university will develop and implement procedures beginning with the fall 1998 semester to determine if Pell recipients begin class attendance. Pell awards will be recalculated for students that do not begin attendance in some classes.

Finding Number	97-TSU-02
CFDA Number	84.063
Program Name	Federal Pell Grant Program
Federal Agency	Department of Education
State Agency	Tennessee State University
Grant/Contract No.	E-P063P66282
Finding Type	Reportable Condition
Questioned Costs	None

Pell awards are not recalculated when students do not begin attendance in some classes

Finding

The university does not recalculate Federal Pell Grant awards to students who fail to begin attendance in some of their classes. The awards are not recalculated because the student financial aid office does not have a procedure in place to determine if Pell recipients do not begin attendance in some classes.

The *Federal Student Financial Aid Handbook*, Chapter 4, page 64, states, “If the student does not begin attendance in all of his or her classes, the school must recalculate the student’s [Pell] award based on the lower enrollment status.”

The lack of a procedure to determine if a Pell recipient has failed to begin attendance in some, but not all, classes could result in an overaward to some recipients.

Recommendation

The Vice President for Academic Affairs and the Vice President for Business and Finance should develop and implement a procedure to determine if Pell recipients begin attendance in all classes. Pell awards should be recalculated whenever a student does not begin attendance in some classes.

Management’s Comment

We concur with the finding and recommendation. The university has established a new procedure to be effective spring semester 1998. A new grade will be assigned to students who never attend or cease to attend a class. This data will be compiled by the Registrar’s Office after mid-term and sent to the Financial Aid Office for recalculation of Pell Grant awards for these students.

Finding Number 97-TTU-01
CFDA Number 84.063
Program Name Federal Pell Grant Program
Federal Agency Department of Education
State Agency Tennessee Technological University
Grant/Contract No. E-P063P66283
Finding Type Reportable Condition
Questioned Costs None

Pell awards are not recalculated when students do not begin attendance in some classes

Finding

The university does not recalculate Federal Pell Grant awards to students who fail to begin attendance in some of their classes. The awards are not recalculated because the Office of Academic Affairs and the Student Financial Aid Office do not have a procedure in place to determine if Pell recipients do not begin attendance in some classes. The unofficial withdrawal of student financial aid recipients from all classes is monitored; however, those who fail to attend some of their classes are not detected through this procedure.

The *Federal Student Financial Aid Handbook*, Chapter 4, page 64, states, “If the student does not begin attendance in all of his or her classes, the school must recalculate the student’s [Pell] award based on the lower enrollment status.”

The lack of a procedure to determine if a Pell recipient has failed to begin attendance in some, but not all, classes could result in an overaward to some recipients.

Recommendation

The Vice President of Academic Affairs and the Director of Student Financial Aid should develop and implement a procedure to determine if Pell recipients begin attendance in all classes. Pell awards should be recalculated whenever a student does not begin attendance in some classes.

Management’s Comment

We concur with the finding and recommendation. The Office of Academic Affairs and the Student Financial Aid Office implemented a procedure during the fall of 1997 to monitor the unofficial withdrawal and failure to begin attendance of all students from some or all of their classes. Those students who fail to begin or remain in attendance for the necessary length of time will have their Pell Grants and other aid adjusted accordingly.

Finding Number	97-UOM-01
CFDA Number	84.063
Program Name	Federal Pell Grant Program
Federal Agency	Department of Education
State Agency	University of Memphis
Grant/Contract No.	E-P063P66215
Finding Type	Reportable Condition
Questioned Costs	None

Pell awards are not recalculated when students do not begin attendance in some of their classes

Finding

The university does not recalculate Federal Pell Grant awards to students who fail to begin attendance in some of their classes. Recalculations do not occur because the student financial aid office does not have a procedure in place to determine if Pell recipients do not begin attendance in some classes. The unofficial withdrawal of student financial aid recipients from all classes is monitored; however, those who fail to attend a portion of their classes are not detected through this procedure. The *Federal Student Financial Aid Handbook*, chapter 4, page 64, states, "if the student does not begin attendance in all of his or her classes, the school must recalculate the student's [Pell] award based on the lower enrollment status."

The absence of a procedure to determine if a Pell recipient has failed to begin attendance in some, but not all, classes could result in an overaward to some recipients.

Recommendation

The Director of Student Financial Aid should develop and implement a procedure to determine if Pell recipients begin attendance in all classes. Pell awards should be recalculated whenever a student fails to begin attendance in any classes.

Management's Comment

Management concurs with the finding. The solution to this finding will require a uniform process to determine whether or not each student begins to attend each class. This determination will require information from each faculty member for each class. Discussions have already been held with certain academic affairs officials and a decision reached to implement a reporting system. The details of the reporting system will be developed over the next few months and will be completed by April 30, 1998. The reporting system will be implemented in the fall semester, 1998.

Finding Number	97-UTK-01
CFDA Number	84.063
Program Name	Federal Pell Grant Program
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Pell awards are not recalculated when students do not begin attendance in some of their classes

Finding

The University of Tennessee at Knoxville does not recalculate Federal Pell Grant awards to students who fail to begin attendance in some of their classes. Recalculations do not occur because the student financial aid office does not have a procedure in place to determine if Pell recipients do not begin attendance in some classes. The unofficial withdrawal of student financial aid recipients from all classes is monitored; however, those who fail to attend a portion of their classes are not detected through this procedure. The *Federal Student Financial Aid Handbook*, chapter 4, page 64, states, “If the student does not begin attendance in all of his or her classes, the school must recalculate the student’s [Pell] award based on the lower enrollment status.”

The absence of a procedure to determine if a Pell recipient has failed to begin attendance in some, but not all, classes could result in an overaward to some recipients.

Recommendation

The Director of Financial Aid should develop and implement a procedure to determine if Pell recipients begin attendance in all classes. Pell awards should be recalculated whenever a student fails to begin attendance in any classes.

Management’s Comment

The university concurs with the finding. In order for the university to comply with this recommendation, faculty members would be required to take attendance at all classes. The university has historically not required faculty members to collect student attendance information. The university will attempt to identify a practical procedure that will determine whether or not Pell recipients begin attendance in all classes.

Finding Number	97-DCS-01
CFDA Number	93.560
Program Name	Family Support Payments to States–Assistance Payments
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children’s Services
Grant/Contract No.	G-9604TN4007
Finding Type	Reportable Condition
Questioned Costs	None

**Disbursements on the schedule of expenditures of federal awards
were not reconciled with federal reports**

Finding

A reconciliation of disbursements to federal reports was not prepared by the department. The auditor requested the reconciliation on October 29, 1997. As of December 2, 1997, the reconciliation had not been received.

Recommendation

The department should perform the reconciliation to ensure that federal reports are in agreement with the schedule of expenditures of federal awards.

Management’s Comment

We concur. Current procedures are being developed to facilitate the reconciliation of expenditures reported on federal quarterly reports and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared. The reconciliation will be done by accounting staff.

At the present time, the accounting staff prepares quarterly federal reports from the monthly STARS Grant Status Report (AG05B829). This STARS report includes grant balances (state and federal shares) from inception to date for the monthly closing. The grant balance per this report for last month of the prior quarter is subtracted from the grant balance of the last month of the current quarter to arrive at the total grant transactions for the quarter. The total grant transactions plus any adjustments document processing timing differs are reported in the federal reports submitted to the Federal Government. The Department of Human Services is the grantee for IV-A, Emergency Assistance, and submits the quarterly reports based on information provided by DCS receivables staff.

The Federal Financial Assistance Schedule is prepared from the STARS Grant Activity Report (AG05B830) which is produced monthly. This report includes only the federal portion of the cash transactions for the grant for the current fiscal year. Each fiscal year end the June 30, 19XX preliminary report produced by STARS nearest to the cutoff for submission of the Federal Financial Assistance Schedule is used to prepare the schedule. Any transactions not updated in STARS at the time the preliminary report is run are shown as reconciling items. The same process is use to develop the Supplementary information Schedule for SSBG and IVA Emergency Assistance submitted to DHS. The Supplementary Information Schedule is used to report expenditures for SSBG to DHS for their annual Report.

Because the final federal quarterly report for the state fiscal year is submitted at the end of July and the Federal Financial Assistance Schedule is submitted in September, there are transactions processed in STARS included in the Federal Financial Assistance Schedule that were not included in the federal quarterly report submitted in July. Because these federal quarterly reports are prepared from the STARS Grant Status Report (includes grant expenditures balance inception to date), these transactions are included in the report for the subsequent quarter as a prior quarter adjustment. A reconciliation for these timing difference between STARS processing dates for the federal quarterly report and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared.

As stated earlier, current procedures are being developed to facilitate the reconciliation of expenditures reported on federal quarterly reports and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared. The reconciliation will be done by accounting staff.

Finding Number	97-DCS-02
CFDA Number	93.560
Program Name	Family Support Payments to States–Assistance Payments
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children’s Services
Grant/Contract No.	G-9604TN4007
Finding Type	Eligibility
Questioned Costs	\$707.00

Expenditures were made for ineligible children

Finding

The Department of Children’s Services used Title IV-A funds to pay expenditures on behalf of a child who was not eligible to receive the funds. For one of 59 expenditures tested (2%), the child was not eligible to receive IV-A funds because the child at risk had not lived with a parent or specified relative within the last six months prior to the filing of the emergency assistance application.

Recommendation

The department should ensure that Title IV-A funds are used only to pay expenditures of eligible children.

Management’s Comment

We concur. As of October 1, 1997, the department no longer receives Title IV-A funds.

Finding Number 97-DCS-03
CFDA Number 93.560
Program Name Family Support Payments to States–Assistance Payments
Federal Agency Department of Health and Human Services
Pass-Through Agency Department of Human Services
State Agency Department of Children’s Services
Grant/Contract No. G-9604TN4007
Finding Type Material Weakness
Questioned Costs None

Duplicate payments and overpayments of approximately \$451,000 were made to vendors

Finding

As noted in three previous audits, the Department of Children’s Services (Children’s Services) issued many duplicate payments and overpayments to vendors for goods and services provided to children. During fiscal year 1997, vendors voluntarily made over 844 refunds totaling approximately \$369,000 and returned 254 original checks totaling approximately \$82,000. The total dollar amount of duplicate payments and overpayments is significantly lower than the total in prior findings. However, the total number of vendor refunds and returned original checks did not decrease, suggesting the significant decrease in the total dollar amount was not due to the implementation of good internal controls. Because of the seriousness of this weakness in the department’s internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report.

The duplicate invoices for goods or services could not be explained. Vendors may have unintentionally submitted claims twice; vendors may have resubmitted original claims because they had not received prompt payment; or two separate parties involved with securing goods and services for the child (e.g., caseworkers and community services agency Assessment and Care Coordination Teams) may have each submitted the claim unaware the other party had already submitted the claim.

Implementing computer system controls would decrease duplicate payments and overpayments to vendors and reduce the staff time required to process refunds and cancel warrants.

Recommendation

The Assistant Commissioner of Fiscal and Information Systems should take appropriate measures to establish adequate internal controls that will eliminate duplicate payments. These controls should include ongoing procedures and processes to monitor the effectiveness of the controls and to ensure appropriate compliance with control procedures.

Management’s Comment

We concur. In May 1997 computer system edit changes were made to the residential, prevention and wraparound programs to check for duplicate payments. In addition, these programs have been rewritten to create a single claim form and computer operating system. Plans are being developed to incorporate the medical payment program into the standard claim program during fiscal year 1998-99. The accounting and receivable staff will be providing fiscal management detailed information indicating the reasons the original checks and the refunds are being returned to the department. Fiscal management will be able to determine in what areas additional emphasis should be placed to address problems.

Finding Number	97-DCS-05
CFDA Number	93.560
Program Name	Family Support Payments to States–Assistance Payments
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children’s Services
Grant/Contract No.	G-9604TN4007
Finding Type	Material Weakness
Questioned Costs	None

Controls over disbursements were weak

Finding

As noted in three previous audits, Children’s Services did not have sufficient controls to ensure that disbursements were properly processed. Problems included lack of supporting documentation, late payments, and insufficient approval. Examples are described below:

- **Lack of Supporting Documentation** - Because Children’s Services elected not to maintain copies of residential placement and termination forms, staff could not verify the allowability of payments made on behalf of children in residential facilities. We did, however, find all the forms at the community services agencies.
- **Late Payments** - Twenty-two of 177 payments tested (12%) were not processed timely. The payments ranged from four to 60 days late. Sixteen of 177 payments tested (9%) were not date-stamped when received; therefore, it could not be determined if the payments were timely. Section 12-4-703, *Tennessee Code Annotated*, states:

An agency which acquires property or services pursuant to a contract with a business shall pay for each completed delivered item of property or service in accordance with the provisions of the contract between the business and agency or, if no date or other provision for payment is specified by contract, within forty-five (45) days after receipt of the invoice covering the delivered items for services.

- **Insufficient Approval** - A caseworker or other knowledgeable party did not verify that goods or services had been provided to children before payments were made. Because of the seriousness of this weakness in the department’s internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report. For the Title IV-E federal program, the receipt of goods or services for 14 of 19 applicable expenditures tested (74%) was not verified, and 13 of 60 expenditures tested (22%) were not properly approved or authorized. For the Title IV-A federal program, the receipt of goods and services for 48 of 60 expenditures tested (80%) was not verified, and 46 of 60 expenditures tested (77%) were not properly approved or authorized. For the Social Services Block Grant, nine of nine applicable expenditures tested (100%) had no verification of receipt, and nine of 60 expenditures tested (15%) were not properly approved or authorized.

Effective internal controls are essential to account for government resources and to ensure that payments are appropriate. Management has the responsibility to institute control procedures that will ensure all transactions are properly authorized, supported, and processed. Management's responsibility for establishing effective internal controls includes effective supervisory review procedures to provide reasonable assurance that errors and irregularities will be detected timely. When there are no controls, payments may be made for unallowable or unreasonable goods and services.

Recommendation

Children's Services' fiscal director should take appropriate measures to strengthen the controls over the processing of disbursements. Supporting documentation should be examined before payments are made to determine if the goods or services were received and allowable under contract terms or state guidelines. The fiscal director should also ensure that proper approvals are obtained to minimize the likelihood of mistakes in processing transactions. Also, documentation should be maintained for all transactions processed, and payments should be issued timely. The internal audit unit should review the department's payment process to determine what changes need to be made to ensure timely payments and should monitor the department's timeliness in processing payments.

Management's Comment

We concur. Regional residential and detention approvers began approving all residential and detention claims beginning April, 1998. Instead of maintaining copies of the residential placement and termination forms in the fiscal office, the regional residential and detention approvers are responsible for verifying that the children are at the facilities on the dates billed and that the children are the responsibility of the department.

In the payables section, accountants are responsible for monitoring the payment status for the various types of payments. Supervisory staff are to be notified if certain payment types are delayed so appropriate action can be taken. All invoices are required to be date stamped by the fiscal mail clerk. Payables pre-audit staff have been instructed to verify that invoices are date stamped. Staff will be assigned to ensure there is a review process before payments are processed and issued. Supervisory reviews are also to be conducted to ensure standard processing procedures are followed. Staff have also been informed of the importance of knowing the location of documentation for all transactions processed.

As part of the 1997 Financial Integrity Review, a list of all contracts with no approval on the invoices or claims was prepared. Senior management have agreed to designate staff to identify DCS employees who will approve those claims and invoices before they are submitted to fiscal.

Finding Number	97-DCS-07
CFDA Number	93.560
Program Name	Family Support Payments to States–Assistance Payments
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children’s Services
Grant/Contract No.	G-9604TN4007
Finding Type	Material Weakness
Questioned Costs	None

Children’s Services does not charge the appropriate grant at the time the initial transaction is recorded, and written policies and procedures have not been developed for cash management activities

Finding

According to the Department of Finance and Administration’s Policy 20, “Recording of Federal Grant Expenditures and Revenues,” Section 20-02-203, all grant-related expenditure transactions must be coded to the appropriate grants at the time the initial transaction is recorded. However, the Department of Children’s Services pays expenditures with state dollars initially and later reallocates the expenditure to the appropriate federal grant. This reallocation process does not allow use of the accounting system to schedule reimbursement requests to avoid time lapses between drawdowns and actual disbursements of funds. During testwork on the department’s three major federal programs, the following was noted:

- Title IV-E - 59 of 59 expenditures were charged to the federal grant seven to 83 days after the initial transaction was paid with state dollars.
- SSBG - 36 of 36 expenditures were charged to the federal grant 10 to 136 days after the initial transaction was paid with state dollars.
- Title IV-A - 51 of 60 expenditures (85%) were charged to the federal grant 21 to 43 days after the initial transaction was paid with state dollars.

The department is not requesting reimbursement for federal dollars in a timely manner. As a result, the state is losing interest income on and the use of state money used to fund federal expenditures. Because of the seriousness of this lack of adequate cash management policies and procedures, a material weakness in internal controls will be reported in the 1997 Tennessee Single Audit report.

Management has not developed written policies for the following cash management activities:

- Procedures for requesting cash as close as is administratively possible to actual cash outlays.
- Procedures for redistributing payroll costs to the federal grant within 30 days of each month-end.
- Procedures for monitoring cash management activities.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should ensure written policies and procedures are developed and implemented for cash management activities. These policies

and procedures should specifically provide for charging the appropriate federal grant at the time the initial transaction is recorded and for redistributing payroll cost within 30 days of each month-end. Also, monitoring procedures should be developed to ensure the above procedures are implemented.

Management's Comment

We concur. Accounting and receivables staff have used procedures and reports issued by the Department of Finance and Administration to monitor cash management activities. The Assistant Director of Fiscal Services is developing detailed flowcharts of all activities payables, receivables and accounting staff perform. Those detailed flowcharts will be used to develop written fiscal policies and procedures. Cash management activities will be included in the flowchart design and analysis.

Receivables and accounting staff have tested and implemented a recently developed computer program system. The new system automates a major portion of the transaction processing related to federal cash draws. The system will download the STARS daily cash draw report each day, calculate the amount cash draw report for the current day plus any undrawn amounts from prior days reports. Balances calculated will be compared to funds available to be drawn on the DHHS Payment Management System (PMS). Reports will be provided to the user to manually request the funds from PMS. Journal voucher batches to record the funds drawn will be entered in STARS via an interface between the draw system and STARS. To enhance the current program, a project has been proposed to modify the system to permit the tracking of "Z" journal vouchers by the draw system until they are updated in STARS. Information to document each step in the processing will be recorded in a history file in the draw system for review or analysis. One of the daily reports generated will indicate the amounts to be drawn and/or amounts overdrawn. This report will be prepared after the generation of the daily draw request. Accounting staff will be able to monitor monthly the history and append files in the draw process for cash management compliance.

The payables staff does charge grants on STARS at the time of payment if charges to the grant do not require child specific eligibility. Supervisors in payables are reviewing the cost centers assigned to grants to ensure expenditures are keyed in STARS appropriately. Costs charged to grants based on a specific child's eligibility are paid with state funds and later reallocated to grants. The complex nature of funding costs by each child from multiple grants based on different eligibility requirements mandates an extensive and comprehensive financial management system. The Project Steering Committee is in the process of recommending the next phase of TN Kids. The comprehensive financial management system will be an important component of TN Kids. That comprehensive system will allow identification of costs to all grants before processing of payments in STARS. Fiscal and Information Resources staff are evaluating if it would be practical to develop computer programs to improve the current processing prior to developing the TN Kids comprehensive system.

The department allocates payroll and other administrative costs according to a cost allocation plan approved by DHHS. During the audit period, costs were allocated after the close of the quarter on STARS. Accounting staff are modifying the cost allocation schedules to quarterly calculate a rate for each cost center. The rate will be used to bill grants until the next quarterly cost allocation is completed and a new rate is calculated. Entries will then be recorded to adjust the costs charged to grants based on the calculated rate to actual costs allocated. Accounting staff have requested a payroll extract from the payroll system for use in the cost allocation process. Information Resources staff indicate this request will be completed very soon.

Finding Number	97-DCS-08
CFDA Number	93.560
Program Name	Family Support Payments to States–Assistance Payments
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children’s Services
Grant/Contract No.	G-9604TN4007
Finding Type	Material Weakness
Questioned Costs	None

Controls over computer programming used for payment processing are not adequate

Finding

As noted in the prior two audits, computer programming controls associated with the payment system are not adequate. Management concurred and stated that a new system would be designed and implemented to establish adequate controls.

The design and implementation of the Comprehensive Children’s Services Information System were started January 17, 1997, and were initially estimated to be completed April 1998. The expected implementation date was changed from April 1998 to August 1998 and has now been scheduled for December 1998. Until the new system is designed and implemented, programs written using dBase or Foxpro software will continue to allow a single user to modify the program, manipulate files, enter data, and prepare reports. Because of the seriousness of these inadequate computer controls, a material weakness in internal control will be reported in the 1997 Tennessee Single Audit report.

Inadequate controls over computer programming used for payment processing decrease the probability that errors or irregularities will be identified in a timely manner and increase the risk that employees will be able to inappropriately manipulate data.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should ensure controls over computer programs used for payment processing are adequate. Also, the Commissioner should continue to work with the Office for Information Resources to ensure the design and implementation deadlines for the Comprehensive Children’s Services Information System are met.

Management’s Comment

We concur. The department is developing the TN Kids system to support all major functions, including a comprehensive financial management system. The first phase, scheduled for implementation starting in December 1998, will provide a single, unduplicated child database which will be the foundation for all other functionality. This database will provide for an interface with the current payment process. TN Kids implementation issues will be addressed by the newly formed TN Kids Field Implementation Team, which includes a representative from the Fiscal section. Complete integration of this function in TN Kids will follow as directed by the department’s Management Advisory Committee (MAC). In the meantime, Information Resources and Fiscal staff have developed a Standard Claims Invoice system which has improved both the process and controls for the payment of the residential, prevention and wraparound type claims. The department will continue to use ChipFins for the payment of foster care and adoption assistance.

Finding Number 97-DHS-01
CFDA Number 93.563
Program Name Child Support Enforcement
Federal Agency Office of Child Support Enforcement, Administration for Children and Families,
Department of Health and Human Services.
State Agency Department of Human Services
Grant/Contract No. G9704TN4004
Finding Type Material Weakness, Special Tests and Provisions
Questioned Costs None

The department did not comply with Child Support Enforcement procedures

Finding

As noted in the three prior audit reports, the department did not comply with child support enforcement procedures. The Department of Human Services is the designated Child Support Enforcement Title IV-D office; however, enforcement activities are generally contracted out to district attorneys general or to private contractors. Although these agencies have day-to-day responsibility for child support enforcement, the Department of Human Services has ultimate responsibility for compliance with federal regulations. In a review of active child support cases using the Tennessee Child Support Enforcement System (TCSES), the following weaknesses were noted:

- a. Three of five cases tested (60%) did not have evidence that the alleged father was contacted. *Code of Federal Regulations*, Title 45, Section 303.5 (a)(1), states that the state must “provide an alleged father the opportunity to voluntarily acknowledge paternity.”
- b. Three of five cases tested (60%) did not have evidence that paternity was established by court order, acknowledgment, or other legal administrative process within 90 days of locating the father. *Code of Federal Regulations*, Title 45, Section 303.4 (d), states:

Within 90 calendar days of locating the alleged father or noncustodial parent, regardless of whether paternity has been established, establish an order for support or complete service of process necessary to commence proceedings to establish a support order and, if necessary, paternity (or document unsuccessful attempts to serve process, in accordance with the State's guidelines defining diligent efforts)

- c. Three of three cases tested (100%) did not have evidence that all feasible sources were used to attempt to locate the absent parent. *Code of Federal Regulations*, Title 45, Section 303.3 (b)(1), states:

The state must use appropriate location sources such as the Federal [Parent Locator Services] interstate location networks; local officials and employees administering public assistance, general assistance, medical assistance, food stamps and social services (whether such individuals are employed by the State or a political subdivision); relatives and friends of the absent parent; current or past employers;

the local telephone company; the U.S. Postal Service; financial references; unions; fraternal organizations; and police, parole, and probation records if appropriate; and State agencies and departments, as authorized by State law, including those departments which maintain records of public assistance, wages and employment, unemployment insurance, income taxation, driver's licenses, vehicle registration, and criminal records.

- d. Three of three cases tested (100%) did not have evidence that the Federal Parent Locator Service (PLS) was used within 75 days of determining that locate functions were necessary. *Code of Federal Regulations*, Title 45, Section 303.3 (b) (3), states:

Within no more than 75 calendar days of determining that location is necessary, access all appropriate location sources, including transmitting appropriate cases to the Federal PLS, and ensure that location information is sufficient to take the next appropriate action in a case.

- e. Nine of nine cases tested (100%) did not have evidence that attempts to locate absent parents were repeated quarterly or immediately upon receipt of new information. *Code of Federal Regulations*, Title 45, Section 303.3 (b)(5), states that the IV-D agency must

Repeat location attempts in cases in which previous attempts to locate absent parents or sources of income and/or assets have failed, but adequate identifying and other information exists to meet requirements for submittal for location, either quarterly or immediately upon receipt of new information which may aid in location, whichever occurs sooner.

- f. One of 17 cases tested (5.9%) did not have evidence of an attempt to establish support obligations. *Code of Federal Regulations*, Title 45, Section 303.4 (d), states:

Within 90 calendar days of locating the alleged father or noncustodial parent, regardless of whether paternity has been established, establish an order for support or complete service of process necessary to commence proceedings to establish a support order.

This error rate does not reflect the number of active cases for which a support order has not been established because the absent parent has not been located.

- g. Eleven of 40 cases tested (27.5%) were not classified correctly in TCSES:

- For one case, the unpaid balance of child support was classified as unassigned when it should have been classified as assigned.
- One case was classified as being in the establishment phase when, in fact, its support order had not been put into TCSES.

- For four cases, the case type in TCSES did not agree with information in the Automated Client Certification and Eligibility Network system.
- Five cases were classified as active open when they should have been classified as closed. One of these five cases was assigned three case numbers. Three of these five cases were opened erroneously during the system conversion process. One case was never closed although there was a court order on file directing that the case be closed.

Having the case type classified correctly in the system is essential for proper distribution of child support. Furthermore, when the active case population includes cases that are not valid or should no longer be open, a child support worker's attention can be diverted needlessly from truly active cases. When numerous case type errors exist, case workers can lose confidence in the reliability of the system.

- h. Two of 40 cases tested (5%) did not have recent support orders entered into TCSES. Failure to enter accurate support order information can cause a noncustodial parent to erroneously receive a refund from the state when child support is still due. Further, when support orders are not entered timely, arrearages cannot be calculated and child support payments cannot be credited to the noncustodial parent's account.

The failure to promptly attempt to locate absent parents, repeat location attempts as necessary, contact alleged fathers, establish paternity, establish support orders, classify cases correctly, close cases timely, and enter support orders into TCSES timely may deprive caretakers and dependent children of needed financial support or deprive the state's Temporary Assistance to Needy Families program of reimbursement of entitlement payments.

Because of the 100% error rates related to location functions, we utilized computer-assisted auditing techniques (CAATs) to analyze location attempts for the entire population of 232,884 individuals with a status of "active, not located." We concentrated on location activities we considered to be key for compliance with federal regulations such as the use of the Electronic Parent Locator Network, the Federal PLS, and the periodic cross-matches with state employment security agency databases.

No location attempts were recorded in TCSES for any of these crucial activities from at least January 31, 1996, until November 20, 1997, and the location function appears to have been disabled sometime during this period. Therefore, no key sources were used to locate absent parents, and quarterly location attempts, which at a minimum must include matching to state employment security records, were not done. When the location function was disabled in TCSES, the vast majority of judicial districts did not have access to the Federal PLS and could not perform the required search. Only the urban judicial districts, such as, Davidson, Knox, Hamilton, and Shelby, had direct access to the Federal PLS.

TCSES was programmed to perform location functions using automatic interfaces between various computer systems of different agencies. These functions should be automatically recorded on the locate diary by the system. However, as noted above, the location function in TCSES was apparently disabled. The judicial districts were apparently not notified of the need to perform manual location functions until July 1996. If manual location attempts were made, these attempts were not recorded in TCSES. *The Tennessee Child Support Enforcement System Policies and Procedures*

Manual, Chapter 3, states, “The required documentation for the case will be maintained within the system by the use of various interfaces or by manually entering information by the worker. Such documentation will consist of . . . a record of local and state location efforts including the dates and the results.”

Management concurred with the prior audit findings and stated:

One of the most important and valuable functions of the new Tennessee Child Support Enforcement System (TCSES) is the ability to conduct automated locate activities through interfaces with other data bases including the Federal Parent Locator Service. This functionality is statewide as of April 22, 1996, and ensures that non-located parents are continually matched against state and federal data bases.

However, the location function of TCSES was not operational at all during the audit period.

Recommendation

The Director of Child Support should ensure that all available sources are used to locate absent parents, and if attempts are unsuccessful, location attempts should be repeated at least quarterly or immediately upon receipt of new information. The director should ensure that alleged fathers are contacted and paternity is established within 90 days after locating the alleged father and that an attempt is made to establish the necessary support obligations. Further, the director should ensure that all cases on TCSES are classified correctly and that all support orders are entered into TCSES in a timely manner.

Management’s Comment

We concur. The department’s response to each noted weakness follows:

- 1a. An RFP (Request for Proposal) to contract efforts for voluntary acknowledgment of paternity has been released and proposals are due May 29, 1998, with the anticipation of having a contract in place effective July 1, 1998. The contract will support efforts to ensure information is available to all birthing institutions. All birthing institutions and local child support staff will be trained on these procedures. This should ensure that all alleged fathers have the opportunity to voluntarily acknowledge paternity.
- 1b. Information and policy training will emphasize the requirement to establish paternity within 90 days of location of the father.
- 1c. The importance of locate interfaces is recognized and will continue to be a major emphasis in the program. The state reactivated the locate interfaces as of November 24, 1997. Locate was activated by districts with the expectation that all districts will be activated by May 27, 1998.
- 1d. Once the district is activated for locate, cases will be sent to FPLS after the 61st day but before the 75th day if not located within the first 60 days of needing locate.
- 1e. With the activation of the locate function, locate will be attempted quarterly or when new information is made available.

- 1f. We will ensure policy enforces this requirement and will provide training quarterly or at annual child support conferences or through area coordinators or through all these means or otherwise as appropriate.
- 1g. We recognize the importance of correct classification in TCSES. TCSES will have a long-term case type change cleanup beginning June 1998. The cleanup effort is intended to correct case types on those cases that are incorrect and have not been manually corrected. The result should be appropriate case types and appropriate assigned and unassigned arrears periods. In addition, we will complete training regarding the importance of timely entry of orders and promptly loading orders and taking actions per orders.
- 1h. This will be addressed through policy and training.

Finding Number 97-DHS-02
CFDA Number 93.563
Program Name Child Support Enforcement
Federal Agency Office of Child Support Enforcement, Administration for Children and Families,
Department of Health and Human Services.
State Agency Department of Human Services
Grant/Contract No. G9704TN4004
Finding Type Material Weakness, Special Tests and Provisions
Questioned Costs None

**The department did not comply with federal regulations concerning
the distribution of child support payments**

Finding

As noted in the three prior audit reports, the department did not comply with federal regulations concerning the timeliness of distribution of child support payments. The department concurred with the prior audit findings and stated that the new child support system (TCSES), when implemented, would resolve these problems. However, as discussed in finding one, the new child support system was not fully operational during the audit period.

The *Code of Federal Regulations*, Title 45, Section 302.32(f)(2)(iv), requires that intercepted federal income tax refunds be sent to the caretaker or the Temporary Assistance to Needy Families (TANF) agency (formerly Aid to Families with Dependent Children), as appropriate, “within 30 calendar days of the date of initial receipt by the IV-D agency.” Twenty-one of 23 intercepted IRS tax refunds reviewed (91%) were remitted to the caretaker late, reimbursed to the TANF agency late, or not processed at all. These payments were remitted from three to 436 days late as of December 9, 1997. Many of the tax intercepts were processed using the old Child Support Management System (CSMS) or were processed manually because the new TCSES system was not yet able to process tax intercepts.

In addition, we contacted the local child support enforcement offices to determine whether or not the local office had records that the tax intercepts had taken place and whether the non-custodial parents’ arrearage balances had been properly adjusted to reflect the intercepted funds. Two of 23 district offices (9%) replied that they had no record that the intercepts had occurred, and 16 (70%) replied that the arrears had not been adjusted to reflect the intercepted funds. The *Code of Federal Regulations*, Title 45, Section 303.102 (g)(3)(iv), states that “the State must credit amounts offset on individual payment records.”

Failure to distribute child support payments in a timely manner deprives caretakers and their children of needed child support. Furthermore, failure to reimburse the TANF program in a timely manner may cause fewer clients to receive the TANF benefits they are entitled to. Failure to account for funds received and to promptly update case records creates unreliable financial records. When tax intercepts are not properly and promptly recorded, the child support enforcement office may continue to pursue collection of debts that have already been satisfied, causing noncustodial parents considerable frustration and needlessly wasting scarce child support enforcement resources.

Recommendation

The Director of Child Support should comply with federal regulations for the child support enforcement program and ensure funds are distributed timely to caretakers and the TANF program. In addition, the Director of Child Support should ensure that case records are updated to reflect the changes in arrearage balances. Management should continue to work with the contractor to fully implement the TCSES system and ensure that all components of the system are operable. Until the new child support system is fully implemented, the department should employ an effective alternative method to ensure the timely distribution of these funds and to ensure that arrearage balances are updated promptly and accurately.

Management's Comment

We concur. TCSES became fully implemented statewide October 1, 1997, and the IRS process is functional. However, prior to full implementation, it was necessary to certify some IRS intercept cases from the Child Support Management System (CSMS) and some from the new TCSES system. Consequently, we have processing barriers to clear on TCSES for distribution of IRS intercept cases certified on CSMS. Case review and clean-up, plus confirmation of arrearage balances, must be performed prior to processing these cases. Unfortunately, this is a time-consuming process. However, future IRS intercept processes will be performed on TCSES and the distribution activities should meet the federal requirements. In future periods, system arrears balances on cases will be adjusted by TCSES to reflect intercepted amounts once the collection is processed.

Finding Number	97-DCS-01
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.	Various
Finding Type	Reportable Condition
Questioned Costs	None

**Disbursements on the schedule of expenditures of federal awards
were not reconciled with federal reports**

Finding

A reconciliation of disbursements to federal reports was not prepared by the department. The auditor requested the reconciliation on October 29, 1997. As of December 2, 1997, the reconciliation had not been received.

Recommendation

The department should perform the reconciliation to ensure that federal reports are in agreement with the schedule of expenditures of federal awards.

Management’s Comment

We concur. Current procedures are being developed to facilitate the reconciliation of expenditures reported on federal quarterly reports and the Federal Financial Assistance Schedule/ Supplementary Information Schedule was not prepared. The reconciliation will be done by accounting staff.

At the present time, the accounting staff prepares quarterly federal reports from the monthly STARS Grant Status Report (AG05B829). This STARS report includes grant balances (state and federal shares) from inception to date for the monthly closing. The grant balance per this report for last month of the prior quarter is subtracted from the grant balance of the last month of the current quarter to arrive at the total grant transactions for the quarter. The total grant transactions plus any adjustments document processing timing differs are reported in the federal reports submitted to the Federal Government.

The Federal Financial Assistance Schedule is prepared from the STARS Grant Activity Report (AG05B830) which is produced monthly. This report includes only the federal portion of the cash transactions for the grant for the current fiscal year. Each fiscal year end the June 30, 19XX preliminary report produced by STARS nearest to the cutoff for submission of the Federal Financial Assistance Schedule is used to prepare the schedule. Any transactions not updated in STARS at the time the preliminary report is run are shown as reconciling items. The same process is use to develop the Supplementary information Schedule for SSBG and IVA Emergency Assistance submitted to DHS. The Supplementary Information Schedule is used to report expenditures for SSBG to DHS for their annual Report.

Because the final federal quarterly report for the state fiscal year is submitted at the end of July and the Federal Financial Assistance Schedule is submitted in September, there are transactions

processed in STARS included in the Federal Financial Assistance Schedule that were not included in the federal quarterly report submitted in July. Because these federal quarterly reports are prepared from the STARS Grant Status Report (includes grant expenditures balance inception to date), these transactions are included in the report for the subsequent quarter as a prior quarter adjustment. A reconciliation for these timing difference between STARS processing dates for the federal quarterly report and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared.

As stated earlier, current procedures are being developed to facilitate the reconciliation of expenditures reported on federal quarterly reports and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared. The reconciliation will be done by accounting staff.

Finding Number	97-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.	Various
Finding Type	Material Weakness
Questioned Costs	None

Duplicate payments and overpayments of approximately \$451,000 were made to vendors

Finding

As noted in three previous audits, the Department of Children’s Services (Children’s Services) issued many duplicate payments and overpayments to vendors for goods and services provided to children. During fiscal year 1997, vendors voluntarily made over 844 refunds totaling approximately \$369,000 and returned 254 original checks totaling approximately \$82,000. The total dollar amount of duplicate payments and overpayments is significantly lower than the total in prior findings. However, the total number of vendor refunds and returned original checks did not decrease, suggesting the significant decrease in the total dollar amount was not due to the implementation of good internal controls. Because of the seriousness of this weakness in the department’s internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report.

The duplicate invoices for goods or services could not be explained. Vendors may have unintentionally submitted claims twice; vendors may have resubmitted original claims because they had not received prompt payment; or two separate parties involved with securing goods and services for the child (e.g., caseworkers and community services agency Assessment and Care Coordination Teams) may have each submitted the claim unaware the other party had already submitted the claim.

Implementing computer system controls would decrease duplicate payments and overpayments to vendors and reduce the staff time required to process refunds and cancel warrants.

Recommendation

The Assistant Commissioner of Fiscal and Information Systems should take appropriate measures to establish adequate internal controls that will eliminate duplicate payments. These controls should include ongoing procedures and processes to monitor the effectiveness of the controls and to ensure appropriate compliance with control procedures.

Management’s Comment

We concur. In May 1997 computer system edit changes were made to the residential, prevention and wraparound programs to check for duplicate payments. In addition, these programs have now been rewritten to create a single claim form and computer operating system. Plans are being developed to incorporate the medical payment program into the standard claim program during fiscal year 1998-99. The accounting and receivable staff will be providing fiscal management detailed information indicating the reasons why the original checks and the refunds are being returned to the department. Fiscal management will be able to determine in what areas additional emphasis should be placed to address problems.

Finding Number	97-DCS-04
CFDA Number	93.658
Program Name	Foster Care–Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children’s Services
Grant/Contract No.	Various
Finding Type	Material Weakness, Allowable Costs/Cost Principles
Questioned Costs	\$771,746.48

The department has no formal procedures to identify and collect overpayments—uncollected overpayments totaling at least \$1,274,441.12 are due from foster care and adoption assistance parents, and overpayments to other vendors are not determinable

Finding

As noted in three previous audits, Children’s Services still has no formal procedures for identifying and collecting overpayments to foster care and adoption assistance parents and to vendors. Because of the seriousness of this weakness in the department’s internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report.

Throughout the audit period, Children’s Services overpaid foster care and adoption assistance parents. As of August 1997, the department’s records indicated an outstanding accounts receivable balance for these parents totaling \$1,274,441.12, an increase of \$469,343.50 since December 1996. Although, approximately \$300,000 of this amount is for current foster care and adoption assistance to parents who still receive monthly payments, the department has not reduced subsequent payments to the parents to collect the overpayments. In addition, there is nothing on the remittance advice informing the foster care or adoption assistance parent of the accounts receivable balance and when and to whom it should be remitted.

Some procedures have been implemented to help identify overpayments to foster parents. When a child is removed from a foster home, the Department of Children’s Services’ caseworker is supposed to enter this status change directly into the Children’s Plan Financial Information System (ChipFins). If the information is not entered, payments will continue until the caseworker enters new foster home placement information. Therefore, if a child is removed from a foster home and placed into a residential facility, the foster parents in the original placement will continue to receive semimonthly foster care payments until the department is notified by the foster parent or caseworker of the overpayment. However, as noted in finding 6, status changes for foster children are not entered into ChipFins promptly, resulting in overpayments.

In addition to parents, vendors were also overpaid. Many of these overpayments were collected only because the vendor returned the original check or sent a refund to the state, not because the department’s system detected these overpayments. The department’s method of collecting identified overpayments is to reduce subsequent payments to the vendor until the balance is recovered. However, if the vendor does not receive subsequent payments, the department has no procedures in place to collect the overpayments. The accounts receivable balance for overpayments made to vendors could not be determined because complete information was not available from Children’s Services’ computer systems.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should determine the accounts receivable due from all vendors. The commissioner should develop adequate collection procedures and determine how the collection of outstanding balances resulting from overpayments to foster care and adoption assistance parents will be pursued. The Commissioner should add a clause to foster care contracts clarifying the foster parents' responsibility to immediately notify the department and to immediately return the checks if any overpayments are received.

Management's Comment

We concur. In the Fall of 1997 letters were sent to about 1,000 former foster care parents who were overpaid \$565,000 in the CITS foster care parents payment system. This system ended in early 1995 and the accounts receivable in the system were not transferred to ChipFins when it became operational in early 1995.

The CITS foster parents were notified that our records showed they have an accounts receivable balance. We asked them to share information with us if they did not agree with this overpayment on our records. If they agreed with the overpayment, they were asked to send us a check for the amount of the overpayment or agree to a repayment plan. Fiscal and Information Resources staff were able to generate a report from the CITS system showing the source of the overpayment by child for each foster care parent who had a CITS accounts receivable balance. Over 400 letters from CITS foster parents requesting more information were sent to fiscal which have been researched, answered or referred to program staff, where appropriate. As of May 28, 1998, 12 have agreed to repay \$7,129.62; 104 have repaid their full balance of \$24,790.51; 22 have made partial payments of \$16,051.44; 18 have set up a payment plan to repay \$14,079.33; 15 submitted information supporting adjustments of \$5,710.94 and 19 submitted information supporting partial adjustments of \$12,309.15. Work on this project is ongoing.

A DCS policy on overpayments made to DCS adoption assistance parents was drafted and approved this year. An amendment to the IV-E plan was sent to the Atlanta regional office which would permit the department to recover overpayments from adoption assistance parents without first having their written approval. The ChipFins system does not have the capability of generating a report from the ChipFins system showing the source of overpayment by child for each foster care or adoption assistance parent who has a ChipFins account receivable balance. That information will have to be compiled manually on a case-by-case basis by two payables staff with ChipFins experience. They will begin with adoption assistance parents with large account receivable balances. As those statements are prepared they will be sent to the adoption assistance parents with a letter advising them of their account receivable balance and giving them a specified time to respond to us. Fiscal staff will begin withholding a portion of the adoption assistance payments to recover the overpayment.

Effective July 1, 1998 the ChipFins program will withhold 50% of the foster care payment for a current ChipFins foster parent with a ChipFins accounts receivable balance.

The remittance advice has been modified. The remittance advice now shows the current balance due and gives an address where correspondence should be sent and a telephone number.

In the Spring of 1997 fiscal staff began giving a monthly report to program staff that shows the DCS foster care home placements on a county basis. Each region is responsible for verifying that

report and sending any corrections to program and fiscal staff. There is a central office program staff employee assigned to oversee this process. During late 1997 and early 1998, residential case managers for DCS foster children were trained on entering information themselves directly into ChipFins rather than have another employee key the information.

Information about overpayments is being sent to receivables staff. The receivables staff are responsible for notifying the vendor of the overpayment and monitoring the status of accounts receivable.

Foster care contracts will be amended to include a clause clarifying foster parents responsibilities to notify the department and to return checks when there is an overpayment. This information will also be added to the foster parent handbook.

Finding Number	97-DCS-05
CFDA Number	93.658
Program Name	Foster Care–Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children’s Services
Grant/Contract No.	Various
Finding Type	Material Weakness
Questioned Costs	None

Controls over disbursements were weak

Finding

As noted in three previous audits, Children’s Services did not have sufficient controls to ensure that disbursements were properly processed. Problems included lack of supporting documentation, late payments, and insufficient approval. Examples are described below:

- Lack of Supporting Documentation - Because Children’s Services elected not to maintain copies of residential placement and termination forms, staff could not verify the allowability of payments made on behalf of children in residential facilities. We did, however, find all the forms at the community services agencies.
- Late Payments - Twenty-two of 177 payments tested (12%) were not processed timely. The payments ranged from four to 60 days late. Sixteen of 177 payments tested (9%) were not date-stamped when received; therefore, it could not be determined if the payments were timely. Section 12-4-703, *Tennessee Code Annotated*, states:

An agency which acquires property or services pursuant to a contract with a business shall pay for each completed delivered item of property or service in accordance with the provisions of the contract between the business and agency or, if no date or other provision for payment is specified by contract, within forty-five (45) days after receipt of the invoice covering the delivered items for services.

- Insufficient Approval - A caseworker or other knowledgeable party did not verify that goods or services had been provided to children before payments were made. Because of the seriousness of this weakness in the department’s internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report. For the Title IV-E federal program, the receipt of goods or services for 14 of 19 applicable expenditures tested (74%) was not verified, and 13 of 60 expenditures tested (22%) were not properly approved or authorized. For the Title IV-A federal program, the receipt of goods and services for 48 of 60 expenditures tested (80%) was not verified, and 46 of 60 expenditures tested (77%) were not properly approved or authorized. For the Social Services Block Grant, nine of nine applicable expenditures tested (100%) had no verification of receipt, and nine of 60 expenditures tested (15%) were not properly approved or authorized.

Effective internal controls are essential to account for government resources and to ensure that payments are appropriate. Management has the responsibility to institute control procedures that will

ensure all transactions are properly authorized, supported, and processed. Management's responsibility for establishing effective internal controls includes effective supervisory review procedures to provide reasonable assurance that errors and irregularities will be detected timely. When there are no controls, payments may be made for unallowable or unreasonable goods and services.

Recommendation

Children's Services' fiscal director should take appropriate measures to strengthen the controls over the processing of disbursements. Supporting documentation should be examined before payments are made to determine if the goods or services were received and allowable under contract terms or state guidelines. The fiscal director should also ensure that proper approvals are obtained to minimize the likelihood of mistakes in processing transactions. Also, documentation should be maintained for all transactions processed, and payments should be issued timely. The internal audit unit should review the department's payment process to determine what changes need to be made to ensure timely payments and should monitor the department's timeliness in processing payments.

Management's Comment

We concur. Regional residential and detention approvers began approving all residential and detention claims beginning April, 1998. Instead of maintaining copies of the residential placement and termination forms in the fiscal office, the regional residential and detention approvers are responsible for verifying that the children are at the facilities on the dates billed and that the children are the responsibility of the department.

In the payables section, accountants are responsible for monitoring the payment status for the various types of payments. Supervisory staff are to be notified if certain payment types are delayed so appropriate action can be taken. All invoices are required to be date stamped by the fiscal mail clerk. Payables pre-audit staff have been instructed to verify that invoices are date stamped. Staff will be assigned to ensure there is a review process before payments are processed and issued. Supervisory reviews are also to be conducted to ensure standard processing procedures are followed. Staff have also been informed of the importance of knowing the location of documentation for all transactions processed.

As part of the 1997 Financial Integrity Review, a list of all contracts with no approval on the invoices or claims was prepared. Senior management have agreed to designate staff to identify DCS employees who will approve those claims and invoices before they are submitted to fiscal.

Finding Number	97-DCS-07
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.	Various
Finding Type	Material Weakness
Questioned Costs	None

Children’s Services does not charge the appropriate grant at the time the initial transaction is recorded, and written policies and procedures have not been developed for cash management activities

Finding

According to the Department of Finance and Administration’s Policy 20, “Recording of Federal Grant Expenditures and Revenues”, Section 20-02-203, all grant-related expenditure transactions must be coded to the appropriate grant(s) at the time the initial transaction is recorded. However, the Department of Children’s Services pays expenditures with state dollars initially and later reallocates the expenditure to the appropriate federal grant. This reallocation process does not allow use of the accounting system to schedule reimbursement requests to avoid time lapses between drawdowns and actual disbursements of funds. During testwork on the department’s three major federal programs, the following was noted:

- Title IV-E - 59 of 59 expenditures were charged to the federal grant seven to 83 days after the initial transaction was paid with state dollars.
- SSBG - 36 of 36 expenditures were charged to the federal grant 10 to 136 days after the initial transaction was paid with state dollars.
- Title IV-A - 51 of 60 expenditures (85%) were charged to the federal grant 21 to 43 days after the initial transaction was paid with state dollars.

The department is not requesting reimbursement for federal dollars in a timely manner. As a result, the state is losing interest income on and the use of state money used to fund federal expenditures. Because of the seriousness of this lack of adequate cash management policies and procedures, a material weakness in internal controls will be reported in the 1997 Tennessee Single Audit report.

Management has not developed written policies for the following cash management activities:

- Procedures for requesting cash as close as is administratively possible to actual cash outlays.
- Procedures for redistributing payroll costs to the federal grant within 30 days of each month-end.
- Procedures for monitoring cash management activities.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should ensure written policies and procedures are developed and implemented for cash management activities. These policies

and procedures should specifically provide for charging the appropriate federal grant at the time the initial transaction is recorded and for redistributing payroll cost within 30 days of each month-end. Also, monitoring procedures should be developed to ensure the above procedures are implemented.

Management's Comment

We concur. Accounting and receivables staff have used procedures and reports issued by the Department of Finance and Administration to monitor cash management activities. The Assistant Director of Fiscal Services is developing detailed flowcharts of all activities payables, receivables and accounting staff perform. Those detailed flowcharts will be used to develop written fiscal policies and procedures. Cash management activities will be included in the flowchart design and analysis.

Receivables and accounting staff have tested and implemented a recently developed computer program system. The new system automates a major portion of the transaction processing related to federal cash draws. The system will download the STARS daily cash draw report each day, calculate the amount cash draw report for the current day plus any undrawn amounts from prior days reports. Balances calculated will be compared to funds available to be drawn on the DHHS Payment Management System (PMS). Reports will be provided to the user to manually request the funds from PMS. Journal voucher batches to record the funds drawn will be entered in STARS via an interface between the draw system and STARS. To enhance the current program, a project has been proposed to modify the system to permit the tracking of "Z" journal vouchers by the draw system until they are updated in STARS. Information to document each step in the processing will be recorded in a history file in the draw system for review or analysis. One of the daily reports generated will indicate the amounts to be drawn and/or amounts overdrawn. This report will be prepared after the generation of the daily draw request. Accounting staff will be able to monitor monthly the history and append files in the draw process for cash management compliance.

The payables staff does charge grants on STARS at the time of payment if charges to the grant do not require child specific eligibility. Supervisors in payables are currently reviewing the cost centers assigned to grants to ensure expenditures are being keyed in STARS appropriately. Costs charged to grants based on a specific child's eligibility are paid with state funds and later reallocated to grants. The complex nature of funding costs by each child from multiple grants based on different eligibility requirements mandates an extensive and comprehensive financial management system. The Project Steering Committee is in the process of recommending the next phase of TN Kids. The comprehensive financial management system will be an important component of TN Kids. That comprehensive system will allow identification of costs to all grants before processing of payments in STARS. Fiscal and Information Resources staff are evaluating if it would be practical to develop computer programs to improve the current processing prior to developing the TN Kids comprehensive financial management system.

The department allocates payroll and other administrative costs according to a cost allocation plan approved by DHHS. During the audit period, costs were allocated after the close of the quarter on STARS. Accounting staff are modifying the cost allocation schedules to quarterly calculate a rate for each cost center. The rate will be used to bill grants until the next quarterly cost allocation is completed and a new rate is calculated. Entries will then be recorded to adjust the costs charged to grants based on the calculated rate to actual costs allocated. Accounting staff have requested a payroll extract from the Payroll System for use in the cost allocation process. Information Resources staff indicate this request will be completed very soon.

Finding Number	97-DCS-08
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.	Various
Finding Type	Material Weakness
Questioned Costs	None

Controls over computer programming used for payment processing are not adequate

Finding

As noted in the prior two audits, computer programming controls associated with the payment system are not adequate. Management concurred and stated that a new system would be designed and implemented to establish adequate controls.

The design and implementation of the Comprehensive Children’s Services Information System were started January 17, 1997, and were initially estimated to be completed April 1998. The expected implementation date was changed from April 1998 to August 1998 and has now been scheduled for implementation in December 1998. Until the new system is designed and implemented, programs written using dBase or Foxpro software will continue to allow a single user to modify the program, manipulate files, enter data, and prepare reports. Because of the seriousness of these inadequate computer controls, a material weakness in internal controls will be reported in the 1997 Tennessee Single Audit report.

Inadequate controls over computer programming used for payment processing decrease the probability that errors or irregularities will be identified in a timely manner and increase the risk that employees will be able to inappropriately manipulate data.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should ensure controls over computer programs used for payment processing are adequate. Also, the Commissioner should continue to work with the Office for Information Resources to ensure the design and implementation deadlines for the Comprehensive Children’s Services Information System are met.

Management’s Comment

We concur. The department is developing the TN Kids system to support all major functions, including a comprehensive financial management system. The first phase, scheduled for implementation starting in December 1998, will provide a single, unduplicated child database which will be the foundation for all other functionality. This database will provide for an interface with the current payment process. TN Kids implementation issues will be addressed by the newly formed TN Kids Field Implementation Team, which includes a representative from the Fiscal section. Complete integration of this function in TN Kids will follow as directed by the department’s Management Advisory Committee (MAC). In the meantime, Information Resources and Fiscal staff have developed a Standard Claims Invoice system which has improved both the process and controls for the payment of the residential, prevention and wraparound type claims. The department will continue to use ChipFins for the payment of foster care and adoption assistance.

Finding Number	97-DCS-09
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.	Various
Finding Type	Reportable Condition, Allowable Costs/Cost Principles
Questioned Costs	\$5,237.66

Procedures related to funding payments with Title IV-E grant funds need improvement

Finding

As noted in two previous audits, Children’s Services needs to improve procedures used to determine which payments made on behalf of children in state custody can be funded with federal Title IV-E Foster Care funds.

Children’s Services purchases goods and services (such as room and board, clothing, and medical treatment) for these children. Payments are initially funded with state funds but are later reallocated to various federal programs when staff verify the expenditures were made for eligible children. However, reallocations have not been timely.

A child’s eligibility for the Title IV-E program is determined by a Child Welfare Benefits Counselor stationed at a regional community services agency (CSA) office. When a child is brought into the state’s custody through a CSA, the counselor completes an Eligibility/Reimbursability form (FA-0846) which is submitted to Children’s Services. This form contains general information about the child (such as name, social security number, date of birth), the child’s legal status, the child’s eligibility for Title IV-E, and the child’s reimbursability for Title IV-E (which is determined each month). The child’s eligibility is redetermined every six months, and an updated form is sent to Children’s Services indicating which of the prior six months the child was eligible.

Once Children’s Services receives the eligibility information, it is keyed into an eligibility file. However, this eligibility file is not necessarily accurate (possibly because of keying errors). Therefore, errors in eligibility and reimbursability status occur. Of the 59 expenditures tested that were funded with Title IV-E funds, three expenditures (5.08%) were paid on behalf of children ineligible for the Title IV-E funds. Also, two expenditures were paid on behalf of children who were not reimbursable under the program during the time the expenditure was incurred. These payments, totaling \$5,237.66, are included in the Schedule of Findings and Questioned Costs in the Single Audit Report for the year ended June 30, 1997. As of October 22, 1997, ChipFins had not been corrected and continued to show all five children eligible and reimbursable during the period the expenditures were incurred.

Recommendation

The fiscal director of Children’s Services should ensure that the eligibility/reimbursability status of a child on ChipFins is consistent with the information in the case files and that federal drawdowns are adjusted for any inappropriately funded payments.

Management's Comment

We concur. The cases cited in the audit finding have been corrected in the ChipFins IV-E on-line system to reflect the information in the child's IV-E case file. The automated ChipFins IV-E on-line system became operational on March 1, 1997. Child Welfare Benefits Counselors (CWBC's) began keying the child's IV-E status directly into ChipFins after completing and filing the appropriate IV-E forms in the child's case file. The current caseload is to be keyed into the ChipFins IV-E on-line system by the end of this fiscal year. The child's IV-E status is available to the Fiscal Section through the ChipFins IV-E on-line system.

At each child's IV-E redetermination, the Child Welfare Benefits Counselors (CWBC's) are required to update the ChipFins IV-E on-line system so that the ChipFins data will correspond to information in the IV-E case files. As stated earlier, the child IV-E data is keyed into the ChipFins IV-E on-line system by Child Welfare Benefits Counselors (CWBC's) who are knowledgeable about the child's IV-E eligible and/or reimbursable status as well as Title IV-E policy.

All Child Welfare Benefits Counselors (CWBC's) and benefits supervisors receive training on the use of the ChipFins IV-E on-line system. In addition, there is a ChipFins IV-E On-line Manual available for on-going review. Benefits supervisors are to regularly review IV-E case files and are to monitor the IV-E data being entered into the ChipFins IV-E on-line system by the Child Welfare Benefits Counselors (CWBC's). This is to ensure the data in the ChipFins IV-E on-line system and the information in the counselor's case files is accurate and consistent.

The payments totaling \$5,237.66 for children who were not IV-E reimbursable will be adjusted on the next IV-E-12 federal report for the quarter ending June 30, 1998. This adjustment process has been approved by the federal regional staff.

Finding Number	97-DCS-01
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.	Various
Finding Type	Reportable Condition
Questioned Costs	None

**Disbursements on the schedule of expenditures of federal awards
were not reconciled with federal reports**

Finding

A reconciliation of disbursements to federal reports was not prepared by the department. The auditor requested the reconciliation on October 29, 1997. As of December 2, 1997, the reconciliation has not been received.

Recommendation

The department should perform the reconciliation to ensure that federal reports are in agreement with the schedule of expenditures of federal awards.

Management's Comment

We concur. Current procedures are being developed to facilitate the reconciliation of expenditures reported on federal quarterly reports and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared. The reconciliation will be done by accounting staff.

At the present time, the accounting staff prepares quarterly federal reports from the monthly STARS Grant Status Report (AG05B829). This STARS report includes grant balances (state and federal shares) from inception to date for the monthly closing. The grant balance per this report for last month of the prior quarter is subtracted from the grant balance of the last month of the current quarter to arrive at the total grant transactions for the quarter. The total grant transactions plus any adjustments document processing timing differs are reported in the federal reports submitted to the Federal Government.

The Federal Financial Assistance Schedule is prepared from the STARS Grant Activity Report (AG05B830) which is produced monthly. This report includes only the federal portion of the cash transactions for the grant for the current fiscal year. Each fiscal year end the June 30, 19XX preliminary report produced by STARS nearest to the cutoff for submission of the Federal Financial Assistance Schedule is used to prepare the schedule. Any transactions not updated in STARS at the time the preliminary report is run are shown as reconciling items. The same process is use to develop the Supplementary information Schedule for SSBG and IVA Emergency Assistance submitted to DHS. The Supplementary Information Schedule is used to report expenditures for SSBG to DHS for their annual Report.

Because the final federal quarterly report for the state fiscal year is submitted at the end of July and the Federal Financial Assistance Schedule is submitted in September, there are transactions

processed in STARS included in the Federal Financial Assistance Schedule that were not included in the federal quarterly report submitted in July. Because these federal quarterly reports are prepared from the STARS Grant Status Report (includes grant expenditures balance inception to date), these transactions are included in the report for the subsequent quarter as a prior quarter adjustment. A reconciliation for these timing difference between STARS processing dates for the federal quarterly report and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared.

As stated earlier, current procedures are being developed to facilitate the reconciliation of expenditures reported on federal quarterly reports and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared. The reconciliation will be done by accounting staff.

Finding Number	97-DCS-03
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.	Various
Finding Type	Material Weakness
Questioned Costs	None

Duplicate payments and overpayments of approximately \$451,000 were made to vendors

Finding

As noted in three previous audits, the Department of Children's Services (Children's Services) issued many duplicate payments and overpayments to vendors for goods and services provided to children. During fiscal year 1997, vendors voluntarily made over 844 refunds totaling approximately \$369,000 and returned 254 original checks totaling approximately \$82,000. The total dollar amount of duplicate payments and overpayments is significantly lower than the total in prior findings. However, the total number of vendor refunds and returned original checks did not decrease, suggesting the significant decrease in the total dollar amount was not due to the implementation of good internal controls. Because of the seriousness of this weakness in the department's internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report.

The duplicate invoices for goods or services could not be explained. Vendors may have unintentionally submitted claims twice; vendors may have resubmitted original claims because they had not received prompt payment; or two separate parties involved with securing goods and services for the child (e.g., caseworkers and community services agency Assessment and Care Coordination Teams) may have each submitted the claim unaware the other party had already submitted the claim.

Implementing computer system controls would decrease duplicate payments and overpayments to vendors and reduce the staff time required to process refunds and cancel warrants.

Recommendation

The Assistant Commissioner of Fiscal and Information Systems should take appropriate measures to establish adequate internal controls that will eliminate duplicate payments. These controls should include ongoing procedures and processes to monitor the effectiveness of the controls and to ensure appropriate compliance with control procedures.

Management's Comment

We concur. In May 1997 computer system edit changes were made to the residential, prevention and wraparound programs to check for duplicate payments. In addition, these programs have now been rewritten to create a single claim form and computer operating system. Plans are being developed to incorporate the medical payment program into the standard claim program during fiscal year 1998-99. The accounting and receivable staff will be providing fiscal management detailed information indicating the reasons why the original checks and the refunds are being returned to the department. Fiscal management will be able to determine in what areas additional emphasis should be placed to address problems.

Finding Number	97-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.	Various
Finding Type	Material Weakness, Allowable Costs/Cost Principles
Questioned Costs	\$56,640.25

The department has no formal procedures to identify and collect overpayments—uncollected overpayments totaling at least \$1,274,441.12 are due from foster care and adoption assistance parents, and overpayments to other vendors are not determinable

Finding

As noted in three previous audits, Children's Services still has no formal procedures for identifying and collecting overpayments to foster care and adoption assistance parents and to vendors. Because of the seriousness of this weakness in the department's internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report.

Throughout the audit period, Children's Services overpaid foster care and adoption assistance parents. As of August 1997, the department's records indicated an outstanding accounts receivable balance for these parents totaling \$1,274,441.12, an increase of \$469,343.50 since December 1996. Although, approximately \$300,000 of this amount is for current foster care and adoption assistance to parents who still receive monthly payments, the department has not reduced subsequent payments to the parents to collect the overpayments. In addition, there is nothing on the remittance advice informing the foster care or adoption assistance parent of the accounts receivable balance and when and to whom it should be remitted.

Some procedures have been implemented to help identify overpayments to foster parents. When a child is removed from a foster home, the Department of Children's Services' caseworker is supposed to enter this status change directly into the Children's Plan Financial Information System (ChipFins). If the information is not entered, payments will continue until the caseworker enters new foster home placement information. Therefore, if a child is removed from a foster home and placed into a residential facility, the foster parents in the original placement will continue to receive semimonthly foster care payments until the department is notified by the foster parent or caseworker of the overpayment. However, as noted in finding 6, status changes for foster children are not entered into ChipFins promptly, resulting in overpayments.

In addition to parents, vendors were also overpaid. Many of these overpayments were collected only because the vendor returned the original check or sent a refund to the state, not because the department's system detected these overpayments. The department's method of collecting identified overpayments is to reduce subsequent payments to the vendor until the balance is recovered. However, if the vendor does not receive subsequent payments, the department has no procedures in place to collect the overpayments. The accounts receivable balance for overpayments made to vendors could not be determined because complete information was not available from Children's Services' computer systems.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should determine the accounts receivable due from all vendors. The commissioner should develop adequate collection procedures and determine how the collection of outstanding balances resulting from overpayments to foster care and adoption assistance parents will be pursued. The Commissioner should add a clause to foster care contracts clarifying the foster parents' responsibility to immediately notify the department and to immediately return the checks if any overpayments are received.

Management's Comment

We concur. In the Fall of 1997 letters were sent to about 1,000 former foster care parents who were overpaid \$565,000 in the CITS foster care parents payment system. This system ended in early 1995 and the accounts receivable in the system were not transferred to ChipFins when it became operational in early 1995.

The CITS foster parents were notified that our records showed they have an accounts receivable balance. We asked them to share information with us if they did not agree with this overpayment on our records. If they agreed with the overpayment, they were asked to send us a check for the amount of the overpayment or agree to a repayment plan. Fiscal and Information Resources staff were able to generate a report from the CITS system showing the source of the overpayment by child for each foster care parent who had a CITS accounts receivable balance. Over 400 letters from CITS foster parents requesting more information were sent to fiscal which have been researched, answered or referred to program staff, where appropriate. As of May 28, 1998, 12 have agreed to repay \$7,129.62; 104 have repaid their full balance of \$24,790.51; 22 have made partial payments of \$16,051.44; 18 have set up a payment plan to repay \$14,079.33; 15 submitted information supporting adjustments of \$5,710.94 and 19 submitted information supporting partial adjustments of \$12,309.15. Work on this project is ongoing.

A DCS policy on overpayments made to DCS adoption assistance parents was drafted and approved this year. An amendment to the IV-E plan was sent to the Atlanta regional office which would permit the department to recover overpayments from adoption assistance parents without first having their written approval. The ChipFins system does not have the capability of generating a report from the ChipFins system showing the source of overpayment by child for each foster care or adoption assistance parent who has a ChipFins account receivable balance. That information will have to be compiled manually on a case-by-case basis by two payables staff with ChipFins experience. They will begin with adoption assistance parents with large account receivable balances. As those statements are prepared they will be sent to the adoption assistance parents with a letter advising them of their account receivable balance and giving them a specified time to respond to us. Fiscal staff will begin withholding a portion of the adoption assistance payments to recover the overpayment.

Effective July 1, 1998 the ChipFins program will withhold 50% of the foster care payment for a current ChipFins foster parent with a ChipFins accounts receivable balance.

The remittance advice has been modified. The remittance advice now shows the current balance due and gives an address where correspondence should be sent and a telephone number.

In the Spring of 1997 fiscal staff began giving a monthly report to program staff that shows the DCS foster care home placements on a county basis. Each region is responsible for verifying that

report and sending any corrections to program and fiscal staff. There is a central office program staff employee assigned to oversee this process. During late 1997 and early 1998, residential case managers for DCS foster children were trained on entering information themselves directly into ChipFins rather than have another employee key the information.

Information about overpayments is being sent to receivables staff. The receivables staff are responsible for notifying the vendor of the overpayment and monitoring the status of accounts receivable.

Foster care contracts will be amended to include a clause clarifying foster parents responsibilities to notify the department and to return checks when there is an overpayment. This information will also be added to the foster parent handbook.

Finding Number 97-DCS-05
CFDA Number 93.659
Program Name Adoption Assistance
Federal Agency Department of Health and Human Services
State Agency Department of Children's Services
Grant/Contract No. Various
Finding Type Material Weakness
Questioned Costs None

Controls over disbursements were weak

Finding

As noted in three previous audits, Children's Services did not have sufficient controls to ensure that disbursements were properly processed. Problems included lack of supporting documentation, late payments, and insufficient approval. Examples are described below:

- Lack of Supporting Documentation - Because Children's Services elected not to maintain copies of residential placement and termination forms, staff could not verify the allowability of payments made on behalf of children in residential facilities. We did, however, find all the forms at the community services agencies.
- Late Payments - Twenty-two of 177 payments tested (12%) were not processed timely. The payments ranged from four to 60 days late. Sixteen of 177 payments tested (9%) were not date-stamped when received; therefore, it could not be determined if the payments were timely. Section 12-4-703, *Tennessee Code Annotated*, states:

An agency which acquires property or services pursuant to a contract with a business shall pay for each completed delivered item of property or service in accordance with the provisions of the contract between the business and agency or, if no date or other provision for payment is specified by contract, within forty-five (45) days after receipt of the invoice covering the delivered items for services.

- Insufficient Approval - A caseworker or other knowledgeable party did not verify that goods or services had been provided to children before payments were made. Because of the seriousness of this weakness in the department's internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report. For the Title IV-E federal program, the receipt of goods or services for 14 of 19 applicable expenditures tested (74%) was not verified, and 13 of 60 expenditures tested (22%) were not properly approved or authorized. For the Title IV-A federal program, the receipt of goods and services for 48 of 60 expenditures tested (80%) was not verified, and 46 of 60 expenditures tested (77%) were not properly approved or authorized. For the Social Services Block Grant, nine of nine applicable expenditures tested (100%) had no verification of receipt, and nine of 60 expenditures tested (15%) were not properly approved or authorized.

Effective internal controls are essential to account for government resources and to ensure that payments are appropriate. Management has the responsibility to institute control procedures that will

ensure all transactions are properly authorized, supported, and processed. Management's responsibility for establishing effective internal controls includes effective supervisory review procedures to provide reasonable assurance that errors and irregularities will be detected timely. When there are no controls, payments may be made for unallowable or unreasonable goods and services.

Recommendation

Children's Services' fiscal director should take appropriate measures to strengthen the controls over the processing of disbursements. Supporting documentation should be examined before payments are made to determine if the goods or services were received and allowable under contract terms or state guidelines. The fiscal director should also ensure that proper approvals are obtained to minimize the likelihood of mistakes in processing transactions. Also, documentation should be maintained for all transactions processed, and payments should be issued timely. The internal audit unit should review the department's payment process to determine what changes need to be made to ensure timely payments and should monitor the department's timeliness in processing payments.

Management's Comment

We concur. Regional residential and detention approvers began approving all residential and detention claims beginning April, 1998. Instead of maintaining copies of the residential placement and termination forms in the fiscal office, the regional residential and detention approvers are responsible for verifying that the children are at the facilities on the dates billed and that the children are the responsibility of the department.

In the payables section, accountants are responsible for monitoring the payment status for the various types of payments. Supervisory staff are to be notified if certain payment types are delayed so appropriate action can be taken. All invoices are required to be date stamped by the fiscal mail clerk. Payables pre-audit staff have been instructed to verify that invoices are date stamped. Staff will be assigned to ensure there is a review process before payments are processed and issued. Supervisory reviews are also to be conducted to ensure standard processing procedures are followed. Staff have also been informed of the importance of knowing the location of documentation for all transactions processed.

As part of the 1997 Financial Integrity Review, a list of all contracts with no approval on the invoices or claims was prepared. Senior management have agreed to designate staff to identify DCS employees who will approve those claims and invoices before they are submitted to fiscal.

Finding Number 97-DCS-07
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. Various
Finding Type Material Weakness
Questioned Costs None

Children's Services does not charge the appropriate grant at the time the initial transaction is recorded, and written policies and procedures have not been developed for cash management activities

Finding

According to the Department of Finance and Administration's Policy 20, "Recording of Federal Grant Expenditures and Revenues", Section 20-02-203, all grant-related expenditure transactions must be coded to the appropriate grant(s) at the time the initial transaction is recorded. However, the Department of Children's Services pays expenditures with state dollars initially and later reallocates the expenditure to the appropriate federal grant. This reallocation process does not allow use of the accounting system to schedule reimbursement requests to avoid time lapses between drawdowns and actual disbursements of funds. During testwork on the department's three major federal programs, the following was noted:

- Title IV-E - 59 of 59 expenditures were charged to the federal grant seven to 83 days after the initial transaction was paid with state dollars.
- SSBG - 36 of 36 expenditures were charged to the federal grant 10 to 136 days after the initial transaction was paid with state dollars.
- Title IV-A - 51 of 60 expenditures (85%) were charged to the federal grant 21 to 43 days after the initial transaction was paid with state dollars.

The department is not requesting reimbursement for federal dollars in a timely manner. As a result, the state is losing interest income on and the use of state money used to fund federal expenditures. Because of the seriousness of this lack of adequate cash management policies and procedures, a material weakness in internal controls will be reported in the 1997 Tennessee Single Audit report.

Management had not developed written policies for the following cash management activities:

- Procedures for requesting cash as close as is administratively possible to actual cash outlays.
- Procedures for redistributing payroll costs to the federal grant within 30 days of each month-end.
- Procedures for monitoring cash management activities.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should ensure that written policies and procedures are developed and implemented for cash management activities. These policies

and procedures should specifically provide for charging the appropriate federal grant at the time the initial transaction is recorded and for redistributing payroll cost within 30 days of each month-end. Also, monitoring procedures should be developed to ensure the above procedures are implemented.

Management's Comment

We concur. Accounting and receivables staff have used procedures and reports issued by the Department of Finance and Administration to monitor cash management activities. The Assistant Director of Fiscal Services is developing detailed flowcharts of all activities payables, receivables and accounting staff perform. Those detailed flowcharts will be used to develop written fiscal policies and procedures. Cash management activities will be included in the flowchart design and analysis.

Receivables and accounting staff have tested and implemented a recently developed computer program system. The new system automates a major portion of the transaction processing related to federal cash draws. The system will download the STARS daily cash draw report each day, calculate the amount cash draw report for the current day plus any undrawn amounts from prior days reports. Balances calculated will be compared to funds available to be drawn on the DHHS Payment Management System (PMS). Reports will be provided to the user to manually request the funds from PMS. Journal voucher batches to record the funds drawn will be entered in STARS via an interface between the draw system and STARS. To enhance the current program, a project has been proposed to modify the system to permit the tracking of "Z" journal vouchers by the draw system until they are updated in STARS. Information to document each step in the processing will be recorded in a history file in the draw system for review or analysis. One of the daily reports generated will indicate the amounts to be drawn and/or amounts overdrawn. This report will be prepared after the generation of the daily draw request. Accounting staff will be able to monitor monthly the history and append files in the draw process for cash management compliance.

The payables staff does charge grants on STARS at the time of payment if charges to the grant do not require child specific eligibility. Supervisors in payables are reviewing the cost centers assigned to grants to ensure expenditures are keyed in STARS appropriately. Costs charged to grants based on a specific child's eligibility are paid with state funds and later reallocated to grants. The complex nature of funding costs by each child from multiple grants based on different eligibility requirements mandates an extensive and comprehensive financial management system. The Project Steering Committee is in the process of recommending the next phase of TN Kids. The comprehensive financial management system will be an important component of TN Kids. That comprehensive system will allow identification of costs to all grants before processing of payments in STARS. Fiscal and Information Resources staff are evaluating if it would be practical to develop computer programs to improve the current processing prior to developing the TN Kids comprehensive system.

The department allocates payroll and other administrative costs according to a cost allocation plan approved by DHHS. During the audit period, costs were allocated after the close of the quarter on STARS. Accounting staff are modifying the cost allocation schedules to quarterly calculate a rate for each cost center. The rate will be used to bill grants until the next quarterly cost allocation is completed and a new rate is calculated. Entries will then be recorded to adjust the costs charged to grants based on the calculated rate to actual costs allocated. Accounting staff have requested a payroll extract from the payroll system for use in the cost allocation process. Information Resources staff indicate this request will be completed very soon.

Finding Number	97-DCS-08
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.	Various
Finding Type	Material Weakness
Questioned Costs	None

Controls over computer programming used for payment processing are not adequate

Finding

As noted in the prior two audits, computer programming controls associated with the payment system are not adequate. Management concurred and stated that a new system would be designed and implemented to establish adequate controls.

The design and implementation of the Comprehensive Children's Services Information System were started January 17, 1997, and were initially estimated to be completed April 1998. The expected implementation date was changed from April 1998 to August 1998 and has now been scheduled for implementation in December 1998. Until the new system is designed and implemented, programs written using dBase or Foxpro software will continue to allow a single user to modify the program, manipulate files, enter data, and prepare reports. Because of the seriousness of these inadequate computer controls, a material weakness in internal controls will be reported in the 1997 Tennessee Single Audit report.

Inadequate controls over computer programming used for payment processing decrease the probability that errors or irregularities will be identified in a timely manner and increase the risk that employees will be able to inappropriately manipulate data.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should ensure controls over computer programs used for payment processing are adequate. Also, the Commissioner should continue to work with the Office for Information Resources to ensure the design and implementation deadlines for the Comprehensive Children's Services Information System are met.

Management's Comment

We concur. The department is developing the TN Kids system to support all major functions, including a comprehensive financial management system. The first phase, scheduled for implementation starting in December 1998, will provide a single, unduplicated child database which will be the foundation for all other functionality. This database will provide for an interface with the current payment process. TN Kids implementation issues will be addressed by the newly formed TN Kids Field Implementation Team, which includes a representative from the Fiscal section. Complete integration of this function in TN Kids will follow as directed by the department's Management Advisory Committee (MAC). In the meantime, Information Resources and Fiscal staff have developed a Standard Claims Invoice system which has improved both the process and controls for the payment of the residential, prevention and wraparound type claims. The department will continue to use ChipFins for the payment of foster care and adoption assistance.

Finding Number	97-DCS-01
CFDA Number	93.667
Program Name	Social Services Block Grant
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children's Services
Grant/Contract No.	G-9601TNSOSR, G-9701TNSOSR
Finding Type	Reportable Condition
Questioned Costs	None

**Disbursements on the schedule of expenditures of federal awards
were not reconciled with federal reports**

Finding

A reconciliation of disbursements to federal reports was not prepared by the department. The auditor requested the reconciliation on October 29, 1997. As of December 2, 1997, the reconciliation has not been received.

Recommendation

The department should perform the reconciliation to ensure that federal reports are in agreement with the schedule of expenditures of federal awards.

Management's Comment

We concur. Current procedures are being developed to facilitate the reconciliation of expenditures reported on federal quarterly reports and the Federal Financial Assistance Schedule/ Supplementary Information Schedule was not prepared. The reconciliation will be done by accounting staff.

At the present time, the accounting staff prepares quarterly federal reports from the monthly STARS Grant Status Report (AG05B829). This STARS report includes grant balances (state and federal shares) from inception to date for the monthly closing. The grant balance per this report for last month of the prior quarter is subtracted from the grant balance of the last month of the current quarter to arrive at the total grant transactions for the quarter. The total grant transactions plus any adjustments document processing timing differs are reported in the federal reports submitted to the Federal Government. Federal Quarterly reports are not submitted for SSBG (only an annual report is required).

The Federal Financial Assistance Schedule is prepared from the STARS Grant Activity Report (AG05B830) which is produced monthly. This report includes only the federal portion of the cash transactions for the grant for the current fiscal year. Each fiscal year end the June 30, 19XX preliminary report produced by STARS nearest to the cutoff for submission of the Federal Financial Assistance Schedule is used to prepare the schedule. Any transactions not updated in STARS at the time the preliminary report is run are shown as reconciling items. The same process is use to develop the Supplementary information Schedule for SSBG and IVA Emergency Assistance submitted to DHS. The Supplementary Information Schedule is used to report expenditures for SSBG to DHS for their annual Report.

Because the final federal quarterly report for the state fiscal year is submitted at the end of July and the Federal Financial Assistance Schedule is submitted in September, there are transactions processed in STARS included in the Federal Financial Assistance Schedule that were not included in the federal quarterly report submitted in July. Because these federal quarterly reports are prepared from the STARS Grant Status Report (includes grant expenditures balance inception to date), these transactions are included in the report for the subsequent quarter as a prior quarter adjustment. A reconciliation for these timing difference between STARS processing dates for the federal quarterly report and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared.

As stated earlier, current procedures are being developed to facilitate the reconciliation of expenditures reported on federal quarterly reports and the Federal Financial Assistance Schedule/Supplementary Information Schedule was not prepared. The reconciliation will be done by accounting staff.

Finding Number 97-DCS-03
CFDA Number 93.667
Program Name Social Services Block Grant
Federal Agency Department of Health and Human Services
Pass-Through Agency Department of Human Services
State Agency Department of Children's Services
Grant/Contract No. G-9701TNSOSR, G-9701TNSOSR
Finding Type Material Weakness
Questioned Costs None

Duplicate payments and overpayments of approximately \$451,000 were made to vendors

Finding

As noted in three previous audits, the Department of Children's Services (Children's Services) issued many duplicate payments and overpayments to vendors for goods and services provided to children. During fiscal year 1997, vendors voluntarily made over 844 refunds totaling approximately \$369,000 and returned 254 original checks totaling approximately \$82,000. The total dollar amount of duplicate payments and overpayments is significantly lower than the total in prior findings. However, the total number of vendor refunds and returned original checks did not decrease, suggesting the significant decrease in the total dollar amount was not due to the implementation of good internal controls. Because of the seriousness of this weakness in the department's internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report.

The duplicate invoices for goods or services could not be explained. Vendors may have unintentionally submitted claims twice; vendors may have resubmitted original claims because they had not received prompt payment; or two separate parties involved with securing goods and services for the child (e.g., caseworkers and community services agency Assessment and Care Coordination Teams) may have each submitted the claim unaware the other party had already submitted the claim.

Implementing computer system controls would decrease duplicate payments and overpayments to vendors and reduce the staff time required to process refunds and cancel warrants.

Recommendation

The Assistant Commissioner of Fiscal and Information Systems should take appropriate measures to establish adequate internal controls that will eliminate duplicate payments. These controls should include ongoing procedures and processes to monitor the effectiveness of the controls and to ensure appropriate compliance with control procedures.

Management's Comment

We concur. In May 1997 computer system edit changes were made to the residential, prevention and wraparound programs to check for duplicate payments. In addition, these programs have now been rewritten to create a single claim form and computer operating system. Plans are being developed to incorporate the medical payment program into the standard claim program during fiscal year 1998-99. The accounting and receivable staff will be providing fiscal management detailed information indicating the reasons why the original checks and the refunds are being returned to the department. Fiscal management will be able to determine in what areas additional emphasis should be placed to address problems.

Finding Number	97-DCS-05
CFDA Number	93.667
Program Name	Social Services Block Grant
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children's Services
Grant/Contract No.	G-9601TNSOSR, G-9701TNSOSR
Finding Type	Material Weakness
Questioned Costs	None

Controls over disbursements were weak

Finding

As noted in three previous audits, Children's Services did not have sufficient controls to ensure that disbursements were properly processed. Problems included lack of supporting documentation, late payments, and insufficient approval. Examples are described below:

- **Lack of Supporting Documentation** - Because Children's Services elected not to maintain copies of residential placement and termination forms, staff could not verify the allowability of payments made on behalf of children in residential facilities. We did, however, find all the forms at the community services agencies.
- **Late Payments** - Twenty-two of 177 payments tested (12%) were not processed timely. The payments ranged from four to 60 days late. Sixteen of 177 payments tested (9%) were not date-stamped when received; therefore, it could not be determined if the payments were timely. Section 12-4-703, *Tennessee Code Annotated*, states:

An agency which acquires property or services pursuant to a contract with a business shall pay for each completed delivered item of property or service in accordance with the provisions of the contract between the business and agency or, if no date or other provision for payment is specified by contract, within forty-five (45) days after receipt of the invoice covering the delivered items for services.

- **Insufficient Approval** - A caseworker or other knowledgeable party did not verify that goods or services had been provided to children before payments were made. Because of the seriousness of this weakness in the department's internal controls, it will be reported as a material weakness in the 1997 Tennessee Single Audit report. For the Title IV-E federal program, the receipt of goods or services for 14 of 19 applicable expenditures tested (74%) was not verified, and 13 of 60 expenditures tested (22%) were not properly approved or authorized. For the Title IV-A federal program, the receipt of goods and services for 48 of 60 expenditures tested (80%) was not verified, and 46 of 60 expenditures tested (77%) were not properly approved or authorized. For the Social Services Block Grant, nine of nine applicable expenditures tested (100%) had no verification of receipt, and nine of 60 expenditures tested (15%) were not properly approved or authorized.

Effective internal controls are essential to account for government resources and to ensure that payments are appropriate. Management has the responsibility to institute control procedures that will ensure all transactions are properly authorized, supported, and processed. Management's responsibility for establishing effective internal controls includes effective supervisory review procedures to provide reasonable assurance that errors and irregularities will be detected timely. When there are no controls, payments may be made for unallowable or unreasonable goods and services.

Recommendation

Children's Services' fiscal director should take appropriate measures to strengthen the controls over the processing of disbursements. Supporting documentation should be examined before payments are made to determine if the goods or services were received and allowable under contract terms or state guidelines. The fiscal director should also ensure that proper approvals are obtained to minimize the likelihood of mistakes in processing transactions. Also, documentation should be maintained for all transactions processed, and payments should be issued timely. The internal audit unit should review the department's payment process to determine what changes need to be made to ensure timely payments and should monitor the department's timeliness in processing payments.

Management's Comment

We concur. Regional residential and detention approvers began approving all residential and detention claims beginning April, 1998. Instead of maintaining copies of the residential placement and termination forms in the fiscal office, the regional residential and detention approvers are responsible for verifying that the children are at the facilities on the dates billed and that the children are the responsibility of the department.

In the payables section, accountants are responsible for monitoring the payment status for the various types of payments. Supervisory staff are to be notified if certain payment types are delayed so appropriate action can be taken. All invoices are required to be date stamped by the fiscal mail clerk. Payables pre-audit staff have been instructed to verify that invoices are date stamped. Staff will be assigned to ensure there is a review process before payments are processed and issued. Supervisory reviews are also to be conducted to ensure standard processing procedures are followed. Staff have also been informed of the importance of knowing the location of documentation for all transactions processed.

As part of the 1997 Financial Integrity Review, a list of all contracts with no approval on the invoices or claims was prepared. Senior management have agreed to designate staff to identify DCS employees who will approve those claims and invoices before they are submitted to fiscal.

Finding Number	97-DCS-06
CFDA Number	93.667
Program Name	Social Services Block Grant
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children's Services
Grant/Contract No.	G-9601TNSOSR, G-9701TNSOSR
Finding Type	Reportable Condition
Questioned Costs	None

The department did not process journal vouchers promptly

Finding

As noted in the prior audit, journal vouchers (used to record expenditure and revenue transactions between state departments) were not always processed promptly. According to the Department of Finance and Administration's Policy 18, "Journal Voucher - Type J", expenditure (paying) journal vouchers which total \$2,500.01 to \$350,000.00 should be processed within five working days of the receipt of the journal voucher. Revenue (billing) journal vouchers totaling \$2,500.01 to \$350,000.00 should be processed at least monthly, and those over \$350,000.00, within five working days after the expense/expenditure is incurred. However, nine of 13 revenue transactions (69%) on six journal vouchers examined were not processed in accordance with Policy 18. One of the journal vouchers containing two of the 13 revenue transactions (15%) did not have a stamp indicating when the department received the journal voucher; therefore, compliance with Policy 18 could not be determined. Also, two of six expenditure transactions on one journal voucher examined (33%) were not processed in accordance with Policy 18.

If revenue and expenditure journal vouchers are not processed promptly, the accounting records for the affected departments could be misstated. Also, failure to process journal vouchers in compliance with Policy 18 could affect the state's compliance with the federal Cash Management Improvement Act of 1990.

Recommendation

The fiscal director should establish procedures to ensure that journal vouchers are processed in accordance with the time requirements of the Department of Finance and Administration's Policy 18. The procedures should also provide for regular monitoring of journal voucher processing. Corrective action should be taken whenever the time requirements are not met.

Management's Comment

We concur. Procedures will be developed to ensure that journal vouchers are processed in accordance with the time requirements of the Department of Finance and Administration's Policy 18. Accounting staff are to maintain detailed information on the status of all "J" type journal vouchers. The accounting staff are now reviewing journal vouchers to make sure they are all date stamped by the fiscal mail clerk. The Director of Fiscal Services is to be promptly informed if there are instances when journal vouchers will not be processed in accordance with the Policy 18 time requirements. Appropriate follow-up actions will be taken by the Director. The department's internal audit staff will be monitoring for compliance with the Department of Finance and Administration's Policy 18 as part of their monitoring of the fiscal section's operations.

Finding Number	97-DCS-08
CFDA Number	93.667
Program Name	Social Services Block Grant
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children's Services
Grant/Contract No.	G-9601TNSOSR, G-9701TNSOSR
Finding Type	Material Weakness
Questioned Costs	None

Controls over computer programming used for payment processing are not adequate

Finding

As noted in the prior two audits, computer programming controls associated with the payment system are not adequate. Management concurred and stated that a new system would be designed and implemented to establish adequate controls.

The design and implementation of the Comprehensive Children's Services Information System began January 17, 1997, and were estimated to be completed April 1998. The expected implementation date was changed from April 1998 to August 1998 and has now is December 1998. Until the new system is designed and implemented, programs written using dBase or Foxpro software will continue to allow a single user to modify the program, manipulate files, enter data, and prepare reports. Because of the seriousness of these inadequate computer controls, a material weakness in internal controls will be reported in the 1997 Tennessee Single Audit report.

Inadequate controls over computer programming used for payment processing decrease the probability that errors or irregularities will be identified in a timely manner and increase the risk that employees will be able to inappropriately manipulate data.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should ensure controls over computer programs used for payment processing are adequate. Also, the Commissioner should continue to work with the Office for Information Resources to ensure the design and implementation deadlines for the Comprehensive Children's Services Information System are met.

Management's Comment

We concur. The department is developing the TN Kids system to support all major functions, including a comprehensive financial management system. The first phase, scheduled for implementation starting in December 1998, will provide a single, unduplicated child database that will be the foundation for all other functionality. This database will provide for an interface with the current payment process. TN Kids implementation issues will be addressed by the newly formed TN Kids Field Implementation Team, which includes a representative from the fiscal section. Complete integration of this function in TN Kids will follow as the department's Management Advisory Committee directs. In the meantime, Information Resources and Fiscal staff have developed a Standard Claims Invoice system which has improved the process and controls for the payment of the residential, prevention and wraparound type claims. The department will continue to use ChipFins for the payment of foster care and adoption assistance.

Finding Number 97-DCS-10
CFDA Number 93.667
Program Name Social Services Block Grant
Federal Agency Department of Health and Human Services
Pass-Through Agency Department of Human Services
State Agency Department of Children's Services
Grant/Contract No. G-9601TNSOSR, G-9701TNSOSR
Finding Type Reportable Condition, Period of Availability of Funds
Questioned Costs None

Children's Services could not provide sufficient evidence to support compliance with the period-of-availability requirements for the Social Services Block Grant (SSBG)

Finding

Information was not available to determine if funds allotted for the fiscal year were expended in the same or succeeding fiscal year, as required by the period-of-availability compliance requirement for the Social Services Block Grant (SSBG). The Department of Children's Services could not provide grant numbers, available grant amounts, or the amounts expended on each grant to date to ensure compliance with period-of-availability requirements for SSBG; therefore, the period-of-availability compliance requirement could not be tested. Because of its seriousness, the department's failure to ensure compliance will be reported as a material weakness in internal controls in the 1997 Tennessee Single Audit report. As of December 3, 1997, the information still had not been provided.

Recommendation

The fiscal director should ensure that adequate records are maintained and compliance with period of availability requirements for SSBG is sufficiently documented.

Management's Comment

We concur. A letter has been sent to the Director of Fiscal Services and the Director of Budget in the Department of Human Services requesting the total grant award for each period July 1, 1991 through the present; the grant numbers for each grant award; and the dollar amount allocated to Children's Services. This data will supply fiscal staff the information needed to maintain adequate records and ensure there is sufficient documentation to comply with period of availability requirements for SSBG.

Finding Number	97-DCS-07
CFDA Number	93.667
Program Name	Social Services Block Grant
Federal Agency	Department of Health and Human Services
Pass-Through Agency	Department of Human Services
State Agency	Department of Children's Services
Grant/Contract No.	G-9601TNSOSR, G-9701TNSOSR
Finding Type	Material Weakness
Questioned Costs	None

Children's Services does not charge the appropriate grant at the time the initial transaction is recorded, and written policies and procedures have not been developed for cash management activities

Finding

According to the Department of Finance and Administration's Policy 20, "Recording of Federal Grant Expenditures and Revenues", Section 20-02-203, all grant-related expenditure transactions must be coded to the appropriate grant(s) at the time the initial transaction is recorded. However, the Department of Children's Services pays expenditures with state dollars initially and later reallocates the expenditure to the appropriate federal grant. This reallocation process does not allow use of the accounting system to schedule reimbursement requests to avoid time lapses between drawdowns and actual disbursements of funds. During testwork on the department's three major federal programs, the following was noted:

- Title IV-E - 59 of 59 expenditures were charged to the federal grant seven to 83 days after the initial transaction was paid with state dollars.
- SSBG - 36 of 36 expenditures were charged to the federal grant 10 to 136 days after the initial transaction was paid with state dollars.
- Title IV-A - 51 of 60 expenditures (85%) were charged to the federal grant 21 to 43 days after the initial transaction was paid with state dollars.

The department is not requesting reimbursement for federal dollars in a timely manner. As a result, the state is losing interest income on and the use of state money used to fund federal expenditures. Because of the seriousness of this lack of adequate cash management policies and procedures, a material weakness in internal controls will be reported in the 1997 Tennessee Single Audit report.

Management had not developed written policies for the following cash management activities:

- Procedures for requesting cash as close as is administratively possible to actual cash outlays.
- Procedures for redistributing payroll costs to the federal grant within 30 days of each month-end.
- Procedures for monitoring cash management activities.

Recommendation

The Assistant Commissioner for Fiscal and Information Systems should ensure written policies and procedures are developed and implemented for cash management activities. These policies

and procedures should specifically provide for charging the appropriate federal grant at the time the initial transaction is recorded and for redistributing payroll cost within 30 days of each month-end. Also, monitoring procedures should be developed to ensure the above procedures are implemented.

Management's Comment

We concur. Accounting and receivables staff have used procedures and reports issued by the Department of Finance and Administration to monitor cash management activities. The Assistant Director of Fiscal Services is developing detailed flowcharts of all activities payables, receivables and accounting staff perform. Those detailed flowcharts will be used to develop written fiscal policies and procedures. Cash management activities will be included in the flowchart design and analysis.

Receivables and accounting staff have tested and implemented a recently developed computer program system. The new system automates a major portion of the transaction processing related to federal cash draws. The system will download the STARS daily cash draw report each day, calculate the amount cash draw report for the current day plus any undrawn amounts from prior days reports. Balances calculated will be compared to funds available to be drawn on the DHHS Payment Management System (PMS). Reports will be provided to the user to manually request the funds from PMS. Journal voucher batches to record the funds drawn will be entered in STARS via an interface between the draw system and STARS. To enhance the current program, a project has been proposed to modify the system to permit the tracking of "Z" journal vouchers by the draw system until they are updated in STARS. Information to document each step in the processing will be recorded in a history file in the draw system for review or analysis. One of the daily reports generated will indicate the amounts to be drawn and/or amounts overdrawn. This report will be prepared after the generation of the daily draw request. Accounting staff will be able to monitor monthly the history and append files in the draw process for cash management compliance.

The payables staff does charge grants on STARS at the time of payment if charges to the grant do not require child specific eligibility. Supervisors in payables are reviewing the cost centers assigned to grants to ensure expenditures are keyed in STARS appropriately. Costs charged to grants based on a specific child's eligibility are paid with state funds and later reallocated to grants. The complex nature of funding costs by each child from multiple grants based on different eligibility requirements mandates an extensive and comprehensive financial management system. The Project Steering Committee is in the process of recommending the next phase of TN Kids. The comprehensive financial management system will be an important component of TN Kids. That comprehensive system will allow identification of costs to all grants before processing of payments in STARS. Fiscal and Information Resources staff are evaluating if it would be practical to develop computer programs to improve current processing prior to developing the TN Kids comprehensive system.

The department allocates payroll and other administrative costs according to a cost allocation plan approved by DHHS. During the audit period, costs were allocated after the close of the quarter on STARS. Accounting staff are modifying the cost allocation schedules to quarterly calculate a rate for each cost center. The rate will be used to bill grants until the next quarterly cost allocation is completed and a new rate is calculated. Entries will then be recorded to adjust the costs charged to grants based on the calculated rate to actual costs allocated. Accounting staff have requested a payroll extract from the payroll system for use in the cost allocation process. Information Resources staff indicate this request will be completed very soon.

Finding Number 97-TDH-05
CFDA Number 93.778
Program Name Medical Assistance Program
Federal Agency Department of Health and Human Services
State Agency Department of Health
Grant/Contract No. 05-9605TN5028, 05-9705TN5028
Finding Type Allowable Costs/Cost Principles
Questioned Costs \$1,294.28

There was no documentation for four “children’s therapeutic intervention” paid claims

Finding

Supporting documentation was not provided for four “children’s therapeutic intervention” paid claims submitted to TennCare by the Department of Children’s Services (Children’s Services). In one case, documentation was provided for 15 days of service; however, Children’s Services billed TennCare for 16 days of service. The amount questioned consists of the following amounts:

- The federal share of the sixteenth day at \$33.00 per day—\$21.40
- The federal share of three other unsupported payments—\$1,272.88

Recommendation

The department should ensure the Department of Children’s Services maintains adequate documentation to support “children’s therapeutic intervention” claims.

Management’s Comment

We will work with the Department of Children’s Services to produce the documentation to resolve this issue.

Finding Number	97-TDH-06
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	05-9605TN5048, 05-9705TN5048
Finding Type	Allowable Costs/Cost Principles
Questioned Costs	\$618,896.31

TennCare did not sufficiently review some invoices or requests for payment

Finding

TennCare did not sufficiently review some invoices or requests for payment to ensure their accuracy or allowability. Administration expenditures testwork resulted in the following questioned costs:

- One of 39 payments tested (2.56%) was not in compliance with the terms of the contract. The contract stated, “The Contractor agrees to pay all taxes incurred in performance of Contract.” However, the contractor was reimbursed for \$101.03 in hotel, car rental, and airfare taxes. (The taxes were part of a \$15,284.18 payment for professional fees and expenses incurred during a claims processing review at a private company in August 1996.)
- Testwork revealed that one contractor had not submitted a quarterly expenditure report for the June 15, 1997, payment of \$51,537.50. Further review revealed that none of the quarterly expenditure reports—or the final expenditure report—had been submitted as required by the contract. The total contract amount of \$618,450 was questioned. (The total includes the June 15, 1997, payment.)
- The copy of the legal notice in the newspaper on June 28, 1996, concerning a change in nursing home reimbursement was 61 lines. The invoice, however, stated that the notice was 94 lines. It appears that TennCare was overcharged. The cost of the notice was \$345.28.

Recommendation

The department should ensure that invoices and requests for payment are thoroughly viewed for accuracy and allowability before payment.

Management’s Comment

We will take measures to improve the review of invoices and contract terms before payments are made.

Finding Number 97-TDH-07
CFDA Number 93.778
Program Name Medical Assistance Program
Federal Agency Department of Health and Human Services
State Agency Department of Health
Grant/Contract No. 05-9605TN5028; 05-9705TN5028
Finding Type Allowable Costs/Cost Principles
Questioned Costs \$20.28

Liable third party was not billed for co-payment

Finding

TennCare did not attempt to obtain payment of a Medicare cross-over professional claim even though the enrollee had supplemental insurance. The amount billed and paid on the claim is questioned.

Although the recipient on whose behalf the claim was submitted had a Medicare supplemental insurance policy, TennCare paid the total amount billed. The claim was not denied by TCMIS because the system had not been updated to check claims submitted by psychologists and social workers for the availability of third-party resources. The total number of claims paid improperly and the total dollar amount paid in error was not determined.

Recommendation

The department should update TCMIS to check claims submitted by psychologists and social workers for the availability of third-party resources.

Management's Comment

We will take measures to update TCMIS as necessary to resolve this issue.

Finding Number 97-TDH-08
CFDA Number 93.778
Program Name Medical Assistance Program
Federal Agency Department of Health and Human Services
State Agency Department of Health
Grant/Contract No. 05-9605TN5028; 05-9705TN5028
Finding Type Material Weakness
Questioned Costs None

**TennCare has not monitored TennCare-related activities at the
Department of Children’s Services**

Finding

TennCare has not monitored the Department of Children’s Services (Children’s Services) to ensure the accuracy and allowability of billings from that department. During the year ended June 30, 1997, TennCare paid approximately \$100.8 million in fee-for-service reimbursement claims to Children’s Services. TennCare’s failure to ensure Children’s Services complied with all federal laws, regulations, and guidelines will be reported as a material internal control weakness in the 1997 Tennessee Single Audit report.

In accordance with its agreement with the bureau, Children’s Services contracts separately with various practitioners and entities (“service providers”) to provide health care benefits not provided by the managed care organizations (MCOs) and the behavioral health organizations (BHOs) under contract with TennCare. Children’s Services pays these providers and bills TennCare for reimbursement.

TennCare has relied on Children’s Services to ensure the following:

- Only services allowable under the grant are billed.
- The amounts billed are correct and allowable.
- The expenditures are valid and properly supported.
- Only eligible, licensed, or certified providers are providing the services.

Although TennCare relies on Children’s Services to ensure compliance, the bureau does not monitor Children’s Services.

This reliance includes not establishing predetermined, preapproved payment rates in the TennCare Management Information System (TCMIS), TennCare’s claims processing and payment system, for all of the claims billed by Children’s Services. When no rate is established in TCMIS, the system is programmed to pay any amount billed by Children’s Services, without limit.

Similarly, Children’s Services claims are not reviewed or tested by TennCare’s internal auditors, other bureau personnel, or the Department of Finance and Administration’s Division of Research and Support. Because the bureau had not monitored Children’s Services’ practices, TennCare was unaware that Children’s Services was billing for the health care costs of incarcerated children who are not eligible for Medicaid (TennCare). See finding 3 for more details.

The TennCare Bureau had only to review the audit reports on the Department of Children's Services to note serious compliance and internal control problems. For the past three fiscal years, the audit reports on Children's Services have contained numerous findings, many of them repeated from year to year. Although the testwork at Children's Services did not always include TennCare transactions, the general lack of internal control presents an unacceptable level of risk for TennCare transactions. The deficiencies listed below highlight this risk:

- Duplicate payments and overpayments were made to providers.
- Invoices did not contain certification that services had been provided.
- Invoices were not properly approved for payment.
- Documentation was not sufficient to verify the allowability of payments.
- Controls are insufficient to prevent unauthorized changes to the system used to process payments.
- Reimbursement requests for federal dollars are not made in a timely manner.

Recommendation

The Assistant Commissioner for TennCare should establish a monitoring program to ensure billings from the Department of Children's Services comply with grant requirements before paying the claims. The Assistant Commissioner also should ensure the Department of Children's Services properly administers TennCare funds.

Management's Comment

We concur. The Department of Children's Services does have a contractual agreement with the Department of Finance and Administration to provide fiscal monitoring and programmatic review which includes their providers or subgrantees. We will contact this agency to provide input as to future Children's Services provider reviews and obtain the results of these reviews in identifying areas of weakness. We will also work with the Department of Children's Services to provide a reasonable assurance that claims billed to TennCare are in compliance with applicable laws and regulations.

Finding Number	97-TDH-09
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	05-9605TN5028, 05-9705TN5028
Finding Type	Reportable Condition, Eligibility
Questioned Costs	\$14,182.00

TennCare failed to identify incarcerated youth and thus improperly used federal funds to pay their health care costs

Finding

Because TennCare failed to identify incarcerated youth enrolled in the program, even though there are procedures to identify incarcerated adults, TennCare improperly paid for the health care costs of youth in the state's developmental centers. Under federal regulations (*Code of Federal Regulations*, Title 42, Section 435, Subsections 1008 and 1009), the state, not the federal government, is responsible for the health care costs of juvenile and adult inmates.

A sample of 32 juveniles in the youth development centers revealed that TennCare made payments totaling \$22,383.88 from July 1, 1996, to June 30, 1997, for 30 of the juveniles (94%). Of this amount, \$17,489.30 was paid to managed care organizations (MCOs); \$2,846.75 was paid to behavioral health organizations (BHOs); and \$2,047.83, to the Department of Children's Services (Children's Services). The federal financial participation was \$14,182 for these 30 juveniles.

TennCare contracts with Children's Services to determine the eligibility of children under its care and presumably to notify TennCare when these children are no longer eligible. However, Children's Services does not notify TennCare when previously eligible youth are incarcerated. Since the bureau has no procedures, such as data matching, to check for such an eventuality, it was unaware juvenile inmates were on the TennCare rolls.

According to the audit of the Department of Children's Services, the department billed TennCare for all medical expenditures incurred on behalf of children in locked facilities. Although the exact amount of unallowable medical expenditures billed to TennCare was not available, it appears that the amount does not exceed the approximately \$673,000 in "non-contract" medical expenditures billed during the audit period. Children's Services is working to determine the exact amount of unallowable costs to be returned to TennCare.

The payments to the MCOs and BHOs were monthly capitation payments—payments to managed care organizations and behavior health organizations to cover TennCare enrollees in their plans. Since the bureau was not aware of the ineligible status of the children in the youth development centers, TennCare incorrectly made capitation payments to the MCOs and BHOs on their behalf. Although we did not determine the exact amount of total unallowable capitation payments for fiscal year 1997, we estimate that the federal portion is approximately \$742,000.

All known and estimated errors will be included on the Schedule of Findings and Questioned Costs in the Single Audit report for the year ended June 30, 1997.

Recommendation

The Assistant Commissioner for TennCare should ensure the bureau develops and implements the procedures necessary to ensure federal funds are not used to pay for the health care costs of incarcerated juveniles.

Management's Comment

We concur. We will work with the Department of Children's Services to determine how they will ensure that procedures exist to prevent the billing of services provided incarcerated youth to the TennCare program. Procedures will also be developed to periodically review the TennCare enrollment for the appearance of incarcerated youth as well as address the procedures being used by the Department of Children's Services to ensure that only those eligible children appear on the TennCare enrollment.

Finding Number 97-TDH-10
CFDA Number 93.778
Program Name Medical Assistance Program
Federal Agency Department of Health and Human Services
State Agency Department of Health
Grant/Contract No. 05-9605TN5028; 05-9705TN5028
Finding Type Reportable Condition
Questioned Costs None

TCMIS processing of Medicare professional cross-over claims needs improvement

Finding

There are several control weaknesses in the processing of Medicare professional cross-over claims (claims paid partially by both Medicare and Medicaid). The TennCare Management Information System (TCMIS) used to process these claims has not been modified and updated as needed to ensure claims are paid in compliance with state and federal laws and regulations.

- Responsibility for determining which medical procedure codes and payment rates should be used to update the TCMIS had been assigned to a system analyst in the Information Services division. Because of a lack of expertise in this area, the system analyst has made decisions about the codes and rates, based on assumptions which may or may not be correct. Prior to TennCare, Medicaid policy division personnel were responsible for analyzing the procedure codes and rates.
- Payment rates from Medicare effective January 1, 1996, were not updated until May 1997 because management did not assign this responsibility to staff during 1996. The rate update effective January 1, 1997, was also not performed until May 1997.
- Because certain procedure codes were entered into TCMIS in 1996 without rates, some claims were paid as billed (in full), and cost savings were not maximized.
- According to bureau personnel, claims may have been incorrectly denied because of the delay in updating the 1997 procedure codes, and TennCare did not reprocess the affected claims.
- Although cross-over claims from psychologists and social workers have been Medicaid-eligible since the late 1980s, these claims are to be denied if the recipients have other insurance (third-party resources). However, TCMIS had not been updated to detect third-party resources on these cross-over claims. It is highly likely that for years TennCare has paid claims that should have been denied because other insurance was available.
- Despite the complex nature of the claims processing, bureau staff do not routinely perform manual pricing tests to determine if the system is paying claims properly. Rather, according to bureau personnel, TennCare relies on providers to notify the bureau if claims are not paid properly.
- TennCare's fee-for-service claims pricing manual has not been updated.

Recommendation

The Assistant Commissioner for TennCare should ensure job responsibilities are assigned only to those individuals with the necessary knowledge, training, and experience. Management and staff should keep abreast of new and changing program requirements and should ensure the bureau's policies, procedures, and computer system are updated timely to reflect new developments. The Assistant Commissioner should ensure that the claims pricing and payment subsystem of the TCMIS is tested routinely by knowledgeable staff personnel, and that problems noted are documented and corrected timely. The director of the policy division should ensure that the claims pricing and payment manual is revised and updated to reflect changes in the law and grant guidelines.

Management's Comment

We concur. Periodically we will review policies, procedures, and computer systems in order to make necessary modifications. The claims pricing and payment manual will also be reviewed for any indicated revisions and will be updated to reflect changes in the law and grant guidelines.

Finding Number	97-TDH-11
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	05-9605TN5028; 05-9705TN5028
Finding Type	Reportable Condition
Questioned Costs	None

Controls over manual checks need strengthening

Finding

As noted in the prior two audits and despite management's concurrence with the findings, the TennCare Bureau needs to continue to improve controls over manually prepared checks. In fiscal year 1997, these checks totaled approximately \$193 million.

Delayed Reporting

Most checks, such as payments to nursing homes, are generated through TCMIS each Friday. However, the bureau bypasses the system and prepares checks manually when immediate payment is needed

Because TCMIS is not linked with the State of Tennessee Accounting and Reporting System (STARS), TennCare fiscal staff must key accounting information into STARS based on TCMIS reports. Manually prepared checks, however, are not reflected in TCMIS reports for up to two weeks. In April 1996, TennCare's fiscal agent began to notify TennCare fiscal staff and the Department of the Treasury by memorandum of any manual checks issued. The success of this effort to improve controls was hampered because the TennCare fiscal unit was not located in the TennCare building with the fiscal agent and other program staff until February 1997.

If the fiscal agent does not promptly notify TennCare of manually prepared checks, they may not be recorded in STARS timely. This delay does not, however, affect the timeliness of drawdowns because TennCare may draw federal funds before expenditures are recorded in STARS.

Poor Segregation of Duties

The fiscal agent assigned responsibility for preparing these checks did not sufficiently segregate manual check-preparation duties. During the audit period, one employee had access to both the manual check stock and the signature stamp and could have controlled the process from beginning to end and issued a check for unauthorized purposes.

The only compensating control used was a reconciliation of checks issued and cleared each month. This reconciliation involves records from the Department of the Treasury, the Department of Finance and Administration's Division of Accounts, and TennCare. This reconciliation ensures that TennCare's and Treasury's records of checks issued and cleared correspond to STARS. However, the reconciliations were not completed in a timely manner. As of December 1997, reconciliations had been performed only through May 1997.

An additional compensating control would be daily reconciliations of all checks issued with payments in the Department of the Treasury's Account Reconciliation Package (ARP) system. As a result of a prior finding, the Department of the Treasury provides the fiscal agent daily reports to assist in this reconciliation. However, neither the TennCare Bureau nor the fiscal agent uses these reports.

Effective internal controls require that no one person have the ability to control the entire check-issuance process and that reconciliations of accounting records with bank activity be timely.

Recommendation

The Assistant Commissioner for TennCare should seriously consider either using the automated clearing house process to make all payments to MCOs and providers or using STARS to issue checks outside of normal TCMIS processing to ensure that expenditures are recorded timely and that transactions are approved by management. Checks processed through STARS are available overnight, and the Director of Accounts has the ability to issue manual checks if needed immediately. The Assistant Commissioner for TennCare should consult with officials in the Department of Finance and Administration to determine which method is preferable.

If management decides to continue to issue manual checks, the Assistant Commissioner for TennCare should ensure duties are adequately segregated. In addition, each month, the Department of the Treasury, the Division of Accounts, and TennCare should reconcile checks issued and cleared with Account Reconciliation Package (ARP), STARS, and TCMIS records. The TennCare Bureau should reconcile all checks issued with payments in the Department of the Treasury's ARP system daily.

Management's Comment

We concur. We will contact the Department of Finance and Administration and discuss either using the automated clearing house to make payments or using STARS to issue checks outside of TCMIS. The access to checks has been limited, and the signature stamp has been segregated. We will monitor these duties to ensure they remain adequately segregated. We continue to work with the Department of the Treasury and the Division of Accounts in the reconciliation of checks issued.

Finding Number 97-TDH-12
CFDA Number 93.778
Program Name Medical Assistance Program
Federal Agency Department of Health and Human Services
State Agency Department of Health
Grant/Contract No. 05-9605TN5028; 05-9705TN5028
Finding Type Reportable Condition
Questioned Costs None

TennCare should seek clarification of grant requirements

Finding

As noted in the prior audit, modifications to TennCare's grant requirements are often necessary because TennCare is a relatively new approach to Medicaid for both the state and the Health Care Financing Administration (HCFA). However, the intent of some requirements becomes unclear with the changes. The payment rates for certain psychiatric services is one such case.

When TennCare began, mental health services were not immediately moved into a managed care setting as were other health services. As a result, the state requested permission from HCFA to continue to pay for some mental health services on a fee-for-service basis. The November 18, 1994, approval letter from HCFA states:

For both the Children's Plan [Department of Children's Services] and the SPMI [severely and persistently mentally ill], retroactive payments to January 1, 1994, will be permitted on a fee-for-service (FFS) basis, subject to the State's processing these claims through the State Medicaid Management Information System that was in place prior to January 1, 1994, at the previously existing rates....(emphasis added)

Without seeking guidance from HCFA, TennCare interpreted this waiver as allowing the state to continue to adjust for inflation SPMI and Department of Children's Services (Children's Services) rates for psychiatric hospitals and community mental health centers as it had done under Medicaid. During fiscal year 1995, TennCare also adjusted these rates to cover additional costs, such as capitalization of fixed assets and property taxes, and enhanced the rates by a Medicaid "disproportionate share factor" to help cover hospital charity costs. Prior to TennCare, these costs and the disproportionate share factor were not a part of the rates.

On July 1, 1996, TennCare implemented the TennCare Partners Program to provide mental health services in a managed care setting and discontinued fee-for-service payments for SPMI. Children's Services, however, continues to be paid with adjusted rates on a fee-for-service basis.

Although management agreed that all policies and programs and resulting payments should comply with grant requirements, management has not obtained documentation from HCFA regarding its position on the adjusted rates. If HCFA does not agree with TennCare's interpretation, the state could be required to return the additional payments to HCFA plus interest and penalties.

Recommendation

The Assistant Commissioner for TennCare should contact HCFA to determine whether the adjusted rates are allowable. The Assistant Commissioner should also ensure that all policies or programs and resulting payments comply with grant requirements. If these requirements are unclear or if a substantial change is made, TennCare should seek guidance from the grantor before implementing the change.

Management's Comment

We concur. We will contact the appropriate HCFA representatives and obtain clarification of this issue.

Finding Number 97-TDH-13
CFDA Number 93.778
Program Name Medical Assistance Program
Federal Agency Department of Health and Human Services
State Agency Department of Health
Grant/Contract No. 05-9605TN5028; 05-9705TN5028
Finding Type Reportable Condition
Questioned Costs None

TennCare's computer system does not prevent overpayments to certain providers

Finding

As noted in the prior audit, because TennCare has not complied with departmental rules, providers caring for enrollees who are both TennCare and Medicare recipients are sometimes overpaid. Management concurred with the prior finding, and stated that the rules would be reviewed and revised as determined necessary to agree with the bureau's current operating procedures. However, no changes have been made.

Medicare recipients are required to pay coinsurance and a deductible to the provider for services they receive. If the patient is also eligible for Medicaid, Medicare bills TennCare instead of the patient for the coinsurance and deductible. According to departmental rules, the total amount paid by all parties (Medicare, patient, and TennCare) cannot exceed the fee limitations set by TennCare. However, TennCare's computer system always pays the entire deductible billed for outpatient hospitalization services regardless of how much Medicare or the patient paid or any limitations set by the Medicaid fee schedule.

Recommendation

The Assistant Commissioner for TennCare should ensure that the Director of Information Services makes the necessary changes to the TennCare Management Information System to bring the method of payment into compliance with departmental rules or have the rules amended.

Management's Comment

We concur. We will examine whether it is more appropriate to change the rules or our method of payment.

Finding Number	97-TDH-14
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	05-9605TN5028; 05-9705TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare’s Medicaid Accounts Receivable Recoupment System is an impediment to the collection of cost settlements and accurate federal financial reporting

Finding

The Medicaid Accounts Receivable Recoupment System (Recoupment System) is adversely affecting collection of provider cost settlements and federal financial reporting. This system, a database created many years ago to track and age Medicaid program receivables (including provider cost settlement receivables), should not be relied on because it contains old, inaccurate information.

Although aware of the system’s unreliability, TennCare still uses the system to determine the amount of overpayment adjustments (reductions in expenditures claimed because of overpayments) reported on quarterly federal expenditure reports to the Health Care Financing Administration (HCFA). However, management is concerned enough about the system’s reliability to delay requests to Medicare to withhold provider payments until the cost settlement balances can be researched and analyzed in detail using the TennCare Management Information System (TCMIS).

When TennCare management began to compare provider balances on the Recoupment System with those on TCMIS, the more reliable system, discrepancies were noted creating uncertainty about the exact amounts some providers owe TennCare for cost settlements. Because of the complexity of TCMIS and the many transactions it processes daily (e.g., new and voided claims, retroactive rate adjustments), management had been reluctant until recently to undertake the time-consuming task of reconciling provider balances on the two systems. Had the balances on the two systems been reconciled periodically over time, TennCare would not now be having such difficulty.

Accurate financial information is essential to effectively manage the fiscal operations of TennCare. When financial information and the systems used to compile the information are unreliable, management cannot make sound financial decisions, take appropriate action, and ensure the accuracy of federal financial reporting.

Recommendation

To facilitate effective program financial management, including collection of accounts receivable, the Fiscal Director should take the necessary measures to ensure the provider balances on the TennCare Management Information System and the Medicaid Accounts Receivable Recoupment System are reconciled at least quarterly. Management should focus first on the most significant balances.

Management's Comment

We concur. TennCare staff have taken steps to identify and reconcile balances between TCMIS and the recoupment system. (See response to finding number 4.) As a result of improving our collections process, timely updates and reconciliations of our accounts receivable systems should be achieved; however, the updates to the recoupment system are still manual. We are also pursuing obtaining aged accounts receivable data through TCMIS. Once this is achieved, we will no longer need the recoupment system.

Finding Number 97-TDH-15
CFDA Number 93.778
Program Name Medical Assistance Program
Federal Agency Department of Health and Human Services
State Agency Department of Health
Grant/Contract No. 05-9605TN5028; 05-9705TN5028
Finding Type Reportable Condition
Questioned Costs None

**TennCare has not established a coordinated program for
ADP risk analysis and system security review**

Finding

TennCare does not have a coordinated program for ADP (automated data processing) risk analysis and security system review of the TennCare Management Information System (TCMIS). Although the bureau has a system administrator in charge of passwords and terminal access, the bureau has apparently relied on the Office for Information Resources to oversee the security of the system. There is no documentation, however, to substantiate any review of the system.

According to Office of Management and Budget (OMB) Circular A-133 and the *Code of Federal Regulations*, Title 45, Subtitle A Section 95.621, such an analysis and a review must be performed on all projects under development and on all state operating systems involved in the administration of the Department of Health and Human Services (HHS) programs. TCMIS can be categorized as such an operating system and is one of the largest in the state.

The risk analysis is to ensure that appropriate, cost-effective safeguards are incorporated into the new or existing system and is to be performed “whenever significant system changes occur.” The system security review is to be performed biennially and include at a minimum “an evaluation of physical and data security operating procedures, and personnel practices.”

If TennCare is to rely on TCMIS for the proper payment of benefits, a security plan must be established for this extensive and complex computer system. OMB Circular A-133 requires the plan to include policies and procedures to address the following:

- Physical security of ADP resources
- Equipment security to protect equipment from theft and unauthorized use
- Software and data security
- Telecommunications security
- Personnel security
- Contingency plans to meet critical processing needs in the event of short- or long-term interruption of service
- Emergency preparedness
- Designation of an agency ADP security manager

Recommendation

The Assistant Commissioner for TennCare should assign the Director of Information Services specific responsibility for the development and implementation of procedures for ADP risk analysis and system security reviews. The Commissioner should monitor the procedures implemented and ensure the appropriate actions have been taken.

Management's Comment

We concur. However, TCMIS has been reviewed by the Health Care Financing Administration (HCFA) since the implementation of TennCare, and this issue was not raised as a concern. We are in the process of obtaining guidance from HCFA regarding their expectations from states of this regulation and will take steps to comply. Also, TCMIS is included in the Office for Information Resources' disaster recovery plan and security controls.

Finding Number	97-TDH-16
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	05-9605TN5028; 05-9705TN5028
Finding Type	Reportable Condition
Questioned Costs	None

TennCare does not verify or update cross-over and nursing home provider enrollment application information and does not monitor the Department of Children’s Services to ensure the eligibility of its TennCare providers

Finding

TennCare has not established procedures for the verification of provider information upon enrollment nor procedures for updating provider files. To enroll in TennCare, “cross-over” providers (professional and institutional medical providers paid first by Medicare) and nursing homes are only required to complete a short application, which requires basic information such as name, address, practicing address, and license number. TennCare personnel stated that there is no need to verify this information since most providers are already participants in the Medicare program.

Through the department’s Health Related Boards, TennCare can determine if the provider is licensed and otherwise eligible for participation in the program before any payments are made. Although TennCare receives provider termination information from Medicare, this information does not go directly to TennCare and may not arrive in time to stop payments to the provider. When TennCare learns that a provider is ineligible, steps are taken to recoup any payments. However, the recoupment process would be unnecessary if provider information were verified before enrollment.

In addition, TennCare has not monitored to ensure the service providers used by the Department of Children’s Services (Children’s Services) are eligible to participate in the TennCare (Medicaid) program. Children’s Services contracts with these providers for therapeutic services for the children under its supervision, even though TennCare ultimately pays for these services. See finding 2 for more information about Children’s Services’ service providers and billings to TennCare.

According to the Rules of the Tennessee Department of Health, section 1200-13-12-.08, “Bureau of TennCare,” participation in the TennCare program is limited to providers who “maintain Tennessee...medical licenses and/or certifications as required by their practice, or licensure by the Tennessee Department of Mental Health and Mental Retardation.” The rules go on to state that participation is limited to providers that “are not under a Federal Drug Enforcement Agency (DEA) restriction of their prescribing and/or dispensing certification.” Additionally, Office of Management and Budget (OMB) Circular A-133 requires that the state plan “specify criteria for determination of validity of disbursed payments” and that the state ensure payments “are disbursed only to eligible providers.”

Recommendation

The Assistant Commissioner for TennCare and the Director of Operations should develop verification and update procedures for all provider information and assign the implementation of such procedures to the TennCare Provider Enrollment staff. The Assistant Commissioner should monitor

the Department of Children's Services to ensure all service providers are eligible to participate in the program. The Assistant Commissioner should ensure that the information is verified, updated, and maintained by either Children's Services or the TennCare Provider Enrollment staff.

Management's Comment

We concur. In general, TennCare has relied on Medicare for the verification of provider eligibility information for cross-over and nursing home providers and the Department of Children's Services for providers for children in state custody. Medicare's resources for verification are extensive, and we believe this process is sufficient for complying with our rules. There are, however, some providers that do not enroll in Medicare. For these providers, we agree that greater verification of eligibility needs to occur. It is our understanding that within a few weeks, information regarding licensure of all medical professionals will be available on the Internet. Access to this information should allow for verification of provider eligibility for all future providers requesting to enroll in the program. This should also allow for periodic review of disciplinary actions. We will also review with the Department of Children's Services their providers verification and address any weaknesses that are revealed.

Finding Number 97-TDH-17
CFDA Number 93.778
Program Name Medical Assistance Program
Federal Agency Department of Health and Human Services
State Agency Department of Health
Grant/Contract No. 05-9605TN5028; 05-9705TN5028
Finding Type Reportable Condition
Questioned Costs None

Medicaid refunds were not returned to the federal grantor promptly

Finding

As noted in the three prior audits, TennCare has not promptly used the amounts recovered from third parties to reduce federal drawdowns. Management concurred with the prior audit findings and stated:

Since the TennCare fiscal staff has now moved to the same location as the program operations, perhaps this timeline will become less significant. Also, beginning July 1, 1997, the certification of deposit will be completed and keyed by the TennCare fiscal staff which will eliminate the delay caused by the deposit being performed at another location.

Although the timeline for entering refund information into STARS has significantly decreased, the timeliness of remittances to HCFA has not improved. Based on reports provided by the department, refunds totaling \$13,462,533.78 were deposited in fiscal year 1997. Our review of \$8,159,430.02 of refund deposits disclosed that \$2,750,812.87 was not remitted to HCFA in a timely manner. Occasionally, refunds were delayed up to three weeks before remittance to HCFA.

The timeliness of remittances to HCFA involves two components: TennCare's prompt keying of information into STARS and the Division of Accounts' (within the Department of Finance and Administration) prompt approval to process the transactions. Frequently, however, the Division of Accounts is not aware of the nature and priority of the transactions.

The Cash Management Improvement Act Agreement holds the state liable for interest on refunds from the date the refund is credited to a state account until the date the refund is subtracted from drawdowns. Both TennCare and Department of Finance and Administration personnel indicated that the interest is properly remitted. However, timely remittance to HCFA would reduce and possibly eliminate these interest payments.

Recommendation

The Assistant Commissioner for TennCare should ensure refunds are promptly entered into STARS and forwarded to the Department of Finance and Administration. TennCare staff should communicate the priority of processing these refund transactions and monitor them until drawdowns are reduced. Both TennCare and the department should coordinate efforts to ensure timely remittance to HCFA.

Management's Comments

Department of Health, Bureau of TennCare:

We concur. We will continue to work with the Department of Finance and Administration to further improve the timely processing of refund transactions that affect the federal draw of funds.

Department of Finance and Administration:

The Department of Finance and Administration concurs. Staff at the Department of Finance and Administration have spoken with fiscal staff at TennCare to ensure that HCFA remittances are properly identified and prompt approval and processing occurs.

Finding Number	97-TDH-18
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	05-9605TN5028; 05-9705TN5028
Finding Type	Material Weakness
Questioned Costs	None

TennCare eligibility verification procedures were not adequate

Finding

The two prior audits of the Bureau of TennCare noted that in many cases, the eligibility of TennCare participants who are classified as uninsured or uninsurable had not been verified. Management concurred with the prior finding, stating that new procedures and major changes had been implemented. However, based on the results of this year's audit, verification procedures did not adequately ensure all TennCare participants were eligible.

Apparently, little effort has been made this fiscal year to follow up and analyze the data from the bureau's May 1996 survey of 87,000 enrollees. As a result of the survey, approximately 50,000 participants were disenrolled between August 28 and October 21, 1996. However, information concerning the bureau's actions in regard to the remaining 37,000 enrollees was unavailable at June 30, 1997.

In addition, TennCare does not systematically reverify eligibility information. At present, reverification appears random. Some enrollees' eligibility is updated as part of various activities such as data matches with the state insurance system or information obtained from the managed care organizations, the TennCare hotline, and the TennCare grievance unit. However, these methods do not ensure that the eligibility of the entire uninsured and uninsurable enrollee population is updated or that the updates are performed timely and completely. Without systematic and timely review of eligibility information, there is no assurance that current information is used to determine how many enrollees are still eligible for TennCare.

Additionally, using computer-assisted audit techniques (CAATs) to search the TennCare Management Information System (TCMIS), auditors found several thousand TennCare participants had fake or "pseudo" social security numbers, e.g., numbers that began with 8 or had all zeros in one field. According to TennCare personnel, some applicants who do not have their social security cards and newborn children who have not yet been issued social security numbers are assigned these "pseudo" numbers.

According to the *Code of Federal Regulations*, Title 42, Section 435.910, the state agency must require, as a condition of eligibility, that those requesting services (including children) provide their social security numbers. Additionally, Section 3(g) of the code states that the agency "must verify the social security number of each applicant and recipient with the Social Security Administration, as prescribed by the Commissioner, to insure that each social security number furnished was issued to that individual, and to determine whether any others were issued." The pseudo social security numbers for 15 of 19 individuals tested (79%) had not been updated to a correct social security number, and nine of these individuals had been enrolled for over three years.

Adequate verification procedures are needed to ensure that only those eligible are enrolled in TennCare. The average amount paid to a managed care organization per month for each participant is \$110. In fiscal year 1997, TennCare paid \$1,456,154,507 to managed care organizations for uninsured and uninsurable enrollees. Annual reverification is also necessary to obtain current, accurate information about family size, income, and access to other medical insurance. This information is needed to determine whether participants previously considered eligible have become ineligible because of changes in their family or personal circumstances. Also, this information is used to determine the correct premium and deductible amounts paid by participants. TennCare's inadequate verification procedures will be reported as a material internal control weakness in the 1997 Tennessee Single Audit Report.

Recommendation

The Assistant Commissioner for TennCare should ensure that verification procedures are adequate and fully implemented. To evaluate the effectiveness of the procedures, reports detailing verification results should be produced regularly and reviewed for content and accuracy. Appropriate steps should be taken in response to the results of those reports. If reports are not made timely, the reason for the delay should be determined and corrected.

Management's Comment

We concur. However, the results of the May 1996 survey were analyzed by the TennCare staff which initiated the termination of approximately 50,000 enrollees. Many of these enrollees were reinstated upon TennCare's receiving the appropriate enrollee information. No action was required on the remaining 30,000 enrollees because the requested survey response was received by TennCare. We apologize for the miscommunication on this issue.

Also relative to the eligibility verification, TennCare did implement the face-to-face enrollment and verification process in April 1997 when TennCare opened enrollment for children without insurance. This method of enrollment provides timely enrollment as eligibility information for the enrollee is confirmed onsite.

In June 1998, testing for face-to-face reverification for uninsured/uninsurables including all children and dislocated workers, was implemented in Middle Tennessee counties. In July 1998, implementation for uninsured/uninsurables is anticipated to begin statewide for this population.

In regard to enrollees with pseudo social security numbers, we do acknowledge that some enrollees may at some period in their enrollment history have a pseudo number for the reasons described in the finding. This is due to the state's wish to provide needed care to children as soon as possible. The reverification project described above will help ensure that valid numbers are obtained for enrollees when available and measures can be taken to contact the enrollee at a later date to obtain a social security number when the number is not available upon birth or enrollment. It should be noted that the eligibility determination of children is based on information from the parents or head of household, not the child. Therefore a child with a pseudo social security number does not necessarily inhibit TennCare from making a correct determination of eligibility.

Finding Number	97-TDH-01
CFDA Number	93.959
Program Name	Block Grants for Prevention and Treatment of Substance Abuse
Federal Agency	Department Health and Human Services
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

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

Finding

The prior two audits noted that correct grant information (grant number and percentage of federal funds) was not entered into POST (Property of the State of Tennessee), the state’s property and equipment-tracking system, for some equipment items purchased with federal funds. Although grant information is entered into POST, the correct information was not entered for 16 of 23 federally funded equipment purchases tested. Management concurred with the prior finding and stated that all bureaus and divisions of the department would be required to document the source of funding, percentage of each funding source, and federal grant number, if applicable, on all purchase requests for equipment. Although the department has made improvements, problems continue.

The department must be able to distinguish between state and federal property. The U.S. Department of Health and Human Services’ “Public Health Service (PHS) Grants Policy Statement (Rev. April 1, 1994)” states that in certain cases grantees should report income earned from the sale of equipment purchased with grant funds on the Federal Financial Status Report: “PHS has the right to require transfer of the equipment including title, to the Federal Government or to an eligible third party” (pages 8-14). If the equipment is damaged beyond repair, lost, or stolen, the recipient may be accountable to PHS for “an amount equal to the Federal share of the original equipment times the fair market value.” If equipment purchased with federal grant funds is not correctly identified in the property records, the department’s ability to transfer equipment, dispose of equipment, or reimburse the federal government in accordance with federal laws and regulations is greatly diminished.

Recommendation

Employees who initiate equipment purchases that are to be funded with federal funds should include correct grant information on the face of the purchase documents. The Director of the Division of General Services should ensure that staff consistently follow the procedures developed to ensure that the appropriate grant information is entered into POST.

Management’s Comment

We concur. Once this problem was brought to our attention in July 1997, procedures were implemented that returned purchase requests to the program that did not provide appropriate grant information. We continue to monitor grant information being entered into the POST system to ensure accuracy.

Finding Number	97-TDH-03
CFDA Number	93.959
Program Name	Block Grants for Prevention and Treatment of Substance Abuse
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Questioned Costs	None

Monitoring of subgrantees is not adequate

Finding

As noted in the five prior audits since 1992, subgrantees of the Department of Health are not adequately monitored. Management concurred with the prior findings, and although improvements have been made, monitoring problems continue.

- The Bureau of Alcohol and Drug Abuse Services and the Bureau of Health Services do not regularly conduct on-site fiscal monitoring reviews of all subgrantees.
- The Bureau of Alcohol and Drug Abuse Services does not have uniform written procedures for fiscal monitoring. Additionally, the Bureau of Health Services does not have uniform written procedures for fiscal or program monitoring.
- The files for 39 subrecipients of grants administered by the Department of Health were reviewed for evidence of compliance and fiscal monitoring. The fiscal activities of five subrecipients had not been monitored, neither had the programmatic goals and objectives of three subrecipients. In addition, two subrecipients had not been monitored on-site since 1994.

Office of Management and Budget (OMB) Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations," requires the department 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." Also, Section 40 of OMB Circular A-102, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Common Rule)," states that the grantee is responsible for monitoring both its own and its subgrantees' activities.

The Bureau of Health Services issued a monitoring policy in December 1996, but the policy did not specify the monitoring procedures that program personnel and fiscal staff were to use during their evaluations. In addition, the policy did not establish criteria for selecting which subgrantees to monitor. Although the bureau policy states that a site-visit schedule will be developed, no such schedule was established.

Monitoring also involves obtaining and reviewing subrecipients' audit reports, prepared by independent CPA firms. Occasionally these reports contain questioned costs and indicate amounts due to the state. The department did not meet federal requirements in the following instances:

- The costs in four of the seven reviewed reports that contained questioned costs were not resolved within six months of receipt of the reports.

- For two of these four reports, the resolution process was completed seven to 203 days after the six-month period ended.
- For the other two reports, which were received in September 1995 and 1996, the resolution process had not been completed as of August 1997.
- At September 1997, two of these subgrantees had not refunded to the state total questioned costs of \$7,114.
- The department's review of the audit reports did not include following up other reported audit exceptions such as internal control weaknesses.
- Two of 20 reports reviewed contained deficiencies that were not appropriately noted in the department's database or followed up.
- Five of eight subrecipients continued to receive federal funding even though prior years' audit reports had not been received or the audits were not performed in compliance with OMB Circular A-133.

Circular A-133 states that it is the recipient's (Department of Health's) responsibility to "issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action." Furthermore, the circular states that "in cases of continued inability or unwillingness to have an audit conducted in accordance with this part, ... pass-through agencies [Department of Health] 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."

In addition, the department has not used the one method available to collect subrecipient audit reports—discontinue funding. The Department of Health did not receive 29 of 40 audit reports within nine months of the end of the reporting period, as required in the department's standard contract with subgrantees and as required by OMB Circular A-133. Reports were received from 51 to 1,216 days after the nine-month period. Furthermore, 31 audit reports with due dates ranging from March 31, 1994, to March 31, 1997, had not been received at June 30, 1997. Despite these delays, the subrecipients continued to receive funding.

The department cannot determine compliance with applicable laws and regulations if it does not monitor subrecipients. Additionally, funds could be used for objectives not associated with the grant or contract.

Recommendation

The commissioner and related bureau directors should assign staff specific responsibility for annual program and fiscal monitoring of all subrecipients. Policies should establish specific procedures for selecting which subgrantees to monitor and what criteria to use. Staff should sufficiently document all monitoring and promptly report deficiencies to subgrantees. Significant deficiencies should be reported to the department's Office of Audit and Investigation and to the Comptroller of the Treasury. Recommendations and deficiencies previously noted should be followed up, and this process should also be documented.

All audit exceptions should be followed up and resolved within six months of the receipt of the subrecipient's audit report. The department should seriously consider withholding federal funding from subgrantees that do not submit the required audits.

Management's Comment

We concur. Staff will be assigned specific responsibility for program and fiscal monitoring of selected subgrantees on an annual basis. Policies will be established for the selection of which subgrantees will be monitored and the criteria to be used in the monitoring process. Any deficiencies will be promptly reported to the subrecipient and any significant deficiencies will be reported to the Office of Audit and Investigations and to the Comptroller of the Treasury. A follow-up review of all deficiencies and the resulting actions taken will be documented for possible payment sanctions if deemed necessary.

Finding Number	97-UOM-02
CFDA Number	15.807, 20.600, 47.041, 93.959
Program Name	Research and Development Cluster: Earthquake Hazards Reduction Program, State and Community Highway Safety, Engineering Grants, Block Grants for Prevention and Treatment of Substance Abuse
Federal Agency	Department of the Interior, Department of Transportation, National Science Foundation, Department of Health and Human Services
State Agency	University of Memphis
Grant/Contract No.	1434-93-G-2364, CP-97-04, DMR-9522286, Z-6-074148-6-01
Finding Type	Reportable Condition
Questioned Costs	None

Equipment additions were not designated as federally funded on the equipment records

Finding

Eight of 21 federal research and development additions tested (38%) were not designated as federally funded on the equipment records. Seven of the eight were not designated correctly due to improper coding of the revenue source in the financial records. Office of Management and Budget Circular A-110 requires the university's equipment records to include the source of the equipment, including the award number.

Recommendation

The institution should ensure that all federal funding, direct and pass through, is recognized as being federal, and that the equipment records reflect this federal funding.

Management's Comment

Management concurs with the finding.

Finding Number	97-TSU-01
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Tennessee State University
Grant/Contract No.	Various
Finding Type	Material Weakness
Questioned Costs	None

Equipment inventory records were not accounted for properly

Finding

The university's moveable property section, which is responsible for keeping up with all of the university's equipment, did not have an adequate system of follow-up to ensure that departments returned the moveable property inventory printouts. In order to conduct the annual physical inventory of equipment, the moveable property section distributes a moveable property inventory printout to each department listing the property for which the department is responsible. The department is supposed to verify that the information is correct, and if it is not, indicate the necessary changes and return the printout to the moveable property section so the property records can be updated, if necessary. As of September 30, 1997, the moveable property inventory printouts for 225 of 611 departmental accounts (37%) had not been returned. The dollar value of equipment for the 225 accounts was \$8,706,292.45, which was 30% of the June 30, 1997, reported equipment inventory value of \$29,063,668.14.

The printouts for an additional 146 accounts were returned late; 25 of those were more than 120 days late, which was beyond the date of financial statement presentation. Therefore, an additional \$1,234,566.28 of equipment (4.25%) was not confirmed by the departments as of June 30, 1997. Also, according to a comparison of the inventory printouts and the moveable property inventory distribution records, several departmental account numbers were either inaccurate or expired, and there was no documentation to show that the applicable departments ever received the appropriate inventory printouts. The total dollar value of equipment assigned to these account numbers was \$608,185.53.

Because of these discrepancies in moveable property inventory control, \$10,549,044.26 of \$29,063,668.14 of equipment inventory (36%) was not adequately accounted for as of the date of financial statement reporting.

The lack of adequate internal control over moveable property inventory printouts results in an incomplete physical inventory of equipment and may cause the financial statements to be materially misstated, since missing equipment may not be detected timely.

Recommendation

The Vice President for Business and Finance should monitor the activities of the moveable property inventory section to ensure that prior to financial reporting, moveable property inventory counts have been properly performed and adequately documented. The inaccurate departmental account numbers and expired account numbers should be corrected on the property inventory distribution records to ensure a complete distribution of the inventory printouts.

Management's Comment

We concur with the finding and recommendation.

All departments/account holders are required to have a representative attend the Annual Purchasing and Business Services workshop held in April. At that time, account holders are given specific instructions for completing inventory printouts and a designated time to return inventory printouts and supporting documents to Central Receiving for processing.

The importance of completing and returning inventory printouts no later than the date indicated along with follow-up measures to meet year-end close out requirements will be discussed and emphasized at the movable property inventory workshop in March 1998. Also, the Vice Presidents will be required to monitor and ensure submission of inventory reports for all departments under their supervision.

Finding Number	97-CAFR-01
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of General Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Administration of the Property of the State of Tennessee system needs improvement

Finding

Administration of the Property of the State of Tennessee (POST) system does not provide assurance that assets are accurately recorded. Problems were found with retirement batches; security administration; documentation and authorization for retired, surplus, and transferred assets; and asset values and object codes.

Retirement Batches

Sometimes retirement (deletion) batches do not post correctly and halt processing. To restart processing, the Department of General Services makes changes directly to the POST database through Utility Services On-line (USO). This utility overwrites data and leaves no audit trail such as the date of the change, its purpose, and the name of the employee making the change.

Security Administration

To control access to POST, General Services has established user groups, limiting each group's access to specific screens and data. Several POST users at the Department of General Services, however, are not assigned to user groups and have inappropriate access:

- A programmer and an analyst have access to production transactions, USO, and security—access not related to their job duties. With this unlimited access, they can enter or change production transactions that have been approved and entered by others; add, change, and delete files, tables, and data directly in the database; or add or delete users or change users' access.
- Four property representatives at General Services have unlimited access to POST, although they need access only to property records.
- The Property Manager and the Security Administrator have access to USO. The Property Manager would not need this type of access if the system functioned correctly, and the Security Administrator's job duties do not require this type of access.

General Services did not obtain complete and accurate authorization requests for access to POST).

- Six of 15 users (40%) had no written access authorization on file.
- Seven of 15 requests (47%) did not specify the type of access needed.

- Eleven of 15 requests (73%) did not specify to which allotment codes the user needed access.
- Two of eight users (25%) were not given the type of access requested on the form.
- One of 15 users (7%) was no longer employed by the agency that made the request.

Failure to obtain complete and accurate access authorization forms before granting system access and failure to assign the access requested and approved allow some individuals unauthorized access to the system and leave others without the access needed to perform their jobs.

Documentation and Authorization

Written documentation and authorization for retirements, transfers, and surplus items were not always maintained in accordance with state policies and procedures.

- There were no written requests to retire five of 23 assets (22%) from POST.
- Two of eight retirement requests (25%) were not approved by General Services management.
- A signed inspection request form was not on file for two of seven surplus items (29%).
- There was no written transfer request for five of 28 transferred assets (18%).
- Eight of 28 transferred asset requests (29%) had no documentation of approval to transfer the asset.
- Three of 15 transferred assets (20%) did not have adequate supporting documentation.

State policies and procedures require written authorization to retire, transfer, or surplus fixed assets. Without this written authorization, there is no evidence items have been properly retired, transferred, or surplus.

Asset Values and Object Codes

Records on POST were incomplete, invalid, and inaccurate:

- Four hundred six records had blank object codes because the object codes had been incorrectly deleted when the transfers of equipment were keyed. These items totaled \$784,678.25. There are no edits in POST to prevent blank object codes.
- Sixty-four donated items had a cost less than \$1.00 because they were not recorded at fair market value at date of donation. General Services personnel do not investigate items with low costs to determine whether the items need to be recorded on the POST system, and if so, whether they are recorded at the appropriate amount.
- POST did not have complete funding or location information for two of 19 equipment expenditures (11%).
- The description on POST did not match the description on the invoice for two of 17 equipment expenditures (12%).

Inaccurate object codes, costs, and descriptions affect the accuracy of the state's fixed asset records.

Recommendation

The POST system should be modified so that retirement transactions record correctly, thereby eliminating the need to use USO to correct data. Any use of USO should be well documented to include date of change, purpose of the change, name of employee making the change, and approval.

POST security should be strengthened. Every user should be assigned to a user group. Employees should have no more access in POST than is necessary to perform their job duties. Programmers and analysts should not have access to production transactions or security. Property representatives should not have access to security tables and files and to USO. The Property Manager's and Security Administrator's USO use should be documented, limited as much as possible, and eventually eliminated as the system problems are corrected.

Written security requests should be obtained for all POST users. These requests should specify the allotment codes and type of access needed. Users should be given only the type of access specified in the written request authorized by user management. Employee access to POST should be canceled upon termination.

Proper documentation should be obtained and maintained for all POST retirements, transfers, and surpluses. Requests to retire assets should be approved by General Services management in accordance with state policies. Before assets are surplus, the signed inspection request should be obtained. Assets should not be transferred without a written request for transfer, approval to release the asset, and authorization to accept the asset.

Edits should be established in POST to prevent blank object codes. Donated assets should be recorded at fair market value at the date of donation. General Services personnel should investigate items with low costs to determine whether the items need to be recorded on POST and if so, whether they are recorded at the appropriate amount. All funding and location information should be completed on POST, and the asset's description on POST should match the description on the invoice.

Management's Comment

Retirement Batches

We concur. The POST system currently will not allow two transfer transactions in the same period. If a surplus retirement is attempted during the same period (month) as a transfer was processed, the system "abends." The previous method of correction was through the USO transaction by the Asset Management group. These situations are now turned over to ISM to be handled through Multitrac and OIR utilities to correct the data problem. The long-range solution for this problem will be when the state migrates to version 16.6.4 of POST. The state is currently operating in version 16.5.0.

Security Administration

We concur. The security for the POST system has been modified to allow analysts and programmers inquiry capability only. General Services employees that work directly in POST now have only those capabilities required for them to complete their day-to-day responsibilities. The section manager will maintain USO until version 16.6.4 is installed by OIR. This provision is only as an aide to the ISM efforts.

The POST Security Administrator is currently auditing the files that relate to the profiles that are needed for users in other departments and agencies. The goal of this audit and subsequent modifications is to ensure that all users are set up correctly in POST. We should be completed with this project by June 30, 1998.

Documentation and Authorization

We concur. Proper documentation will be maintained.

Asset Values and Object Codes

We concur. The blank object code problem was discovered prior to the audit being conducted and was in the process of being corrected. It appears that when a transfer transaction was processed, the object code field was being dropped. The problems with object codes, and those concerning funds and costs, have been corrected in the POST system.

Finding Number	97-CAFR-02
CFDA Number	Various
Program Name	Various
Federal Agency	Various
State Agency	Department of General Services
Grant/Contract No.	Various
Finding Type	Reportable Condition
Questioned Costs	None

Documentation to support access to Tennessee On-line Purchasing System was not on file

Finding

Proper authorization for departmental users' access to the Tennessee On-line Purchasing System (TOPS) was not on file at the Department of General Services. Although each state department determines the access its staff need to perform their jobs and files authorization forms for this access, General Services' staff are responsible for ensuring that the forms are completed and access is established in TOPS. In many instances however, access authorization forms were either not obtained, not complete, or inconsistent with actual access.

- For two of 15 users' access tested (13%), no written request for access was on file at General Services.
- Four of 13 access authorization forms tested (31%) did not specify the type of access (view or update) to give the user.
- Four of 13 access authorization forms tested (31%) did not specify which department the user was approved to access.
- Nine of 13 users (69%) did not have the type of access to TOPS the department had requested on the access authorization form.

There was also no documentation for TOPS security groups. Each user is assigned to a security group which limits access to certain screens. However, the Department of General Services has not documented to which screens each group has access. Without documentation of the screens in each group, it may be difficult for departments to determine in which groups their users need to be included. As a result, users may request more access than they really need. Access controls are needed to prevent the unauthorized alteration or deletion of data.

Recommendation

The Purchasing Division of the Department of General Services should obtain and maintain complete access authorization requests for all TOPS users. The requests should specify the type of access and allotment codes approved by user management. The user should be given only the type of access requested. Users should not be given access to TOPS until their departments submit access authorization forms. Also, TOPS security should be well documented to include the screens each security group may access.

Management's Comment

We concur. The Purchasing Division is in the process of documenting TOPS security set-up, user groups and the various screens involved and what functions these users are allowed to perform.

A completed and signed TOPS security form is required to set up TOPS security for an individual. Forms that are not signed are returned to the sender for signature. It has been our policy to accept security forms only when completely filled out. If a portion is missing, it is our policy to phone the individual who authorized the form and get the needed information from them verbally. The TOPS Security Officer will write this information on the form in the proper field. All security forms are being filed by department in alphabetical order.

In addition, our Systems Security Administrator is obtaining electronic copies of the policies concerning assignment and maintenance of users. This information will be stored on the network in a shared area and will include a copy of the group names as well as a description of each group. In addition, a listing of the screens that are associated with each group will be provided.



State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
U.S. Department of Agriculture				
Direct Programs				
10.025	Agriculture	Plant and Animal Disease, Pest Control, and Animal Care	\$ 495,275.39	
10.025	University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care	<u>59,985.85</u>	\$ 555,261.24
10.064	Agriculture	Forestry Incentives Program		6,000.00
10.153	Agriculture	Market News		18,000.00
10.162	Agriculture	Inspection Grading and Standardization		180.78
10.205	Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University		1,736,680.67
10.210	East Tennessee State University	Food and Agricultural Sciences National Needs Graduate Fellowship Grants		7,389.88
10.214	Tennessee State University	Morrill-Nelson Funds for Food and Agricultural Higher Education		140.00
10.218	University of Tennessee	Buildings and Facilities Program		1,559,750.10
10.220	University of Tennessee	Higher Education Multicultural Scholars Program		18,958.34
10.443	Tennessee State University	Small Farmer Outreach Training and Technical Assistance Program		211,998.68
10.500	Tennessee State University	Cooperative Extension Service		2,057,436.79
10.550	Agriculture	Food Distribution	8,691.00	
10.550	Education	Food Distribution	<u>31,320.79</u>	40,011.79
10.557	Health	Special Supplemental Nutrition Program for Women, Infants and Children		83,154,668.80
10.560	Agriculture	State Administrative Expenses for Child Nutrition	182,829.00	
10.560	Education	State Administrative Expenses for Child Nutrition	<u>1,001,899.30</u>	1,184,728.30
10.564	Education	Nutrition Education and Training Program		143,501.34
10.565	Health	Commodity Supplemental Food Program		5,405,376.01
10.568	Agriculture	Emergency Food Assistance Program (Administrative Costs)		754,169.81
10.569	Agriculture	Emergency Food Assistance Program (Food Commodities)		1,769,045.00
10.570	Commission on Aging	Nutrition Program for the Elderly (Commodities)		1,975,899.00
10.571	Agriculture	Food Commodities for Soup Kitchens		65,171.00
10.652	Agriculture	Forestry Research		445.75
10.664	Agriculture	Cooperative Forestry Assistance	1,245,136.00	
10.664	Environment and Conservation	Cooperative Forestry Assistance	<u>6,899.05</u>	1,252,035.05
10.665	Finance and Administration	Schools and Roads - Grants to States		319,434.79
10.910	Agriculture	Rural Abandoned Mine Program		10,601.05
10.950	Agriculture	Agricultural Statistics Reports		29,884.83
10.961	Tennessee State University	International Agricultural Research Program		<u>(1,083.27)</u>
Total U.S. Department of Agriculture			<u>\$ 102,275,685.73</u>	
U.S. Department of Commerce				
Direct Programs				
11.300	Tennessee State University	Economic Development - Grants for Public Works and Infrastructure Development	\$ 544,055.84	
11.413	Agriculture	Fishery Products Inspection and Certification		226.28
11.433	East Tennessee State University	Marine Fisheries Initiative		3,336.70
11.550	University of Tennessee	Public Telecommunications Facilities - Planning and Construction		(23,343.50)
11.552	University of Tennessee	Telecommunications and Information Infrastructure Assistance Program		133,984.50
11.609	Economic and Community Development	Measurement and Engineering Research and Standards		<u>1,826,633.52</u>
Total Direct Programs			<u>\$ 2,484,893.34</u>	
<u>Passed Through National Council of Advanced Technology Centers</u>				
11.612	Pellissippi State Technical Community College	Advanced Technology Program	\$ 159.86	
Total U.S. Department of Commerce			<u>\$ 2,485,053.20</u>	
U.S. Department of Defense				
Direct Programs				
12.002	University of Tennessee	Procurement Technical Assistance for Business Firms	\$ 247,325.11	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA #	State Grantee Agency	Program Name	Disbursements/Issues
12.112	Finance and Administration	Payments to States in Lieu of Real Estate Taxes	304,467.92
12.113	Environment and Conservation	State Memorandum of Agreement Program for the Reimbursement of Technical Services	156,927.60
12.400	Military	Military Construction, National Guard	8,127,031.50
12.401	Military	National Guard Military Operations and Maintenance (O&M) Projects	13,350,512.50
Total Direct Programs			\$ 22,186,264.63
Passed Through Nature Conservancy			
12.800	University of Tennessee	Air Force Defense Research Sciences Program (B01992260)	257,524.17
Total U.S. Department of Defense			\$ 22,443,788.80
U.S. Department of Housing and Urban Development			
Direct Programs			
14.228	Economic and Community Development	Community Development Block Grants/State's Program	\$ 23,452,499.89
14.231	Human Services	Emergency Shelter Grants Program	1,061,023.62
14.235	Mental Health and Mental Retardation	Supportive Housing Program	31,911.00
14.236	Human Services	Supplemental Assistance for Facilities to Assist the Homeless	191,585.37
14.239	Tennessee Housing Development Agency	HOME Investment Partnerships Program	10,637,381.55
14.241	Health	Housing Opportunities for Persons With AIDS	1,035,647.75
14.400	Human Rights Commission	Equal Opportunity in Housing	80,580.00
14.512	University of Tennessee	Community Development Work-Study Program	44,899.67
Total U.S. Department of Housing and Urban Development			\$ 36,535,528.85
U.S. Department of the Interior			
Direct Programs			
15.252	Environment and Conservation	Abandoned Mine Land Reclamation (AMLR) Program	\$ 143,766.78
15.605	Tennessee Wildlife Resources Agency	Sport Fish Restoration	3,624,716.00
15.611	Tennessee Wildlife Resources Agency	Wildlife Restoration	3,479,470.00
15.612	Environment and Conservation	Endangered Species Conservation	117,432.93
15.615	Tennessee Wildlife Resources Agency	Cooperative Endangered Species Conservation Fund	199,259.00
15.618	Tennessee Wildlife Resources Agency	Administrative Grants for Federal Aid in Sport Fish and Wildlife Restoration	75,000.00
15.808	Environment and Conservation	Geological Survey-Research and Data Acquisition	7,195.35
15.904	Environment and Conservation	Historic Preservation Fund Grants-in-Aid	432,726.28
15.914	Middle Tennessee State University	National Register of Historic Places	3,605.90
15.916	Environment and Conservation	Outdoor Recreation - Acquisition, Development and Planning	209,787.85
15.919	University of Tennessee	Urban Park and Recreation Recovery Program	2,449.44
Total U.S. Department of the Interior			\$ 8,295,409.53
U.S. Department of Justice			
Direct Programs			
16.540	Commission on Children and Youth	Juvenile Justice and Delinquency Prevention - Allocation to States	\$ 1,354,734.03
16.554	Finance and Administration	National Criminal History Improvement Program (NCHIP)	96,531.24
16.575	Human Services	Crime Victim Assistance	2,083,931.98
16.576	Treasury	Crime Victim Compensation	1,578,000.00
16.579	Finance and Administration	Byrne Formula Grant Program	\$ 8,439,718.50
16.579	Tennessee Bureau of Investigation	Byrne Formula Grant Program	2,760,039.06
16.588	Finance and Administration	Violence Against Women Formula Grants	241,500.42
16.592	Finance and Administration	Local Law Enforcement Block Grants Program	77,317.62
16.593	Finance and Administration	Residential Substance Abuse Treatment for State Prisoners	2,555.33
16.710	Austin Peay State University	Public Safety Partnership and Community Policing Grants	18,162.22
16.710	Middle Tennessee State University	Public Safety Partnership and Community Policing Grants	122,748.09
Total U.S. Department of Justice			\$ 16,775,238.49
U.S. Department of Labor			
Direct Programs			

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
17.002	Employment Security	Labor Force Statistics	\$	910,940.00
17.005	Labor	Compensation and Working Conditions Data		69,632.02
17.203	Employment Security	Labor Certification for Alien Workers		203,751.17
17.207	Employment Security	Employment Service	\$ 14,442,819.60	
17.207	Labor	Employment Service	198,307.37	14,641,126.97
17.225	Employment Security	Unemployment Insurance		37,377,833.74
17.235	Commission on Aging	Senior Community Service Employment Program		1,617,348.43
17.245	Employment Security	Trade Adjustment Assistance - Workers		13,668,938.94
17.246	Labor	Employment and Training Assistance - Dislocated Workers		10,658,429.32
17.249	Education	Employment Services and Job Training - Pilot and Demonstration Programs		355,145.43
17.250	Labor	Job Training Partnership Act		26,425,442.16
17.503	Labor	Occupational Safety and Health - State Program		2,124,564.65
17.504	Labor	Consultation Agreements		692,251.55
17.600	Labor	Mine Health and Safety Grants		110,831.02
17.801	Employment Security	Disabled Veterans' Outreach Program (DVOP)		1,136,211.60
17.804	Employment Security	Local Veterans' Employment Representative Program		1,176,326.88
Total Direct Programs			\$	111,168,773.88
<u>Passed Through Clinch Powell Educational Cooperative</u>				
17.246	Roane State Community College	Employment and Training Assistance - Dislocated Workers (025-17-EDWAA)	\$	215.00
17.250	Roane State Community College	Job Training Partnership Act (97-01196, 025-1211C)	987.70	\$ 1,202.70
<u>Passed Through Upper Cumberland Human Resource Agency</u>				
17.250	Roane State Community College	Job Training Partnership Act (97-6-999-400-02)		6,004.11
<u>Passed Through Southeast Tennessee Private Industry Council</u>				
17.250	Chattanooga State Technical Community College	Job Training Partnership Act (97-6-999-312-98-91)		233,099.31
<u>Passed Through North Tennessee Private Industry Council</u>				
17.250	Volunteer State Community College	Job Training Partnership Act		6,863.00
<u>Passed Through Knoxville Private Industry Council</u>				
17.250	Pellissippi State Technical Community College	Job Training Partnership Act (99.STO.7-800)		58,068.80
<u>Passed Through Memphis Private Industry Council</u>				
17.250	Shelby State Community College	Job Training Partnership Act	7,239.24	
17.250	State Technical Institute at Memphis	Job Training Partnership Act (N-12570, N-11892)	269,312.82	276,552.06
Total Pass-Through Programs			\$	581,789.98
Total U.S. Department of Labor			\$	111,750,563.86
U.S. Department of State				
<u>Direct Programs</u>				
19.300	University of Tennessee	Program for Study of Eastern Europe and the Independent States of the Former Soviet Union	\$	2,134.15
Total U.S. Department of State			\$	2,134.15
U.S. Department of Transportation				
<u>Direct Programs</u>				
20.005	Tennessee Wildlife Resources Agency	Boating Safety Financial Assistance	\$	467,517.00
20.100	Middle Tennessee State University	Aviation Education		4,353.00
20.106	Transportation	Airport Improvement Program		2,777,736.19
20.107	Middle Tennessee State University	Airway Science		364,951.19
20.205	Tennessee State University	Highway Planning and Construction	\$ 30,081.50	
20.205	Transportation	Highway Planning and Construction	403,227,864.84	403,257,946.34
20.215	Tennessee State University	Highway Training and Education		24,567.59

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
20.218	Safety	Motor Carrier Safety Assistance Program	2,455,451.94	
20.218	Revenue	Motor Carrier Safety Assistance Program	<u>73,760.91</u>	2,529,212.85
20.219	Environment and Conservation	National Recreational Trails Funding Program		23,266.87
20.308	Transportation	Local Rail Freight Assistance		154,443.30
20.505	Transportation	Federal Transit Technical Studies Grants		541,516.11
20.509	Transportation	Public Transportation for Nonurbanized Areas		8,550,427.33
20.600	Transportation	State and Community Highway Safety		2,169,256.79
20.700	Tennessee Regulatory Authority	Pipeline Safety		215,291.25
20.703	Military	Interagency Hazardous Materials Public Sector Training and Planning Grants		<u>103,494.26</u>
Total U.S. Department of Transportation				<u>\$ 421,183,980.07</u>
Appalachian Regional Commission				
Direct Programs				
23.001	University of Tennessee	Appalachian Regional Development	\$	80,740.34
23.002	Economic and Community Development	Appalachian Supplements to Federal Grant-in-Aid (Area Development)		249,570.08
23.011	Education	Appalachian State Research, Technical Assistance, and Demonstration Projects	\$ 223,621.34	
23.011	Economic and Community Development	Appalachian State Research, Technical Assistance, and Demonstration Projects	<u>573,813.00</u>	<u>797,434.34</u>
Total Appalachian Regional Commission				<u>\$ 1,127,744.76</u>
Office of Personnel Management				
Direct Programs				
27.001	State Technical Institute at Memphis	Federal Civil Service Employment	\$	<u>32,300.77</u>
Total Office of Personnel Management				<u>\$ 32,300.77</u>
Equal Employment Opportunity Commission				
Direct Programs				
30.001	Human Rights Commission	Employment Discrimination - Title VII of the Civil Rights Act of 1964	\$	<u>229,524.00</u>
Total Equal Employment Opportunity Commission				<u>\$ 229,524.00</u>
General Services Administration				
Direct Programs				
39.003	General Services	Donation of Federal Surplus Personal Property	\$	<u>7,235,965.34</u>
Total General Services Administration				<u>\$ 7,235,965.34</u>
National Aeronautics and Space Administration				
<u>Passed-Through National Aeronautics and Space Administration</u>				
43.001	Austin Peay State University	Aerospace Education Services Program (NAGW-4405)	\$	<u>0.55</u>
Total National Aeronautics and Administration				<u>\$ 0.55</u>
National Foundation on the Arts and Humanities				
Direct Programs				
45.003	Tennessee Arts Commission	Promotion of the Arts - Arts in Education	\$	53,300.00
45.007	Tennessee Arts Commission	Promotion of the Arts - State and Regional Programs		363,972.00
45.010	Tennessee Arts Commission	Promotion of the Arts - Expansion Arts		7,500.00
45.022	Tennessee Arts Commission	Promotion of the Arts - Advancement Grants		96,330.00
45.024	University of Tennessee	Promotion of the Arts - Grants to Organizations and Individuals		(30.30)
45.130	University of Tennessee	Promotion of the Humanities - Challenge Grants		1,083.00

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<u>CFDA #</u>	<u>State Grantee Agency</u>	<u>Program Name</u>	<u>Disbursements/Issues</u>	
45.162	Tennessee State University	Promotion of the Humanities - Education Development and Demonstration	\$ 991.08	
45.162	University of Tennessee	Promotion of the Humanities - Education Development and Demonstration	16,519.44	17,510.52
Total National Foundation on the Arts and Humanities			\$ 539,665.22	
National Science Foundation				
<u>Direct Programs</u>				
47.049	Austin Peay State University	Mathematical and Physical Sciences	\$ 15,376.00	
47.049	Columbia State Community College	Mathematical and Physical Sciences	10,149.60	\$ 25,525.60
47.050	Roane State Community College	Geosciences		7,756.69
47.070	East Tennessee State University	Computer and Information Science and Engineering		83.12
47.073	Pellissippi State Technical Community College	Science and Technology Centers		10,020.49
47.076	Nashville State Technical Institute	Education and Human Resources	135,779.45	
47.076	Northeast State Technical Community College	Education and Human Resources	50,862.69	
47.076	University of Memphis	Education and Human Resources	205,070.78	391,712.92
47.077	University of Memphis	Academic Research Infrastructure		16,285.50
Total Direct Programs			\$ 451,384.32	
<u>Passed Through National Science Council</u>				
47.041	State Technical Institute at Memphis	Engineering Grants (HRD9553315)	\$ 105,095.00	
<u>Passed Through Department of Energy</u>				
47.050	Roane State Community College	Geosciences (DEFG05980R22628)		22,503.05
<u>Passed Through Lockheed Martin Energy Systems, Inc.</u>				
47.050	Roane State Community College	Geosciences (SSY-DDX49C and 49V-SV306)		85,835.15
<u>Passed Through National Science Foundation</u>				
47.076	Northeast State Technical Community College	Education and Human Resources		4,924.37
<u>Passed Through Kentucky and Science and Technology Council, Inc.</u>				
47.076	Walters State Community College	Education and Human Resources (KSTC49-9554465-95-07)		2,244.23
Total Pass-Through Programs			\$ 220,601.80	
Total National Science Foundation			\$ 671,986.12	
Small Business Administration				
<u>Direct Programs</u>				
59.005	Austin Peay State University	Business Development Assistance to Small Business	\$ 888.29	
59.005	East Tennessee State University	Business Development Assistance to Small Business	828.72	
59.005	University of Tennessee	Business Development Assistance to Small Business	13,727.44	\$ 15,444.45
59.037	University of Memphis	Small Business Development Center		1,467,885.21
Total Small Business Administration			\$ 1,483,329.66	
Tennessee Valley Authority				
<u>Direct Programs</u>				
62.004	Education	Tennessee Valley Region - Economic Development	\$ 26,387.18	
62.004	Pellissippi State Technical Community College	Tennessee Valley Region - Economic Development	21,572.96	
62.004	Tennessee State University	Tennessee Valley Region - Economic Development	(116.00)	\$ 47,844.14
Total Tennessee Valley Authority			\$ 47,844.14	
U.S. Department of Veterans Affairs				
<u>Direct Programs</u>				
64.101	Veterans Affairs	Burial Expenses Allowances for Veterans	\$ 164,100.00	

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues
64.116	University of Tennessee	Vocational Rehabilitation for Disabled Veterans	(11.31)
Total U.S. Department of Veterans Affairs			\$ 164,088.69
Environmental Protection Agency			
Direct Programs			
66.001	Environment and Conservation	Air Pollution Control Program Support	\$ 1,134,788.70
66.032	Environment and Conservation	State Indoor Radon Grants	138,541.76
66.419	Environment and Conservation	Water Pollution Control - State and Interstate Program	1,179,763.60
66.420	Environment and Conservation	EPA Operator Technical Assistance	9,349.92
66.432	Environment and Conservation	State Public Water System Supervision	718,205.39
66.435	Environment and Conservation	Water Pollution Control - Lake Restoration Cooperative	23,159.68
66.438	Environment and Conservation	Construction Management Assistance	199,571.99
66.454	Environment and Conservation	Water Quality Management Planning	325,582.08
66.458	Environment and Conservation	Capitalization Grants for State Revolving Funds	32,185,661.73
66.460	Agriculture	Nonpoint Source Implementation Grants	754,361.56
66.461	Agriculture	Wetlands Protection - Development Grants	\$ 26,738.91
66.461	Environment and Conservation	Wetlands Protection - Development Grants	91,774.97
66.463	Environment and Conservation	National Pollutant Discharge Elimination System Related State Program Grants	317,865.35
66.500	Roane State Community College	Environmental Protection - Consolidated Research	142,949.54
66.605	Agriculture	Performance Partnership Grants	392,351.17
66.700	Agriculture	Consolidated Pesticide Enforcement Cooperative Agreements	228,246.62
66.701	Environment and Conservation	Toxic Substances Compliance Monitoring Cooperative Agreements	784.86
66.707	Environment and Conservation	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	140,868.38
66.708	Environment and Conservation	Pollution Prevention Grants Program	52,019.07
66.801	Environment and Conservation	Hazardous Waste Management State Program Support	2,080,373.00
66.802	Environment and Conservation	Superfund State Site-Specific Cooperative Agreements	517,319.59
66.804	Environment and Conservation	State Underground Storage Tanks Program	174,323.13
66.805	Environment and Conservation	Leaking Underground Storage Tank Trust Fund Program	1,247,133.73
66.809	Environment and Conservation	Superfund State Core Program Cooperative Agreements	849,207.72
66.810	University of Tennessee	CEPP Technical Assistance Grants Program	2,004.00
66.951	University of Tennessee	Environmental Education Grants	4,437.81
Total Environmental Protection Agency			\$ 42,937,384.26
U.S. Department of Energy			
Direct Programs			
81.041	Economic and Community Development	State Energy Program	\$ 407,308.53
81.042	Human Services	Weatherization Assistance for Low-Income Persons	2,350,080.90
81.049	Middle Tennessee State University	Office of Energy Research Financial Assistance Program	20,905.66
81.052	Environment and Conservation	Energy Conservation for Institutional Buildings	\$ 6,288,103.90
81.052	Economic and Community Development	Energy Conservation for Institutional Buildings	27,205.23
81.052	Pellissippi State Technical Community College	Energy Conservation for Institutional Buildings	512.25
Total U.S. Department of Energy			\$ 9,094,116.47
Federal Emergency Management Agency			
Direct Programs			
83.008	Military	Arson Prevention Initiative	\$ 3,675.65
83.011	Military	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	113,003.67
83.503	Economic and Community Development	Civil Defense - State and Local Emergency Management Assistance	57,657.87
83.505	Military	State Disaster Preparedness Grants	53,972.67
83.516	Military	Disaster Assistance	2,628,823.26
83.521	Military	Earthquake Hazards Reduction Grants	64,271.79
83.526	Military	National Urban Search and Rescue (US&R) Response System	33,570.67
83.528	Military	Emergency Management Institute - Field Training Program	16,680.35

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
83.534	Military	Emergency Management - State and Local Assistance		2,373,526.65
83.535	Military	Mitigation Assistance Program		183.45
Total Federal Emergency Management Agency			\$	5,345,366.03
U.S. Department of Education				
Direct Programs				
84.002	Education	Adult Education - State Grant Program	\$	6,997,810.65
84.004	Education	Civil Rights Training and Advisory Services		49,472.13
84.009	Education	Education of Children with Disabilities in State Operated or Supported Schools		87,712.79
84.010	Education	Title I Grants to Local Educational Agencies		124,510,031.40
84.011	Education	Migrant Education - Basic State Grant Program		227,676.39
84.012	Education	Educationally Deprived Children - State Administration		16,719.82
84.013	Education	Title I Program for Neglected and Delinquent Children		864,370.77
84.016	Middle Tennessee State University	Undergraduate International Studies and Foreign Language Programs	\$ 10,501.64	
84.016	University of Tennessee	Undergraduate International Studies and Foreign Language Programs	10,565.95	21,067.59
84.024	East Tennessee State University	Early Education for Children with Disabilities		22,656.70
84.025	Education	Services for Children with Deaf-Blindness		166,280.00
84.027	Education	Special Education - Grants to States		61,361,017.30
84.029	Education	Special Education - Personnel Development and Parent Training	139,766.52	
84.029	Tennessee State University	Special Education - Personnel Development and Parent Training	152,433.08	
84.029	University of Memphis	Special Education - Personnel Development and Parent Training	71,372.15	
84.029	University of Tennessee	Special Education - Personnel Development and Parent Training	275,060.45	638,632.20
84.031	Dyersburg State Community College	Higher Education - Institutional Aid	274,213.58	
84.031	Northeast State Technical Community College	Higher Education - Institutional Aid	386,558.31	
84.031	Pellissippi State Technical Community College	Higher Education - Institutional Aid	198,685.56	
84.031	Tennessee State University	Higher Education - Institutional Aid	1,916,109.81	2,775,567.26
84.034	State	Public Library Services		1,836,996.57
84.035	State	Interlibrary Cooperation and Resource Sharing		435,412.17
84.036	University of Tennessee	Library Education and Training		2,812.00
84.042	Dyersburg State Community College	TRIO - Student Support Services	201,988.97	
84.042	East Tennessee State University	TRIO - Student Support Services	181,158.08	
84.042	Nashville State Technical Institute	TRIO - Student Support Services	170,205.18	
84.042	Northeast State Technical Community College	TRIO - Student Support Services	178,921.60	
84.042	Tennessee State University	TRIO - Student Support Services	196,707.71	
84.042	University of Tennessee	TRIO - Student Support Services	409,484.73	1,338,466.27
84.044	Tennessee State University	TRIO - Talent Search	176,418.40	
84.044	University of Tennessee	TRIO - Talent Search	232,942.72	409,361.12
84.047	Austin Peay State University	TRIO - Upward Bound	531,020.85	
84.047	Dyersburg State Community College	TRIO - Upward Bound	244,499.05	
84.047	Shelby State Community College	TRIO - Upward Bound	207,004.97	
84.047	Tennessee State University	TRIO - Upward Bound	370,344.64	
84.047	University of Tennessee	TRIO - Upward Bound	1,043,271.86	2,396,141.37
84.048	Education	Vocational Education - Basic Grants To States		20,293,103.72
84.049	Education	Vocational Education - Consumer & Homemaking Education		454,980.63
84.053	Education	Vocational Education - State Councils		81,588.06
84.055	Tennessee State University	Higher Education - Cooperative Education	36,587.58	
84.055	State Technical Institute at Memphis	Higher Education - Cooperative Education	4,061.88	40,649.46
84.066	Austin Peay State University	TRIO-Educational Opportunity Centers	281,388.16	
84.066	University of Tennessee	TRIO-Educational Opportunity Centers	291,218.40	572,606.56
84.069	Tennessee Student Assistance Corporation	State Student Incentive Grants		516,680.00
84.078	University of Tennessee	Special Education-Postsecondary Education Programs for Persons with Disabilities		573,198.04
84.083	Motlow State Community College	Women's Educational Equity Act Program		8,079.22
84.094	Middle Tennessee State University	Harris Fellowships	29,224.60	

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
84.094	Tennessee State University	Harris Fellowships	5,351.00	
84.094	University of Tennessee	Harris Fellowships	73,710.43	
84.094	University of Tennessee	Harris Fellowships	30,356.40	138,642.43
84.097	University of Memphis	Law School Clinical Experience Program		125,814.25
84.126	Human Services	Rehabilitation Services - Vocational Rehabilitation Grants to States		52,501,812.53
84.129	University of Memphis	Rehabilitation Long-Term Training	68,775.34	
84.129	University of Tennessee	Rehabilitation Long-Term Training	301,658.10	370,433.44
84.141	University of Tennessee	Migrant Education - High School Equivalency Program		352,294.16
84.151	Education	Chapter 2 - State Block Grant		484,047.11
84.153	Middle Tennessee State University	Business and International Education	83,037.63	
84.153	University of Tennessee	Business and International Education	41,515.10	124,552.73
84.154	State	Public Library Construction and Technology Enhancement		222,922.74
84.158	Education	Secondary Education and Transitional Services for Youths with Disabilities		135,035.27
84.160	University of Tennessee	Training Interpreters for Individuals Who Are Deaf and Individuals Who Are Deaf-Blind		152,458.49
84.162	Education	Immigrant Education		144,271.31
84.164	Education	Eisenhower Mathematics and Science Education - State Grants		160,542.75
84.168	University of Memphis	Eisenhower Professional Development - National Activities		268,391.69
84.169	Human Services	Independent Living - State Grants		526,855.71
84.173	Education	Special Education - Preschool Grants		8,154,924.28
84.177	Human Services	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind		210,319.43
84.181	Education	Special Education - Grants for Infants and Families with Disabilities		4,462,079.05
84.183	Tennessee State University	Drug Prevention Program - Specific Approaches to Prevention		18.24
84.185	Education	Byrd Honors Scholarships		542,564.00
84.186	Education	Safe and Drug-Free Schools and Communities - State Grants		6,385,175.93
84.187	Human Services	Supported Employment Services for Individuals with Severe Disabilities		684,363.00
84.194	Education	Bilingual Education Support Services		49,469.08
84.196	Education	Education for Homeless Children and Youth		573,282.26
84.207	University of Tennessee	Drug-Free Schools and Communities - School Personnel Training		57,233.25
84.213	Education	Even Start - State Educational Agencies		1,834,029.41
84.216	Education	Capital Expenses		197,862.53
84.217	University of Tennessee	McNair Post-Baccalaureate Achievement		372,139.39
84.218	Education	State School Improvement Grants		203,082.19
84.224	Mental Health and Mental Retardation	State Grants for Assistive Technology		643,933.50
84.243	Education	Tech-Prep Education		2,194,786.92
84.257	University of Tennessee	National Institute for Literacy		145,700.53
84.264	University of Tennessee	Rehabilitation Training - Continuing Education		331,915.34
84.265	Human Services	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training		73,277.35
84.270	Education	Teacher Corps		(404.33)
84.276	Education	Goals 2000 - State and Local Education Systemic Improvement Grants		5,101,644.22
84.278	Education	School-to-Work Opportunities	390,749.50	
84.278	Pellissippi State Technical Community College	School-to-Work Opportunities	319,307.68	710,057.18
84.281	Education	Eisenhower Professional Development State Grants		3,262,697.55
84.298	Education	Innovative Education Program Strategies		4,348,315.28
Total Direct Programs			\$ 322,945,630.38	
Passed Through U.S. Department of Education				
84.031	Northeast State Technical Community College	Higher Education-Institutional Aid (EP031G30071)		\$ 8,672.28
Passed Through Kankee Community College				
84.116	Tennessee State University	Fund for the Improvement of Postsecondary Education		642.24
Total Pass-Through Programs			\$ 9,314.52	
Total U.S. Department of Education			\$ 322,954,944.90	

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues
National Archives and Records Administration			
Direct Programs			
89.003	State	National Historical Publications and Records Grants	\$ 2,484.59
Total National Archives and Records Administration			\$ 2,484.59
U.S. Department of Health and Human Services			
Direct Programs			
93.041	Commission on Aging	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	\$ 43,537.56
93.042	Commission on Aging	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	86,466.00
93.043	Commission on Aging	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	291,919.00
93.044	Commission on Aging	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	6,254,999.00
93.045	Commission on Aging	Special Programs for the Aging - Title III, Part C - Nutrition Services	8,306,720.00
93.046	Commission on Aging	Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	193,552.00
93.048	Commission on Aging	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	20,000.00
93.049	Commission on Aging	Special Programs for the Aging - Title VII, Chapter 6 - Allotments for Vulnerable Elder Rights Protection Programs	33,803.72
93.110	Health	Maternal and Child Health Federal Consolidated Programs	\$ 163,953.18
93.110	University of Tennessee	Maternal and Child Health Federal Consolidated Programs	56,149.51
93.113	East Tennessee State University	Biological Response to Environmental Health Hazards	1,430.27
93.116	Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	1,462,453.74
93.119	Mental Health and Mental Retardation	Grants for Technical Assistance Activities	153,379.24
93.124	University of Tennessee	Nurse Anesthetist Traineeships	161,641.92
93.125	Mental Health and Mental Retardation	Mental Health Planning and Demonstration Projects	108,039.00
93.127	Health	Emergency Medical Services for Children	38,518.33
93.130	Health	Primary Care Services - Resource Coordination and Development Primary Care Offices	81,475.17
93.139	University of Tennessee	Financial Assistance for Disadvantaged Health Professions Students	3,682.00
93.150	Mental Health and Mental Retardation	Projects for Assistance in Transition from Homelessness	276,952.00
93.161	Health	Health Program for Toxic Substances and Disease Registry	60,612.20
93.173	Tennessee State University	Research Related to Deafness and Communication Disorders	22,110.20
93.197	Health	Childhood Lead Poisoning Prevention Projects-State and Community - Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children.	624,302.51
93.217	Health	Family Planning - Services	5,049,479.09
93.224	Health	Community Health Centers	948,361.34
93.224	University of Tennessee	Community Health Centers	124,940.77
93.244	Mental Health and Mental Retardation	Mental Health Clinical and AIDS Service-Related Training Grants	81,042.96
93.268	Health	Childhood Immunization Grants	3,798,044.50
93.282	University of Tennessee	Mental Health National Research Service Awards for Research Training	3,371.68
93.283	Health	Centers for Disease Control and Prevention - Investigations and Technical Assistance	142,597.96
93.337	East Tennessee State University	Biomedical Research Support	26,530.34
93.358	East Tennessee State University	Professional Nurse Traineeships	34,313.88
93.358	University of Tennessee	Professional Nurse Traineeships	85,948.51
93.379	East Tennessee State University	Grants for Graduate Training in Family Medicine	145,526.57
93.390	East Tennessee State University	Academic Research Enhancement Award	29,047.63
93.551	University of Tennessee	Abandoned Infants	129,829.09
93.556	Children's Services	Family Preservation and Support Services	3,337,291.82
93.556	Human Services	Family Preservation and Support Services	334,043.00

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
93.558	Human Services	Temporary Assistance for Needy Families		118,365,459.55
93.560	Human Services	Family Support Payments to States - Assistance Payments		44,494,692.67
93.561	Human Services	Job Opportunities and Basic Skills Training		2,931,573.41
93.563	Human Services	Child Support Enforcement		26,869,197.97
93.566	Human Services	Refugee and Entrant Assistance--State Administered Programs		887,614.02
93.568	Human Services	Low-Income Home Energy Assistance		17,641,074.08
93.569	Human Services	Community Services Block Grant		7,515,168.12
93.571	Health	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	(389.00)	
93.571	Human Services	Community Services Block Grant Discretionary Awards-Community Food and Nutrition	<u>54,049.00</u>	53,660.00
93.572	Human Services	Emergency Community Services for the Homeless		130,031.98
93.574	Human Services	Child Care for Families At-Risk of Welfare Dependency		825,914.62
93.575	Human Services	Child Care and Development Block Grant		16,014,352.72
93.576	Health	Refugee and Entrant Assistance - Discretionary Grants	16,846.34	
93.576	Human Services	Refugee and Entrant Assistance - Discretionary Grants	<u>44,281.51</u>	61,127.85
93.585	Human Services	Empowerment Zones Program	1,968,722.94	
93.585	Jackson State Community College	Empowerment Zones Program	<u>78,209.38</u>	2,046,932.32
93.596	Human Services	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		49,583,621.33
93.600	Education	Head Start	89,017.04	
93.600	Tennessee State University	Head Start	1,051,648.84	
93.600	University of Tennessee	Head Start	<u>12,171.35</u>	1,152,837.23
93.608	Tennessee State University	Child Welfare Research and Demonstration		82,604.61
93.630	Mental Health and Mental Retardation	Developmental Disabilities Basic Support and Advocacy Grants		1,206,667.03
93.632	University of Tennessee	Developmental Disabilities University Affiliated Programs		117,045.63
93.643	Children's Services	Children's Justice Grants to States	73,453.36	
93.643	Human Services	Children's Justice Grants to States	<u>2,642.67</u>	76,096.03
93.645	Children's Services	Child Welfare Services - State Grants	4,575,174.75	
93.645	Human Services	Child Welfare Services - State Grants	<u>1,218,855.75</u>	5,794,030.50
93.648	University of Tennessee	Child Welfare Services - Training Grants		912,476.56
93.652	Children's Services	Adoption Opportunities		43,587.40
93.656	Mental Health and Mental Retardation	Temporary Child Care and Crisis Nurseries		361,777.14
93.658	Children's Services	Foster Care - Title IV-E	42,445,841.87	
93.658	Human Services	Foster Care - Title IV-E	<u>5,670,260.78</u>	48,116,102.65
93.659	Children's Services	Adoption Assistance	4,053,365.77	
93.659	Human Services	Adoption Assistance	<u>1,222,259.12</u>	5,275,624.89
93.667	Human Services	Social Services Block Grant		40,754,657.17
93.669	Children's Services	Child Abuse and Neglect State Grants	494,851.56	
93.669	Human Services	Child Abuse and Neglect State Grants	<u>8,369.54</u>	503,221.10
93.671	Human Services	Family Violence Prevention and Services - Grants to States and Indian Tribes	602,106.31	
93.671	Tennessee State University	Family Violence Prevention and Services - Grants to States and Indian Tribes	<u>18,208.87</u>	620,315.18
93.673	Human Services	Grants to States for Planning and Development of Dependent Care Programs		26,461.19
93.674	Children's Services	Independent Living	421,682.20	
93.674	Human Services	Independent Living	<u>14,705.65</u>	436,387.85
93.779	Commission on Aging	Health Care Financing Research, Demonstrations and Evaluations	209,130.83	
93.779	Tennessee State University	Health Care Financing Research, Demonstrations and Evaluations	<u>30,342.18</u>	239,473.01
93.821	Tennessee Technological University	Cell Biology and Biophysics Research		70.00
93.822	East Tennessee State University	Health Careers Opportunity Program	157,595.21	
93.822	Tennessee State University	Health Careers Opportunity Program	62,721.86	
93.822	University of Tennessee	Health Careers Opportunity Program	<u>351,893.44</u>	572,210.51
93.839	East Tennessee State University	Blood Diseases and Resources Research		34,516.14
93.849	University of Memphis	Kidney Diseases, Urology and Hematology Research	544.15	
93.849	University of Tennessee	Kidney Diseases, Urology and Hematology Research	<u>177,506.05</u>	178,050.20

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
93.853	University of Tennessee	Clinical Research Related to Neurological Disorders		2,411,685.99
93.855	East Tennessee State University	Allergy, Immunology and Transplantation Research		73,024.13
93.859	University of Tennessee	Pharmacology, Physiology, and Biological Chemistry Research		417,716.47
93.862	University of Tennessee	Genetics and Developmental Biology Research		354,468.43
93.866	University of Memphis	Aging Research		333,417.94
93.880	Tennessee State University	Minority Access to Research Careers		241,155.16
93.902	Health	Model Comprehensive Drug Abuse Treatment Programs for Critical Populations		70,119.00
93.903	Health	Model Criminal Justice Drug Abuse Treatment for Incarcerated Populations, Non-Incarcerated Populations and Juvenile Justice Populations		62,470.00
93.913	Health	Grants to States for Operation of Offices of Rural Health		40,792.82
93.917	Health	HIV Care Formula Grants		3,616,720.63
93.919	Health	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs		94,052.06
93.925	East Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds	32,388.00	
93.925	Middle Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds	4,295.00	
93.925	Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds	20,355.00	
93.925	University of Memphis	Scholarships for Health Professions Students from Disadvantaged Backgrounds	38,988.00	
93.925	University of Tennessee	Scholarships for Health Professions Students from Disadvantaged Backgrounds	41,019.00	137,045.00
93.938	Education	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems		214,618.01
93.940	Health	HIV Prevention Activities - Health Department Based		3,296,437.49
93.944	Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		466,344.73
93.958	Mental Health and Mental Retardation	Block Grants for Community Mental Health Services		3,538,610.53
93.959	Health	Block Grants for Prevention and Treatment of Substance Abuse		18,763,673.93
93.960	University of Memphis	Special Minority Initiatives		130,434.59
93.969	Tennessee State University	Grants for Geriatric Education Centers		16,228.66
93.977	Health	Preventive Health Services - Sexually Transmitted Diseases Control Grants		1,196,179.03
93.984	East Tennessee State University	Grants for Establishment of Departments of Family Medicine		89,835.06
93.987	Health	Health Programs for Refugees		7,511.77
93.988	Health	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems		162,935.94
93.991	Health	Preventive Health and Health Services Block Grant		2,882,607.80
93.994	Health	Maternal and Child Health Services Block Grant to the States		14,329,846.92
Total Direct Programs				\$ 479,588,630.44
<u>Passed Through Vanderbilt University</u>				
93.110	Tennessee State University	Maternal and Child Health Federal Consolidated Programs (5-MCJ--000217)		\$ 60,280.00
<u>Passed Through Meharry Medical College</u>				
93.192	Tennessee State University	Interdisciplinary Training for Health Care for Rural Areas (5D36AH10050-02, 5D36AH10050-03 and ID36AH1005001)	\$ 14,907.13	
93.960	Tennessee State University	Special Minority Initiatives (1R25GM51759-01)	62,673.87	
93.969	Tennessee State University	Grants for Geriatric Education Centers (5D31AH70061-02)	500.25	78,081.25
<u>Passed Through Cordell Hull Economic Opportunity Corporation</u>				
93.600	Tennessee State University	Head Start		16,962.79
<u>Passed Through University of Cincinnati</u>				
93.142	University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training (B13996333)		118,736.23

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<u>CFDA #</u>	<u>State Grantee Agency</u>	<u>Program Name</u>	<u>Disbursements/Issues</u>
<u>Passed Through Lemoyn-Owen College</u>			
93.960	Shelby State Community College	Special Minority Initiatives (HRD-9553315)	90,668.76
<u>Passed Through Mt. Sinai Hospital</u>			
93.837	University of Memphis	Heart and Vascular Diseases Research (PO 73399)	148,512.15
<u>Passed Through Alliance for Business and Training</u>			
93.561	Northeast State Technical Community College	Job Opportunities and Basic Skills Training (ID-95-01-019)	37,691.04
<u>Passed Through Clinch Powell Educational Cooperative</u>			
93.561	Roane State Community College	Job Opportunities and Basic Skills Training (025-11-JOBS)	103.00
<u>Passed Through University of Tennessee</u>			
93.837	University of Memphis	Heart and Vascular Diseases Research (5R01HL53478-02)	<u>646,900.26</u>
Total Pass-Through Programs			\$ 1,197,935.48
Total U.S. Department of Health and Human Services			\$ 480,786,565.92
Corporation for National and Community Service			
<u>Direct Programs</u>			
94.003	Finance and Administration	State Commissions	\$ 229,779.03
94.004	Education	Learn and Serve America - School and Community Based Programs	\$ 404,732.67
94.004	Finance and Administration	Learn and Serve America - School and Community Based Programs	<u>116,384.16</u> 521,116.83
94.006	Finance and Administration	AmeriCorps	1,993,244.70
94.009	Finance and Administration	Training and Technical Assistance	<u>66,739.01</u>
Total Corporation for National and Community Service			\$ 2,810,879.57
Social Security Administration			
<u>Direct Programs</u>			
96.001	Human Services	Social Security - Disability Insurance	<u>\$ 29,248,810.72</u>
Total Social Security Administration			\$ 29,248,810.72
Food Stamp Cluster			
10.551	Human Services	Food Stamps	\$ 499,506,049.00
10.561	Human Services	State Administrative Matching Grants for Food Stamp Program	<u>27,767,040.28</u>
Total Food Stamp Cluster			\$ 527,273,089.28
Section 8 Cluster			
14.182	Tennessee Housing Development Agency	Lower Income Housing Assistance Program - Section 8 New Construction/Substantial Rehabilitation	\$ 9,395,262.00
14.855	Tennessee Housing Development Agency	Section 8 Rental Voucher Program	8,098,445.78
14.856	Tennessee Housing Development Agency	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	175,479.00
14.857	Tennessee Housing Development Agency	Section 8 Rental Certificate Program	<u>8,756,512.87</u>
Total Section 8 Cluster			\$ 26,425,699.65
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster			

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues
14.218	Tennessee State University	Community Development Block Grants/Entitlement Grants	\$ 31,115.02
Total CDBG- Entitlement and (HUD-Administered) Small Cities Cluster			\$ 31,115.02
Medicaid Cluster			
93.775	Tennessee Bureau of Investigation	State Medicaid Fraud Control Units	\$ 1,222,183.63
93.777	Health	State Survey and Certification of Health Care Providers and Suppliers	3,824,418.08
93.778	Health	Medical Assistance Program	2,330,559,966.00
Total Medicaid Cluster			\$ 2,335,606,567.71
Nutrition Cluster			
10.553	Agriculture	School Breakfast Program	\$ 701,339.87
10.553	Education	School Breakfast Program	27,296,068.63
			\$ 27,997,408.50
10.555	Agriculture	National School Lunch Program	15,128,709.66
10.555	Education	National School Lunch Program	99,901,165.42
10.556	Agriculture	Special Milk Program for Children	37,247.77
10.558	Human Services	Child and Adult Care Food Program	27,925,041.50
10.559	Human Services	Summer Food Service Program for Children	4,601,693.21
Total Nutrition Cluster			\$ 175,591,266.06
Transit Capital Grants Cluster			
20.500	Transportation	Federal Transit Capital Improvement Grants	\$ 1,341,825.80
Total Transit Capital Grants Cluster			\$ 1,341,825.80
Student Financial Assistance Cluster			
84.007	Austin Peay State University	Federal Supplemental Educational Opportunity Grants	\$ 192,823.46
84.007	Chattanooga State Technical Community College	Federal Supplemental Educational Opportunity Grants	115,088.00
84.007	Cleveland State Community College	Federal Supplemental Educational Opportunity Grants	3,920.00
84.007	Columbia State Community College	Federal Supplemental Educational Opportunity Grants	36,213.60
84.007	Dyersburg State Community College	Federal Supplemental Educational Opportunity Grants	56,794.00
84.007	East Tennessee State University	Federal Supplemental Educational Opportunity Grants	375,971.00
84.007	Jackson State Community College	Federal Supplemental Educational Opportunity Grants	82,311.40
84.007	Middle Tennessee State University	Federal Supplemental Educational Opportunity Grants	385,908.00
84.007	Motlow State Community College	Federal Supplemental Educational Opportunity Grants	68,884.75
84.007	Nashville State Technical Institute	Federal Supplemental Educational Opportunity Grants	75,981.00
84.007	Northeast State Technical Community College	Federal Supplemental Educational Opportunity Grants	68,786.00
84.007	Pellissippi State Technical Community College	Federal Supplemental Educational Opportunity Grants	142,354.25
84.007	Roane State Community College	Federal Supplemental Educational Opportunity Grants	92,115.00
84.007	Shelby State Community College	Federal Supplemental Educational Opportunity Grants	204,234.75
84.007	State Technical Institute at Memphis	Federal Supplemental Educational Opportunity Grants	99,147.29
84.007	Tennessee State University	Federal Supplemental Educational Opportunity Grants	1,051,128.93
84.007	Tennessee Technological University	Federal Supplemental Educational Opportunity Grants	237,143.00
84.007	University of Memphis	Federal Supplemental Educational Opportunity Grants	333,881.00
84.007	University of Tennessee	Federal Supplemental Educational Opportunity Grants	1,008,299.25
84.007	Volunteer State Community College	Federal Supplemental Educational Opportunity Grants	86,322.60
84.007	Walters State Community College	Federal Supplemental Educational Opportunity Grants	85,077.00
84.032	Tennessee Student Assistance Corporation	Federal Family Education Loans	4,802,384.28
84.032	Austin Peay State University	Federal Work-Study Program	71,917,705.80
84.032	Chattanooga State Technical Community College	Federal Work-Study Program	205,714.04
84.032	Cleveland State Community College	Federal Work-Study Program	82,845.26
84.032	Columbia State Community College	Federal Work-Study Program	66,778.00
84.032	Dyersburg State Community College	Federal Work-Study Program	66,778.00
84.032	East Tennessee State University	Federal Work-Study Program	28,363.47
84.032	Jackson State Community College	Federal Work-Study Program	37,995.24
84.032	Middle Tennessee State University	Federal Work-Study Program	378,262.26
84.032	Motlow State Community College	Federal Work-Study Program	46,509.91
84.032	Nashville State Technical Institute	Federal Work-Study Program	313,520.72
84.032	Northeast State Technical Community College	Federal Work-Study Program	65,365.26
84.032	Pellissippi State Technical Community College	Federal Work-Study Program	54,276.67
84.032	Austin Peay State University	Federal Work-Study Program	38,268.62
84.032	Chattanooga State Technical Community College	Federal Work-Study Program	65,864.32

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
84.033	Roane State Community College	Federal Work-Study Program	120,760.90	
84.033	Shelby State Community College	Federal Work-Study Program	359,111.22	
84.033	State Technical Institute at Memphis	Federal Work-Study Program	144,974.18	
84.033	Tennessee State University	Federal Work-Study Program	723,366.93	
84.033	Tennessee Technological University	Federal Work-Study Program	328,638.36	
84.033	University of Memphis	Federal Work-Study Program	325,251.39	
84.033	University of Tennessee	Federal Work-Study Program	1,543,228.21	
84.033	Volunteer State Community College	Federal Work-Study Program	33,094.58	
84.033	Walters State Community College	Federal Work-Study Program	75,569.61	5,037,759.15
84.038	Austin Peay State University	Federal Perkins Loan Program - Federal Capital Contribution	10,162.00	
84.038	East Tennessee State University	Federal Perkins Loan Program - Federal Capital Contribution	223,569.00	
84.038	Jackson State Community College	Federal Perkins Loan Program - Federal Capital Contribution	5,961.00	
84.038	Middle Tennessee State University	Federal Perkins Loan Program - Federal Capital Contribution	33,061.00	
84.038	University of Memphis	Federal Perkins Loan Program - Federal Capital Contribution	15,842.00	
84.038	University of Tennessee	Federal Perkins Loan Program - Federal Capital Contribution	222,874.00	
84.038	Volunteer State Community College	Federal Perkins Loan Program - Federal Capital Contribution	1,200.00	512,669.00
84.063	Austin Peay State University	Federal Pell Grant Program	3,376,650.65	
84.063	Chattanooga State Technical Community College	Federal Pell Grant Program	3,073,297.00	
84.063	Cleveland State Community College	Federal Pell Grant Program	1,378,247.47	
84.063	Columbia State Community College	Federal Pell Grant Program	1,563,287.96	
84.063	Dyersburg State Community College	Federal Pell Grant Program	1,278,971.05	
84.063	East Tennessee State University	Federal Pell Grant Program	5,611,728.00	
84.063	Jackson State Community College	Federal Pell Grant Program	1,788,947.00	
84.063	Middle Tennessee State University	Federal Pell Grant Program	6,694,296.53	
84.063	Motlow State Community College	Federal Pell Grant Program	1,867,831.75	
84.063	Nashville State Technical Institute	Federal Pell Grant Program	1,797,078.15	
84.063	Northeast State Technical Community College	Federal Pell Grant Program	1,665,883.73	
84.063	Pellissippi State Technical Community College	Federal Pell Grant Program	3,058,397.16	
84.063	Roane State Community College	Federal Pell Grant Program	3,814,869.51	
84.063	Shelby State Community College	Federal Pell Grant Program	3,506,642.75	
84.063	State Technical Institute at Memphis	Federal Pell Grant Program	1,985,313.29	
84.063	Tennessee State University	Federal Pell Grant Program	5,158,961.00	
84.063	Tennessee Technological University	Federal Pell Grant Program	2,769,061.00	
84.063	University of Memphis	Federal Pell Grant Program	6,528,419.00	
84.063	University of Tennessee	Federal Pell Grant Program	10,795,879.87	
84.063	Volunteer State Community College	Federal Pell Grant Program	1,997,236.75	
84.063	Walters State Community College	Federal Pell Grant Program	3,050,691.05	72,761,690.67
84.268	Middle Tennessee State University	Federal Direct Student Loan	16,098,675.00	
84.268	Tennessee State University	Federal Direct Student Loan	18,896,051.75	34,994,726.75
93.820	East Tennessee State University	Scholarships for Students of Exceptional Financial Need		38,838.00
Total Student Financial Assistance Cluster				\$ 190,065,773.65
Research and Development Cluster				
N/A	East Tennessee State University	U.S. Department of Education Interest Subsidies	\$ 31,545.00	
N/A	East Tennessee State University	Centers for Disease Control and Prevention	23,035.32	
N/A	East Tennessee State University	George C. Marshall Space Flight Center	22,892.34	
N/A	East Tennessee State University	HUD Interest Subsidies	49,526.00	
N/A	East Tennessee State University	HUD Interest Subsidies	45,110.00	
N/A	East Tennessee State University	Corporation for National Community Service	41,504.54	
N/A	University of Tennessee	DEG X257C30004 TRIMS-MERRIFIELD	59,392.35	
N/A	University of Tennessee	ARMY DAAK70-93-C-0037 TRIVEDI	19,915.33	
N/A	University of Tennessee	ARMY DAAH04-94-G-0004 BOULDIN	285,946.28	
N/A	University of Tennessee	NTL BIOLOGICAL SURVEY-MCCORMCK	117,692.86	
N/A	University of Tennessee	NASA NAG1-1566 MADHUKAR	34,046.78	
N/A	University of Tennessee	NASA NAG 3-1573 DONGARRA	13,018.32	
N/A	University of Tennessee	NASA NCC2-5198 LYNE 97	19,461.60	
N/A	University of Tennessee	NASA NAGW-4326 MCSWEEN	15,482.04	
N/A	University of Tennessee	TVA TV-80103V ACD ENRCH-HARDEN	23,402.43	

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues
N/A	University of Tennessee	NASA NAG8-1065 ALEXANDRAtoS 95	21,380.21
N/A	University of Tennessee	TVA TV-80101V FIELD PRAC 90-91	19,992.00
N/A	University of Tennessee	NASA NAG3-1697 OLIVER	10,438.32
N/A	University of Tennessee	BROOKHAVEN NTL LAB-SORENSEN	169,082.29
N/A	University of Tennessee	NASA NCC 5-88 BLASS	20,457.12
N/A	University of Tennessee	TVA-TV-81053V SUB12-SICARD	(80,000.00)
N/A	University of Tennessee	TVA TV-89608V KLIPPEL 93	17,314.82
N/A	University of Tennessee	ARMY DAAH04-95-1-0077 DONGARRA	756,601.46
N/A	University of Tennessee	TVA TV-95415V RUSSELL 96	64,518.58
N/A	University of Tennessee	SANDIA NTL LAB#AP-2476 DUBEY96	66,449.74
N/A	University of Tennessee	MARTIN MAR P041X-SD302COFFSITE	(18.76)
N/A	University of Tennessee	TVA TV-93594V-SECOND CRK-GNGWR	25,073.83
N/A	University of Tennessee	GEORGETOWN NFP SUBAGMT-SIMPSON	(1,151.66)
N/A	University of Tennessee	WAYNE STATE SUBCONT CA-43838	584.01
N/A	University of Tennessee	TVA TV-89421V 1131-212 MULLEN	998.02
N/A	University of Tennessee	USUHS MDA 905-93-Z-0026 SLATER	(1,158.84)
N/A	University of Tennessee	ARMY DAAH04-95-1-0504 DONGARRA	12,159.35
N/A	University of Tennessee	SANDIA NTL LABS A0-3572 KRIEG	77,482.47
N/A	University of Tennessee	SANDIA NTL LABSAQ-6982-UHRIG96	(1,500.34)
N/A	University of Tennessee	TVA TV-94549V BIRDWELL 96	1,248,729.00
N/A	University of Tennessee	NASA-NCC1 223 LANGLEY-ROTH 96	105,442.48
N/A	University of Tennessee	TVA TV-92880V SIMEK	14,291.62
N/A	University of Tennessee	NASA NAGW-4774 THONNARD	64,122.06
N/A	University of Tennessee	NASA NGT-51048 O'BRIEN	3,611.66
N/A	University of Tennessee	RUST SUBCONT GM-02866-STUDENTS	(850.00)
N/A	University of Tennessee	ARMY DAAH04-94-G-0088STEINHOF	77,774.52
N/A	University of Tennessee	NASA NAGW-3453 TAYLOR 93	87,784.33
N/A	University of Tennessee	NASA NAGW-2015 FOX 90-91	73.27
N/A	University of Tennessee	ARMY DAAH04-95-1-0595 DONGRA96	231,579.70
N/A	University of Tennessee	TVA-DOMESTIC DIF INTL-MENKE 96	27,205.04
N/A	University of Tennessee	TVA 96RKW-191182 FRANKENBERG97	4,501.33
N/A	University of Tennessee	TVA TV96RKW191909 FRANKENBERG	62,238.94
N/A	University of Tennessee	TVA TV96RKW-192139 ELAM	4,568.60
N/A	University of Tennessee	TVA 97RKW-197675 SIMEK	9,929.86
N/A	University of Tennessee	ARMY CONT DAAD05-95-P-1512	3,229.70
N/A	University of Tennessee	NIH N01-DE-62611 PALMER 97	94,161.78
N/A	University of Tennessee	NASA NAG5-3464 THONNARD	20,258.49
N/A	University of Tennessee	TVA TV-73564A-BOSE PEAC	761.26
N/A	University of Tennessee	NASA NAG8-1225 LYNE	13,855.00
N/A	University of Tennessee	NASA NGT-51052 TAYLOR 94	1,146.76
N/A	University of Tennessee	ACR SUBCONT CA-21661	3,326.63
N/A	University of Tennessee	NASA NAGW-3621 MCSWEEN 94	66,520.27
N/A	University of Tennessee	NASA NAGW-3578 COTA	73,761.15
N/A	University of Tennessee	NASA-METEORITE PETROGENESIS-MC	27,841.95
N/A	University of Tennessee	NASA JPL/CAL TECH 960871 MCSWN	14,450.72
N/A	University of Tennessee	DOE GRANT DE-FG05-92ER61441	184.42
N/A	University of Tennessee	NASA NAG5-4370 TAYLOR 98	56,702.55
N/A	University of Tennessee	NASA NAGW-125 FOX	73.43
N/A	University of Tennessee	WESTINGHOUSE SUBCON AB62437-01	14,207.25
N/A	University of Tennessee	USPHS CONT NO1-HC-45137	480,208.73
N/A	University of Tennessee	JET PROPULSION LAB #959389 93	286.00
N/A	University of Tennessee	NASA CONT NAS 9-19751	142,107.99
N/A	University of Tennessee	RUST SUBCONT-GM-02866-FACULTY	(425.00)
N/A	University of Tennessee	TVA TV-90601V RUSSELL 93	142,466.24
N/A	University of Tennessee	LOS ALAMOS NTL 6131M0014-3C #2	19,375.05
N/A	University of Tennessee	LOCKHEED MARTIN MISSILES&SPACE	19,773.25
N/A	University of Tennessee	ARMY DAAL03-92-G-0284 DONGARRA	8,766.45
N/A	University of Tennessee	NASA NAGW OSSP PROGRAM-MCSWEEN	14,594.63
N/A	University of Tennessee	TVA 97RKW-203271 SIMEK 97	4,997.77
N/A	University of Tennessee	SANDIA NTL LAB#AD-0623 DUBEY93	(159.54)
N/A	University of Tennessee	LOS ALAMOS NTL LAB-ASCI PROG97	51,372.51
N/A	University of Tennessee	ARMY DAAL03-91-C-0047 DONGARRA	(46.73)
N/A	University of Tennessee	TVA TV97RKW-194829 RUSSELL 97	6,791.80
N/A	University of Tennessee	USPHS CONT FDA-223-95-3006	211,973.92
N/A	University of Tennessee	TVA TV97RKW-207495 BOHM 97	9,929.88
N/A	University of Tennessee	TVA 96BKX-188332 RUSSELL 97	30,854.48

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N/A	University of Tennessee	TVA 96RKW-190194 ELAM	7,709.34
N/A	University of Tennessee	NASA JSC-9-95-9397 toWNSSEND	60,453.62
N/A	University of Tennessee	TVA TV-91736V KERLIN	37,190.66
N/A	University of Tennessee	TVA TV-96047V SIMEK	28,991.94
N/A	University of Tennessee	UMD NEW JERSEY SUBCONT HS07336	132,847.90
N/A	University of Tennessee	TVA UTK09-397302 KOCH	67,510.18
N/A	University of Tennessee	ARGONNE NTL LAB-ALEXANDRAtoS	17,529.40
N/A	University of Tennessee	ARGONNE NTL LAB#20802401 GROER	(17.19)
N/A	University of Tennessee	NCI N01-CM-67261 BAKER	161,975.51
N/A	University of Tennessee	DEFENSE NUCLEAR AGENCY-FRANKEL	46,263.35
N/A	University of Tennessee	NASA NGT-1-52138 toWNSSEND	18,432.63
N/A	University of Tennessee	TVA TV94549V TASK 001 TILLMAN	92,566.45
N/A	University of Tennessee	TVA TV-61362A CHAPMAN	12,256.80
N/A	University of Tennessee	BATTELLE-PNW-#323146-AR5 HAMEL	21,456.99
N/A	University of Tennessee	US DOL #J-9-E-1-0030 CON RS 97	46,329.45
N/A	University of Tennessee	NASA NAG 3-1516	79,675.75
N/A	University of Tennessee	NASA NAG-1-1368	(52.48)
N/A	University of Tennessee	NASA NAG-1-1612 WU	(2,328.73)
N/A	University of Tennessee	NASA-AMES NCC2-5144 STEINHOFF	10,146.23
N/A	University of Tennessee	NASA NAG8-1166 MARSHALL ANTAR	20,298.01
N/A	University of Tennessee	ARMY DACW62-83-C-0104 KLIPPEL	(237.00)
N/A	University of Tennessee	ARMY DASG60-90-C-0015 KEEFER	2,500.00
N/A	University of Tennessee	TVA TV-96737V PERSNL SRVS-COX	316,083.78
N/A	University of Tennessee	CDC NCID ORDER 0009670511	2,203.56
N/A	University of Tennessee	USPHS CONT N01-AG-6-2103	582,953.31
N/A	University of Tennessee	NASA NAGW-3141 CONGER	43,021.65
N/A	University of Tennessee	ARMY CONT DAAD05-95-P-1194	4,321.47
N/A	University of Tennessee	TVA 90410V-BUEHLER	44.05
N/A	University of Tennessee	TVA TV-92745V HOUSTON	81,141.98
N/A	University of Tennessee	TVA TV 91942V ENGLISH	149.27
N/A	University of Tennessee	NPS CA5000-4-9016/5 EGLIN BEAR	49,037.87
N/A	University of Tennessee	TVA 97RKW-209473-MARK FLY	3,700.38
N/A	University of Tennessee	TVA TV-96575V AMMONS	7,320.00
N/A	University of Tennessee	IPA-NASA PO W30865-ASKEW	140,342.07
N/A	University of Tennessee	LOCKHEED MARTIN	17,422,295.54
N/A	Tennessee State University	Health and Dietary Adequacy in Rural Areas of Egypt	11,250.00
N/A	Tennessee State University	Small-Scale Enterprises in Java Indonesia	29,000.77
N/A	Tennessee State University	AID - Ghana HIV Prevention	4,771.29
N/A	Tennessee State University	The Associate Principal Astronomer for AI Management of Automatic Telescopes	11,964.85
N/A	Tennessee State University	Natural Gas Storage	5,533.80
N/A	Tennessee State University	Extramural Associates Program	26,654.30
N/A	Tennessee State University	Research in Materials Processing and Manufacturing Tech for Diamond (MDA972-93-C-0008)	732.03
N/A	Tennessee State University	Center of Excellence in Communication (DAAB07-93-C-B768)	39,907.16
N/A	Tennessee State University	Research in Materials Processing and Manufacturing Tech. for Diamond (MDA9972-93-C-0008)	(717.88)
N/A	Tennessee State University	Research and Engineering Apprentice Program (NGT-90274)	5,000.00
N/A	Tennessee State University	A Ctr of Excellence in Comm for SEC at NC A&T (DAAB07-93-C-B768)	27,835.39
N/A	Tennessee State University	Science and Engineering Research Semester (DE-AC05-840R21400)	(84.67)
N/A	Tennessee State University	Thermal Insulations in Building Structures (DEAC05-840R21400)	58,323.91
N/A	Tennessee State University	Heat Pump Test Facility (19X-ST226)	28,161.51
N/A	Tennessee State University	ZAMS Atmospheric Structure as a Function of Rotation (NAS5-26555)	7,119.12
N/A	Tennessee State University	Applied Radiation Research (NCCW-0086, NCC9-50)	3,996.00
N/A	Tennessee State University	Kinematics of the Disc of TT Hydrae (NAS5-26555)	32,705.78
N/A	Tennessee State University	Spherical Motor and Neural Controller for Micro Precision Robot Wrist (NAS1-20291)	12,122.00
N/A	Tennessee State University	Artificial Intelligence Scheduling of Automated Telescopes	21,794.28
N/A	Tennessee State University	Thin Film Phase Change Heat Transfer	35,110.15
N/A	Tennessee Technological University	Collaboration in Basic Science and Engineering	2,186.30
N/A	Tennessee Technological University	Asynchronous Track Fusion System for USMC	24,710.08

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues
N/A	Tennessee Technological University	Developing of a Marking Technique for Juvenile Mussels	1,613.17
N/A	Tennessee Technological University	Radiation Heat Transfer Procedures for Space-Related Applications	16,284.56
N/A	Tennessee Technological University	Relationship Between Stream Discharge & Mussel Recruitment	1,414.86
N/A	Tennessee Technological University	Impacts of Zebra Mussels on Native Freshwater Mussels	21,494.33
N/A	Tennessee Technological University	Biology Diversity in Tennessee	58,310.83
N/A	Tennessee Technological University	Wildlife Use of the Lake George Reforestation Project	2,499.19
N/A	Tennessee Technological University	The Relation Between Mussel Density and Survival During Quarantine	1,541.44
N/A	Tennessee Technological University	Blanket Purchase Agreement	7,092.19
N/A	Tennessee Technological University	Mussel Studies in the Little Tennessee River in North Carolina	80.19
N/A	Tennessee Technological University	Contaminants on Refuges in the Mississippi River Alluvial Plane	30,329.93
N/A	Tennessee Technological University	Monitoring & Sampling Accuracy Comparisons & Benthic Macroinvertebrate	11,645.06
N/A	Tennessee Technological University	Bat Ecosystem Management	6,460.09
N/A	Tennessee Technological University	Aquatic Microinvertebrate Monitoring	8,401.46
N/A	Tennessee Technological University	Bird Check-List for Big South Fork NRRRA	550.00
N/A	Tennessee Technological University	Supercritical Fluid Extraction & Emyzme Immunoassay Analysis of Pesticides	48.98
N/A	Tennessee Technological University	Development of Environmental Markers -New River	10,462.27
N/A	Tennessee Technological University	Sources of Oxygen Demanding Materials to TVA Reservoirs	4.22
N/A	Tennessee Technological University	Reintroduction of Freshwater Mussels into the Tennessee River	279.05
N/A	Tennessee Technological University	Plastics Recycling Workshop	4,304.50
N/A	Tennessee Technological University	Magnetic Field Reduction & Power Transfer Enhancement	25,155.76
N/A	Tennessee Technological University	Preliminary Laboratory Tests on the Impulse Characteristics of Ground Rods	4,973.53
N/A	Tennessee Technological University	Supercritical Fluid Extraction & Enzyme Immunoassay	24,400.00
N/A	Tennessee Technological University	Protozoa in Risk Assessment of Legionellosis	39,757.05
N/A	Tennessee Technological University	Dev. of Design Equations & Guidelines for Subsurface Flow Wetlands	58,259.35
N/A	Tennessee Technological University	Boiler Tube Leak Detection	4,828.09
N/A	Tennessee Technological University	Economic Development Communications Contract	260,654.25
N/A	Tennessee Technological University	Nuclear Structure and Rare Electron Capture Processes	66,894.84
N/A	Tennessee Technological University	Chattanooga Creek Watershed Community/University Partnership	155,641.41
N/A	Tennessee Technological University	Data Collection Using Kingston 9 Simulator	39,742.86
N/A	Tennessee Technological University	Monitoring the Biotic Integrity of Normandy Lake	18,292.95
N/A	Tennessee Technological University	Watts Bar Tailwater Recreational Fishery Assessment	44,446.39
N/A	Tennessee Technological University	Habitat Spawning Structure Evaluation and Monitoring Program	25,964.24
N/A	Tennessee Technological University	Competing Structures in Nuclei Near Closed Shells	13,585.99
N/A	Tennessee Technological University	Proton Resonance Spectroscopy	29,372.97
N/A	Tennessee Technological University	Thermal Performances of Manufactured Homes	17,013.62
N/A	Tennessee Technological University	Competing Structures in Nuclei Near Closed Shells	15,687.75
N/A	Tennessee Technological University	Modular Skill Enhancement	77,691.11
N/A	Tennessee Technological University	Grandient Corrections in H2 Metal Cluster Interactions (19X-ST580-V)	1,354.41
N/A	Tennessee Technological University	Investigation of Metal Leaching from Waste Tank Simulant	1,077.83
N/A	Tennessee Technological University	Colloid Superhighways: Attachment and Detachment Mechanisms in Fractured Deposits (49X-SX061V)	13,385.03
N/A	Tennessee Technological University	Joint Venture in Space Research (NAS8-40181)	3,173.16
N/A	Tennessee Technological University	Separation and Analytical Chemistry of the Actinides (493BH0017-3C)	21,775.36
N/A	Tennessee Technological University	Implementation & Testing of Robust Controllers for Iron Furnace (95-16)	4,556.96
N/A	University of Memphis	Earthquake Hazard Mitigation and Operations Course Development	1,358.95
N/A	University of Memphis	Cortisol and Chloride Analysis for NAFTA Project	560.00
N/A	University of Memphis	Leadership Institute in Judicial Education	155,973.94
N/A	University of Memphis	Miscellaneous Research Grant	6,459.00
N/A	University of Memphis	Journalism Internship	5,387.69
N/A	University of Memphis	Grand Prairie Area Demonstration Project, Environmental Evaluation - Water Quality	20,784.27
N/A	University of Memphis	Veterans Affairs: Benefits from Amplification	43,047.24

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
N/A	University of Memphis	Hydrogeologic Data and Subsurface Conceptualization Around the Defense Depot		9,720.81
N/A	University of Memphis	Geophysics Research		34,127.08
N/A	University of Memphis	West Tennessee Tributaries Project Reformulation		15,632.33
N/A	University of Memphis	Mississippi River Channel Evaluation		3,158.25
N/A	University of Memphis	Electronic Database Containing Historic Stage and Discharge Records		24,000.00
N/A	University of Memphis	Shallow Draft Waterways Industry Assessment		15,000.00
N/A	University of Memphis	Miscellaneous Educational Grants		4,941.35
N/A	University of Memphis	Grand Prairie Area Demonstration Project, Environmental Evaluation - Water Quality		21,779.60
N/A	University of Memphis	Intergovernmental Personnel Act		37,056.02
N/A	University of Memphis	Grand Prairie Area Demonstration Project, Environmental Evaluation - Water Quality		17,250.00
N/A	University of Memphis	EPA Fellowship Award		6,318.84
N/A	University of Memphis	Miscellaneous Research Grant		45,275.25
N/A	University of Memphis	Harmone Concentrations in Catfish Serum Samples		1,700.00
N/A	University of Memphis	College Housing Debt Service Grant Program		13,864.00
N/A	University of Memphis	West Tennessee Tributaries Project Reformulation		11,026.72
N/A	University of Memphis	Intergovernmental Personnel Act		21,620.33
N/A	University of Memphis	Community Outreach Partnership Act		222,000.21
N/A	University of Memphis	Softwear Engineering Improvement with ADA		96,139.49
N/A	University of Memphis	National Aeronautics and Space Administration Subcontract (NASW-4814)		14,537.86
N/A	University of Memphis	National Aeronautics Space Administration Subcontract (NASW-5052)		22,423.87
N/A	University of Memphis	Digitizing Date in Format for the GIS System (J-95-0099)		14,108.19
N/A	University of Memphis	National Aeronautics and Space Administration Subcontract (ST30G4940R)		18,839.00
N/A	University of Memphis	Modeling the Effects of Optical Depth on Solar Active Region and Flare Diagnostic (SA30K6570R)		16,227.65
N/A	University of Memphis	Numerical Modeling of Droplet Behavior for NASA (OPS-95--06-668-002)		28,255.57
N/A	University of Memphis	Center for Study of Students at Risk of Education Failure (P.O. #8511-63468)		3,319.33
10.001	University of Memphis	Agricultural Research - Basic and Applied Research	\$ 61,729.16	
10.001	University of Tennessee	Agricultural Research - Basic and Applied Research	2,122,033.93	
10.001	Tennessee State University	Agricultural Research - Basic and Applied Research	<u>76,091.94</u>	2,259,855.03
10.055	University of Tennessee	Production Flexibility Payments for Contract Commodities		6,174.67
10.156	University of Tennessee	Federal-State Marketing Improvement Program		3,998.04
10.200	University of Memphis	Grants for Agricultural Research, Special Research Grants (USDA#95-38500-1411)	500.00	
10.200	University of Tennessee	Grants for Agricultural Research, Special Research Grants	49,081.79	
10.200	Tennessee State University	Grants for Agricultural Research, Special Research Grants	<u>179,847.75</u>	229,429.54
10.202	University of Tennessee	Cooperative Forestry Research		461,678.32
10.203	University of Tennessee	Payments to Agricultural Experiment Stations Under Hatch Act		4,591,609.79
10.206	East Tennessee State University	Grants for Agricultural Research - Competitive Research Grants	97,166.67	
10.206	University of Memphis	Grants for Agricultural Research - Competitive Research Grants	100,151.46	
10.206	University of Tennessee	Grants for Agricultural Research - Competitive Research Grants	<u>742,320.58</u>	939,638.71
10.207	University of Tennessee	Animal Health and Disease Research		90,166.52
10.216	Tennessee State University	1890 Institution Capacity Building Grants		504,142.01
10.217	University of Tennessee	Higher Education Challenge Grants		39,213.71
10.218	Middle Tennessee State University	Buildings and Facilities Program		23,044.00
10.250	University of Tennessee	Agricultural and Rural Economic Research		346,138.17
10.500	University of Tennessee	Cooperative Extension Service		8,786,735.97
10.652	Middle Tennessee State University	Forestry Research	2,938.50	
10.652	University of Tennessee	Forestry Research	<u>152,654.77</u>	155,593.27
10.901	University of Tennessee	Resource Conservation and Development		311.97
10.902	University of Tennessee	Soil and Water Conservation		130,219.44

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
11.303	University of Memphis	Economic Development - Technical Assistance		99,898.55
11.427	University of Memphis	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		16,221.29
11.431	University of Tennessee	Climate and Atmospheric Research		50,715.20
11.609	University of Tennessee	Measurement and Engineering Research and Standards		126,791.75
12.300	Middle Tennessee State University	Basic and Applied Scientific Research	2,779.45	
12.300	University of Memphis	Basic and Applied Scientific Research	109,831.40	
12.300	University of Tennessee	Basic and Applied Scientific Research	1,657,124.75	
12.300	Tennessee State University	Basic and Applied Scientific Research	<u>1,307,786.32</u>	3,077,521.92
12.420	University of Tennessee	Military Medical Research and Development	96,726.40	
12.420	Tennessee State University	Military Medical Research and Development	<u>73,537.66</u>	170,264.06
12.431	University of Tennessee	Basic Scientific Research	200,828.63	
12.431	Tennessee State University	Basic Scientific Research	<u>46,499.92</u>	247,328.55
12.630	University of Tennessee	Basic, Applied, and Advanced Research in Science and Engineering		2,447.50
12.800	Middle Tennessee State University	Air Force Defense Research Sciences Program (F4962092C0063)		23,404.76
12.800	University of Tennessee	Air Force Defense Research Sciences Program		1,342,266.65
12.901	Tennessee State University	Mathematical Sciences Grants Program		28,831.61
12.910	University of Tennessee	Research and Technology Development		110,524.18
15.252	University of Tennessee	Abandoned Mine Land Reclamation (AMLR) Program		59,709.35
15.611	University of Memphis	Wildlife Restoration		106,993.06
15.617	University of Tennessee	Wildlife Conservation and Appreciation		4,827.99
15.805	University of Tennessee	Assistance to State Water Resources Research Institutes		(2,254.96)
15.807	University of Memphis	Earthquake Hazards Reduction Program		392,736.43
15.808	University of Tennessee	Geological Survey-Research and Data Acquisition		52,818.49
15.910	University of Tennessee	National Natural Landmarks Program		51,361.22
15.916	University of Tennessee	Outdoor Recreation-Acquisition, Development and Planning		191,138.06
15.923	University of Tennessee	National Center for Preservation Technology and Training		52,353.26
15.976	University of Memphis	Migratory Bird Banding and Data Analysis		6,269.54
15.977	University of Tennessee	State Partnerships		602,006.11
17.002	University of Tennessee	Labor Force Statistics		328,036.36
17.504	University of Tennessee	Consultation Agreements		144,910.93
20.205	University of Tennessee	Highway Planning and Construction		6,881.01
20.217	Tennessee State University	Motor Carrier Safety		10,837.25
20.701	University of Tennessee	University Transportation Centers Program		1,009,917.67
23.001	East Tennessee State University	Appalachian Regional Development		100,165.81
23.004	East Tennessee State University	Appalachian Regional Development		5,000.00
43.001	University of Memphis	Aerospace Education Services Program		53,189.04
43.002	Tennessee State University	Technology Transfer		2,537,123.67
45.024	University of Memphis	Promotion of the Arts - Grants to Organizations and Individuals		13,463.77
45.130	University of Memphis	Promotion of the Humanities - Challenge Grants		196.70
45.149	University of Tennessee	Promotion of the Humanities - Division of Preservation and Access		138,248.57
45.161	University of Memphis	Promotion of the Humanities - Research	30.24	
45.161	University of Tennessee	Promotion of the Humanities - Research	<u>185,737.68</u>	185,767.92
45.164	University of Tennessee	Promotion of the Humanities - Public Programs		19,337.76
47.041	University of Memphis	Engineering Grants	165,781.02	
47.041	University of Tennessee	Engineering Grants	770,211.82	
47.041	Tennessee Technological University	Engineering Grants	<u>349,548.93</u>	1,285,541.77
47.049	Tennessee State University	Mathematical and Physical Sciences	607,952.46	
47.049	University of Memphis	Mathematical and Physical Sciences	\$222,890.69	
47.049	University of Tennessee	Mathematical and Physical Sciences	<u>1,946,894.29</u>	2,777,737.44
47.050	University of Tennessee	Geosciences	1,057,930.52	
47.050	University of Memphis	Geosciences	<u>244,124.98</u>	1,302,055.50
47.070	University of Tennessee	Computer and Information Science and Engineering	1,113,551.65	
47.070	Tennessee Technological University	Computer and Information Science and Engineering	<u>44,209.25</u>	1,157,760.90

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues	
47.074	East Tennessee State University	Biological Sciences	42,103.99	
47.074	University of Memphis	Biological Sciences	29,886.39	
47.074	University of Tennessee	Biological Sciences	<u>832,337.37</u>	904,327.75
47.075	University of Memphis	Social, Behavioral, and Economic Sciences	85,827.44	
47.075	University of Tennessee	Social, Behavioral, and Economic Sciences	<u>1,112,696.59</u>	1,198,524.03
47.076	East Tennessee State University	Education and Human Resources	36,298.29	
47.076	University of Tennessee	Education and Human Resources	345,474.70	
47.076	Tennessee State University	Education and Human Resources	27,982.73	
47.076	Tennessee Technological University	Education and Human Resources	<u>1,475.95</u>	411,231.67
66.001	University of Tennessee	Air Pollution Control Program Support		105,219.75
64.022	East Tennessee State University	Veterans Home Based Primary Care		108,573.30
66.500	East Tennessee State University	Environmental Protection-Consolidated Research	1,411.00	
66.500	University of Tennessee	Environmental Protection - Consolidated Research	<u>447,476.47</u>	448,887.47
66.600	University of Tennessee	Environmental Protection Consolidated Grants - Program Support		232,302.72
66.606	University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants		156,750.94
66.701	University of Tennessee	Toxic Substances Compliance Monitoring Cooperative Agreements		59,858.17
66.808	University of Tennessee	Solid Waste Management Assistance		123,801.12
81.049	University of Memphis	Office of Energy Research Financial Assistance Program	33,347.99	
81.049	Tennessee Technological University	Office of Energy Research Financial Assistance Program	55,903.70	
81.049	University of Tennessee	Office of Energy Research Financial Assistance Program	<u>4,662,922.35</u>	4,752,174.04
81.057	University of Tennessee	University Coal Research	30,098.16	
81.057	Tennessee State University	University Coal Research	<u>24,208.66</u>	54,306.82
81.087	University of Tennessee	Renewable Energy Research and Development	70,851.70	
81.087	Tennessee State University	Renewable Energy Research and Development (DE-AC36-83CH10093 and DE-AC02-83CH10093)	<u>103,515.74</u>	174,367.44
81.104	University of Tennessee	Technology Development for Environmental Management		901,510.20
82.002	University of Tennessee	Educational Exchange - University Lecturers (Professors) and Research Scholars		127,067.40
84.023	East Tennessee State University	Special Education - Innovation and Development	17,732.77	
84.023	University of Memphis	Special Education - Innovation and Development	<u>66,828.87</u>	84,561.64
84.047	East Tennessee State University	TRIO - Upward Bound		523,279.45
84.207	East Tennessee State University	Drug-Free Schools and Communities-School Personnel Training		851.08
84.217	East Tennessee State University	McNair Post-Baccalaureate Achievement		196,232.86
84.220	University of Memphis	Centers for International Business Education		282,167.34
84.306	University of Memphis	National Institute on the Education of At-Risk Students (SC96243-V)		62,797.76
89.003	University of Tennessee	National Historical Publications and Records Grants		172,485.57
93.103	East Tennessee State University	Food and Drug Administration - Research	26.27	
93.103	University of Tennessee	Food and Drug Administration - Research	<u>(560.82)</u>	(534.55)
93.111	University of Memphis	Adolescent Family Life Research Grants		9,487.04
93.121	University of Tennessee	Oral Diseases and Disorders Research		266,236.20
93.136	Tennessee State University	Injury Prevention and Control Research and State and Community Based Programs (R49/CCR408856-01)		24,117.04
93.139	East Tennessee State University	Financial Assistance for Disadvantaged Health Professions Students		25,892.00
93.151	East Tennessee State University	Health Center Grants for Homeless Populations		264,611.86
93.173	East Tennessee State University	Research Related to Deafness and Communication Disorders	25,995.25	
93.173	University of Tennessee	Research Related to Deafness and Communication Disorders	19,505.91	
93.173	University of Memphis	Research Related to Deafness and Communication Disorders	<u>265,877.49</u>	311,378.65
93.174	University of Memphis	Knowledge Dissemination Grants (Substance Abuse)		41,723.51
93.198	East Tennessee State University	Biological Models and Materials Research		5,338.17
93.226	University of Tennessee	Health Services Research and Development Grants		830,452.59
93.242	University of Tennessee	Mental Health Research Grants		833,053.66
93.272	University of Tennessee	Alcohol National Research Service Awards for Research Training		27,444.69
93.273	University of Tennessee	Alcohol Research Programs		125,590.72

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CFDA #	State Grantee Agency	Program Name	Disbursements/Issues
93.279	University of Tennessee	Drug Abuse Research Programs	576,627.30
93.298	East Tennessee State University	Nurse Practitioner and Nurse-Midwifery Education Programs	302,980.44
93.358	Tennessee State University	Professional Nurse Traineeships	18,657.00
93.359	East Tennessee State University	Nurse Training Improvement - Special Projects	477,588.97
93.361	University of Tennessee	Nursing Research	491,051.02
93.371	University of Tennessee	Biomedical Technology	1,024,838.52
93.375	Tennessee State University	Minority Biomedical Research Support	165,378.68
93.389	Tennessee State University	Research Infrastructure	386,992.73
93.390	East Tennessee State University	Academic Research Enhancement Award	106,334.38
93.390	University of Memphis	Academic Research Enhancement Award	119,436.67
93.390	University of Tennessee	Academic Research Enhancement Award	83,836.74
93.393	University of Tennessee	Cancer Cause and Prevention Research	434,140.00
93.395	University of Tennessee	Cancer Treatment Research	186,375.66
93.395	Tennessee State University	Cancer Treatment Research	(1,836.00)
93.396	University of Tennessee	Cancer Biology Research	333,346.66
93.397	University of Tennessee	Cancer Centers Support	898,297.85
93.399	University of Memphis	Cancer Control	124,365.86
93.821	East Tennessee State University	Cell Biology and Biophysics Research	11,744.38
93.821	University of Tennessee	Cell Biology and Biophysics Research	456,333.33
93.824	East Tennessee State University	Area Health Education Centers	396,782.65
93.837	East Tennessee State University	Heart and Vascular Diseases Research	165,362.61
93.837	University of Memphis	Heart and Vascular Diseases Research	1,412,452.12
93.837	University of Tennessee	Heart and Vascular Diseases Research	2,610,728.43
93.839	University of Memphis	Blood Diseases and Resources Research	24,845.31
93.839	University of Tennessee	Blood Diseases and Resources Research	489,015.32
93.846	University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	16,011.66
93.846	University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	1,015,851.71
93.847	University of Tennessee	Diabetes, Endocrinology and Metabolism Research	1,664,280.79
93.848	University of Tennessee	Digestive Diseases and Nutrition Research	288,088.94
93.854	East Tennessee State University	Biological Basis Research in the Neurosciences	9,129.88
93.854	University of Memphis	Biological Basis Research in the Neurosciences	71,452.91
93.854	University of Tennessee	Biological Basis Research in the Neurosciences	1,334,433.76
93.856	University of Memphis	Microbiology and Infectious Diseases Research	70,534.28
93.856	University of Tennessee	Microbiology and Infectious Diseases Research	1,908,734.75
93.859	East Tennessee State University	Pharmacology, Physiology, and Biological Chemistry Research	158,739.77
93.864	University of Tennessee	Population Research	588,021.61
93.864	Tennessee State University	Population Research	5,920.06
93.865	University of Memphis	Research for Mothers and Children	80,949.79
93.865	University of Tennessee	Research for Mothers and Children	2,873,992.43
93.866	University of Memphis	Aging Research (PO H85767)	6,107.39
93.866	University of Tennessee	Aging Research	380,792.75
93.867	East Tennessee State University	Vision Research	3,488.70
93.867	University of Tennessee	Vision Research	1,126,841.32
93.894	University of Tennessee	Resource and Manpower Development in the Environmental Health Sciences	71,523.71
93.895	East Tennessee State University	Grants for Faculty Development in Family Medicine	140,403.47
93.896	East Tennessee State University	Grants for Predoctoral Training in Family Medicine	80,060.09
93.990	University of Tennessee	National Health Promotion	1,461,578.96
Total Research and Development Cluster			\$ 102,416,590.25
Other Programs			
Other Direct Programs			
NA	Agriculture	Natural Resource Development	\$ 3,311.00
NA	Agriculture	Joint Project for Forest Fire Protection	55,915.10
NA	Agriculture	Pesticide Residue	5,000.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA #	State Grantee Agency	Program Name	Disbursements/Issues
NA	Agriculture	Food Sanitation Inspection	34,599.44
NA	Health	Nutrition Education Center	101,294.08
N/A	Chattanooga State Technical Community College	Planning a Center for Advancement of Emerging Tech Applications	982.52
N/A	Education	Troops to Teachers	9,895.66
N/A	Education	Troops to Teachers	31,848.65
N/A	Education	Project on Interstate Migration of Educators	15,000.00
N/A	Environment and Conservation	Municipal Water Pollution	33,656.18
N/A	Environment and Conservation	Watershed Demonstration	78,237.53
N/A	Environment and Conservation	STRIPPER - PVE FUNDS	1,359,315.62
N/A	Environment and Conservation	TVA Ocoee Trust Fund	60,475.59
N/A	Environment and Conservation	Passport to Tennessee	53,993.36
N/A	Environment and Conservation	Nice 3	18,279.73
N/A	Environment and Conservation	Nice 3	602.63
N/A	Environment and Conservation	Tennessee Comparative Risk	236.01
N/A	Military	Emergency Preparedness (agreement-In-Principle)	471,176.13
N/A	Economic and Community Development	Petroleum Violation Escrow - Exxon	592,374.18
N/A	Economic and Community Development	Petroleum Violation Escrow - Stripper	(336,467.81)
N/A	Economic and Community Development	Petroleum Violation Escrow - Amoco	98,488.00
N/A	Economic and Community Development	Retrofit of Commercial Buildings in Rural TN/Rebuild America	100,495.10
N/A	Economic and Community Development	Institutional Conservation Program-Section 155	908.00
N/A	Higher Education Commission	Veterans' Education	43,437.21
N/A	Higher Education Commission	Veterans' Education	147,985.15
N/A	Labor	National Occupational Information Coordinating Committee	114,681.35
N/A	Middle Tennessee State University	NASA-JOVE Project	25,664.97
N/A	Middle Tennessee State University	TVA Academic Enrichment Program	2,122.85
N/A	Middle Tennessee State University	NASA-JOVE Project	555.55
N/A	Roane State Community College	Veterans Administration Reporting Fees	7.00
N/A	Roane State Community College	Veterans Administration Reporting Fees	56.00
N/A	Roane State Community College	Veterans Administration Reporting Fees	400.00
N/A	Roane State Community College	Veterans Administration Reporting Fees	49.00
N/A	Roane State Community College	Veterans Administration Reporting Fees	35.00
N/A	Tennessee State University	Department of Energy Chair of Excellence Professorship	434,908.23
N/A	Tennessee State University	Young Scholars Institute for Alternative Energy Research	18,431.16
N/A	Tennessee State University	Pre-Freshman Enrichment Program (Prep)	3,463.00
N/A	Tennessee State University	Undergraduate Student Researchers Program	(13.00)
N/A	Tennessee State University	Undergraduate Student Awards for Research	35,256.00
N/A	Tennessee State University	EPA/MAI Traineeship Program	16,103.00
N/A	Tennessee State University	Undergraduate Student Researchers Program	5,000.00
N/A	Tennessee State University	Aphasia in African-Americans and Caucasians: Severity and Improvement	9,606.08
N/A	Tennessee State University	Localization of Ventricular Arrhythmogenic Foci	47,659.17
N/A	Tennessee State University	AFROTC	36,457.78
N/A	Tennessee State University	Small Farmer Conference	1,087.99
N/A	Tennessee State University	Very Low Income Families Homeless and Elderly for Housing	(344.23)
N/A	Tennessee State University	AFROTC - Postage	1,457.50
N/A	Tennessee Technological University	Interest Subsidies	34,586.00
N/A	Tennessee Technological University	Nuclear Engineering Technology Program	151,390.68
N/A	Tennessee Technological University	Nuclear Engineering Technology Program	103,003.87
N/A	Tennessee Bureau of Investigation	Task Force on Marihuana Eradication	117,480.37
N/A	Tennessee Bureau of Investigation	Task Force on Marihuana Eradication	344,112.47
N/A	Treasury	Rural Economic & Community Development	49,786.00
N/A	University of Tennessee	US DOT-TN-26-00004 NEWSOM 94	10,021.73
N/A	University of Tennessee	LOCKHEED MARTIN	2,425.41
N/A	University of Tennessee	TVA TV-94549V-CTAC/TVA WP&B-1	20,881.30
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 96-97	7,522.87
N/A	University of Tennessee	NTL INSTITUTE STANDARDS&TEC 96	322,238.37
N/A	University of Tennessee	CORP PUBLIC BROAD-NPPAG 97	37,221.00
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 97	82,361.42
N/A	University of Tennessee	SUTHERLAND VILLAGE APTS	181,564.00
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 95	0.16
N/A	University of Tennessee	TVA TV-81053V SUB7 FLC-PARSONS	(7.56)
N/A	University of Tennessee	TVA TV12198A AGRI-21 FY96	110,931.85
N/A	University of Tennessee	TVA-SUBSTAINABILITY AG & ENV	1,318.74

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA #	State Grantee Agency	Program Name	Disbursements/Issues
N/A	University of Tennessee	TVA TV12198A WASTE MGMT TECH92	(4,169.60)
N/A	University of Tennessee	TVA TV-84900V HEARD	4,419.17
N/A	University of Tennessee	TVA TV-84900V FELWSHPS&SCHOLAR	2,050.00
N/A	University of Tennessee	BATTELLE-PNW LAB-283236-A-R6	5,436.70
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 96	58,149.87
N/A	University of Tennessee	CORP PUBLIC BROAD-PROD&ACQ 96	21,780.00
N/A	University of Tennessee	TVA TV-96BKX-185335 DISTANCE97	301,000.00
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 97	23,003.07
N/A	University of Tennessee	CORP PUBLIC BROAD-PROD&ACQ 95	6,670.80
N/A	University of Tennessee	TVA ACADEMIC ENRICHMENT CONT	13,846.15
N/A	University of Tennessee	CORP PUBLIC BROAD-CSG 95	(38.41)
N/A	University of Tennessee	HUD CORE	227,190.76
N/A	University of Tennessee	TVA TV-95971V CHAPMAN 96	2,383.63
N/A	University of Tennessee	NASA NAGW-4459 FOX	(228.45)
N/A	University of Tennessee	TVA TV-80110V GRAD STU INTERN	17,175.83
N/A	University of Tennessee	JIEE-EC2 SECRETARIAT-FED LABS	25,336.20
N/A	University of Tennessee	TVA TV-80114V ACAD ENR-SPENCER	6,952.50
N/A	University of Tennessee	TVA TV77105A MCCORMICK	66,677.49
N/A	University of Tennessee	TVA TV77105A SUPP#12 BUNTING97	132,386.80
N/A	University of Tennessee	TVA TV-96689V CAMPBELL 97	3,398.54
N/A	Veterans Nursing Home Board	ACMD for Geriatrics Extended Care	20,028.70
N/A	Walters State Community College	Math Computer Lab	10,292.63
Total Other Direct Programs			\$ 6,254,264.52
Other Pass-Through Programs			
N/A	Austin Peay State University	Air War College	\$ 75,089.00
N/A	Roane State Community College	Lab Assistance	2,959.60
N/A	Roane State Community College	National Service Trust Award	2,504.00
N/A	Roane State Community College	Oak Ridge National Lab	8,321.07
N/A	Tennessee State University	HBCU Nuclear Energy Training	3,748.30
N/A	Tennessee State University	General Home Care Maintenance	80.49
N/A	Tennessee State University	National Youth Sports Program	48,943.73
N/A	Tennessee State University	Preventive Maintenance (DE-AC05-960R22464)	5,991.28
N/A	Tennessee State University	Reliability Centered Maintenance (DE-AC05-84R21400)	33,290.87
N/A	Tennessee State University	High Ranking Facilities Deactivation Project (DE-AC05-840R21400)	6,912.00
N/A	Tennessee State University	Vibration and Motor Current Analysis (DE-AC05-840R21400)	57.05
N/A	Tennessee State University	Bioremediation of Ground Water and Soil (POH90363)	(262.20)
N/A	Tennessee State University	National Youth Sports Program (NCAA93-150)	4,673.45
N/A	Tennessee State University	National Youth Sports Program - Math and Science	12,559.43
N/A	Tennessee State University	National Youth Sports Program - Girls Sport Clinic	5,225.00
N/A	Tennessee State University	National Youth Sports Program	28,902.29
N/A	Tennessee State University	National Youth Sports Program	64.62
N/A	Tennessee State University	HIV/AIDS Preventive Education (309888-1)	14.34
N/A	Tennessee State University	National Youth Sports Program	491.94
N/A	Tennessee State University	Archival Preservation and Access Project	812.46
Total Other Pass-Through Programs			\$ 240,378.72
Total Other Programs			\$ 6,494,643.24
Total Expenditures of Federal Awards			\$ 4,991,706,955.05

State of Tennessee
Notes to Schedule of Expenditures of Federal Awards
June 30, 1997

NOTE 1. PURPOSE OF THE SCHEDULE

The single audit of the State of Tennessee for the year ended June 30, 1997, 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 received federal funds or had federal financial activity 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 15 to 30 is treated as a cash disbursement for purposes of this schedule.

NOTE 3. NONCASH AWARDS

The Schedule of Expenditures of Federal Awards also contains values for certain noncash assistance. The Food Stamps program (CFDA number 10.551) is presented at the assessed value provided by the federal agency. Commodities in the Food Distribution (CFDA number 10.550), Commodity Supplemental Food Program (CFDA number 10.565), and the Disaster Foods (no CFDA number) programs are presented at the assessed value provided by the federal agency. The Donation of Federal Surplus Personal Property program (CFDA number 39.003) is presented at the assessed value provided by the federal agency. The Childhood Immunization Grants program (CFDA number 93.268) is presented at the assessed value provided by the federal agency.

NOTE 4. PERKINS LOAN PROGRAM

The state's universities and community colleges participated in the U.S. Department of Education's Federal Perkins Loan Program—Federal Capital Contributions (CFDA number 84.038). The disbursements presented on the Schedule of Expenditures of

State of Tennessee
Notes to Schedule of Expenditures of Federal Awards (cont.)
June 30, 1997

Federal Awards for the Perkins Loan Program represent the federal capital contributions received by the state universities and community colleges during the year ended June 30, 1997. The loans outstanding less allowances for doubtful accounts (including university matching funds) at June 30, 1997, totaled \$41,526,012.78.

NOTE 5. NURSING STUDENT LOANS

Austin Peay State University, the University of Memphis, Middle Tennessee State University, Tennessee State University, Columbia State Community College, Motlow State Community College, Shelby State Community College, and the University of Tennessee participated in the U.S. Department of Health and Human Services' Nursing Student Loans Program (CFDA number 93.364). The disbursements presented on the Schedule of Expenditures of Federal Awards reflect only the federal capital contributions received during the fiscal year. The loans outstanding less allowances for doubtful accounts (including university matching funds) at June 30, 1997, totaled \$664,799.54.

NOTE 6. HEALTH PROFESSION STUDENT LOANS

The University of Tennessee and East Tennessee State University participated in the U. S. Department of Health and Human Services' Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (CFDA number 93.342). The disbursements presented on the Schedule of Expenditures of Federal Awards reflect only the federal capital contributions received during the fiscal year. The loans outstanding less an allowance for doubtful accounts (including university matching funds) at June 30, 1997, totaled \$4,474,560.92.

NOTE 7. FEDERAL FAMILY EDUCATION LOANS

The Tennessee Student Assistance Corporation (TSAC) is the guarantee agency for the Federal Family Education Loans Program (CFDA number 84.032). The federal awards to TSAC for administrative cost allowances and payments on defaulted loans is listed on the Schedule of Expenditures of Federal Awards. The value of the loans issued is not listed on the schedule, since the loans are made directly to the students by the lending institutions. At June 30, 1997, TSAC had insured loans outstanding of \$1,734,124,349.94.