

Tennessee Health Facilities Commission

**For the Years Ended
June 30, 1997, and June 30, 1996**

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October 27, 1998

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

Ms. Linda Penny, Executive Director
Tennessee Health Facilities Commission
500 James Robertson Parkway, Suite 760
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Health Facilities Commission for the years ended June 30, 1997, and June 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the commission's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Tennessee Health Facilities Commission is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

We have reported other less significant matters involving the commission's internal control and/or instances of noncompliance to the Tennessee Health Facilities Commission's management in a separate letter.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/ms
98/074

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Health Facilities Commission
For the Years Ended June 30, 1997, and June 30, 1996

AUDIT SCOPE

We have audited the Tennessee Health Facilities Commission for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, equipment, payroll and personnel, and compliance with the Financial Integrity Act. The audit was conducted in accordance with generally accepted auditing standards and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

The audit report contains no findings.

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

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Tennessee Health Facilities Commission
For the Years Ended June 30, 1997, and June 30, 1996

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Tennessee Health Facilities Commission For the Years Ended June 30, 1997, and June 30, 1997

INTRODUCTION

POST-AUDIT AUTHORITY

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

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

BACKGROUND

The Tennessee Health Facilities Commission is responsible for regulating the health care industry in Tennessee through the Certificate of Need program created by the General Assembly in 1973. This program regulates the establishment and modification of health care institutions, facilities, and services and ensures that health care projects are accomplished in an orderly, economical manner consistent with the health care needs of the people of Tennessee. The 13-member commission, appointed by the Governor, is composed of the Commissioner of Mental Health and Mental Retardation, the Commissioner of Health, the Comptroller of the Treasury, an executive of a hospital, a nursing home administrator, a physician, an executive of a home health agency, and six members of the general public knowledgeable of health needs and services.

The duties of the commission are to issue or deny certificates of need, based on provisions of current statute; to promulgate rules as set forth in the statute; and to require the submission of periodic reports by health care institutions and health care maintenance organizations concerning the development of proposals subject to review under the statute.

The commission must also submit a fiscal impact statement to the chairman of the Senate and House Finance, Ways and Means Committees after each approval of additional hospital and/or nursing home beds. The statement is to reflect the estimated impact of those additions on future state appropriations and/or expenditures.

The commission employs an executive director and additional professional staff who carry out the commission's duties.

An organization chart of the Tennessee Health Facilities Commission is on the following page.

AUDIT SCOPE

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OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

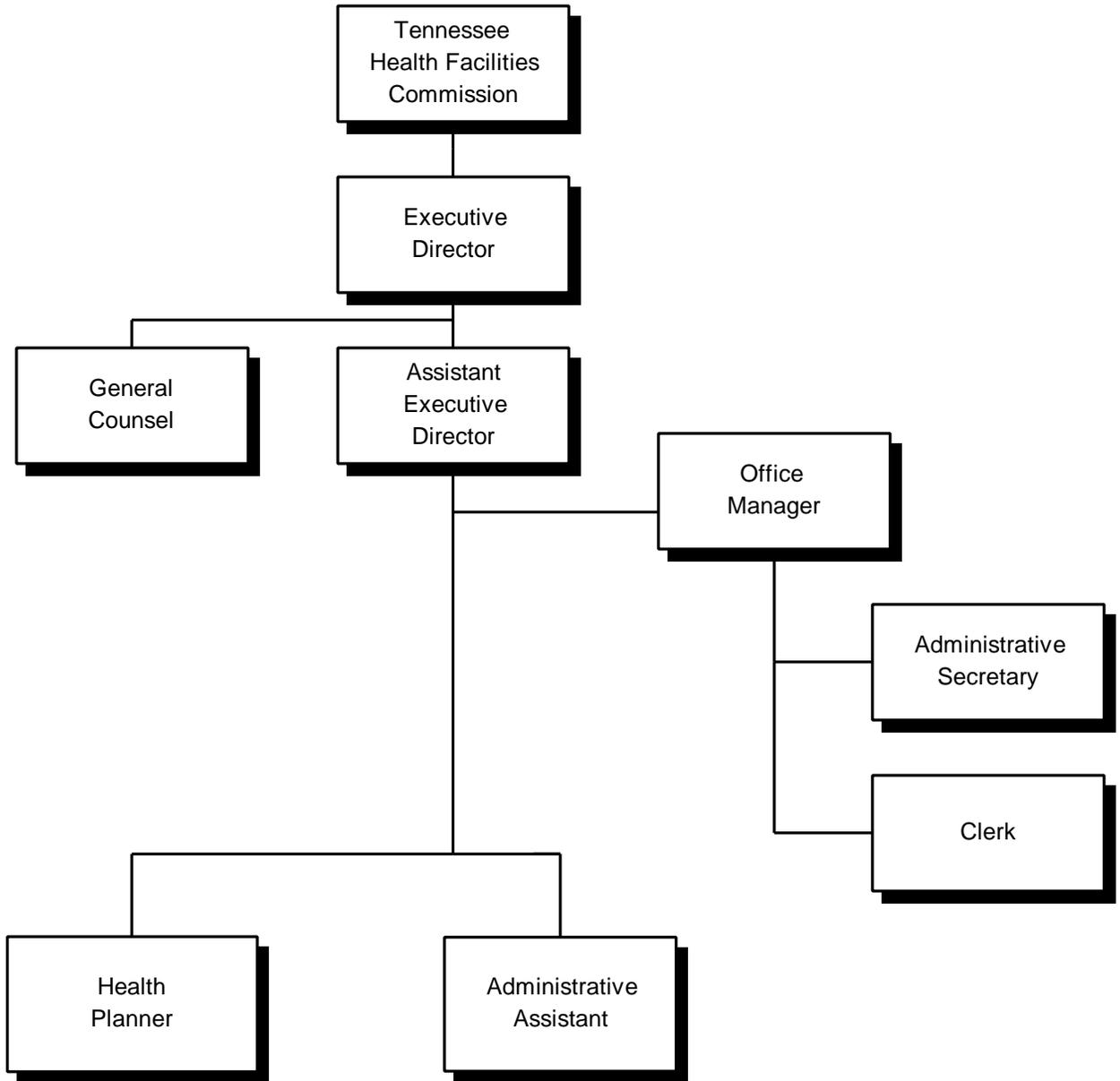
REVENUE

The objectives of our review of revenue controls and procedures in the Tennessee Health Facilities Commission were to determine whether

- physical controls over cash were adequate,
- revenue or fees had been billed or charged and recorded at the correct amount,
- cash collected during the audit period had been deposited timely and accounted for in the appropriate fiscal year, and
- policies and procedures regarding revenue were adequate.

We interviewed key commission personnel and reviewed supporting documentation to gain an understanding of the commission's revenue procedures and controls. In addition, testwork was performed on a sample of revenue transactions. We had no findings related to revenue; however, one minor weakness came to our attention and has been reported to management in a separate letter.

Tennessee Health Facilities Commission



EXPENDITURES

The objectives of our review of expenditure controls and procedures in the Tennessee Health Facilities Commission were to determine whether

- recorded expenditures for goods or services were adequately supported and had been recorded correctly in the state's accounting records,
- policies and procedures regarding expenditures were adequate, and
- all payments for travel had been paid in accordance with the Comprehensive Travel Regulations.

We interviewed key commission personnel and reviewed supporting documentation to gain an understanding of the commission's expenditures procedures and controls. In addition, testwork was performed on a sample of expenditures paid during the audit period. We had no findings related to expenditures; however, one minor weaknesses came to our attention and has been reported to management in a separate letter.

EQUIPMENT

The objectives of our review of equipment controls and procedures in the Tennessee Health Facilities Commission were to determine whether

- equipment purchases were properly added to the property listing,
- the auditee's property listing represented a complete and valid listing of the assets physically on hand,
- property and equipment were adequately safeguarded, and
- policies and procedures regarding equipment were adequate.

We interviewed key commission personnel and reviewed supporting documentation to gain an understanding of the commission's equipment procedures and controls. In addition, testwork was performed on a sample of equipment purchased during the audit period. We had no findings related to equipment; however, several weaknesses came to our attention and have been reported to management in a separate letter.

PAYROLL AND PERSONNEL

The objectives of our review of payroll and personnel controls and procedures in the Tennessee Health Facilities Commission were to determine whether

- payroll disbursements were authorized, adequately supported, and properly calculated,
- annual and sick leave were taken in accordance with Department of Personnel guidelines,
- employees hired or moved into new positions during the audit period were qualified for their positions, and
- policies and procedures regarding payroll and personnel were adequate.

We interviewed key commission personnel and reviewed supporting documentation to gain an understanding of the commission's payroll and personnel procedures and controls. In addition, testwork was performed on a sample of payroll paid during the audit period. We had no findings related to payroll and personnel.

FINANCIAL INTEGRITY ACT

The Financial Integrity Act of 1983 requires each executive agency to evaluate its systems of internal accounting and administrative control each year and to report the results of its evaluation to the Commissioner of Finance and Administration and the Comptroller of Treasury by December 31 of each year.

The objectives of our review of the Tennessee Health Facilities Commission's compliance with the Financial Integrity Act were to determine whether

- the commission's reports were filed in compliance with the Financial Integrity Act of 1983,
- documentation to support the commission's evaluation was properly maintained,
- procedures used in compiling information for the reports were adequate, and
- corrective actions had been implemented for weaknesses identified in the reports.

We interviewed key personnel responsible for compiling information for the reports to gain an understanding of the procedures. We also reviewed the supporting documentation for these procedures and the reports submitted to the Comptroller of the Treasury and to the Department of Finance and Administration.

We determined that the Financial Integrity Act reports were submitted on time and that support for the reports was adequate.

PRIOR AUDIT FINDINGS

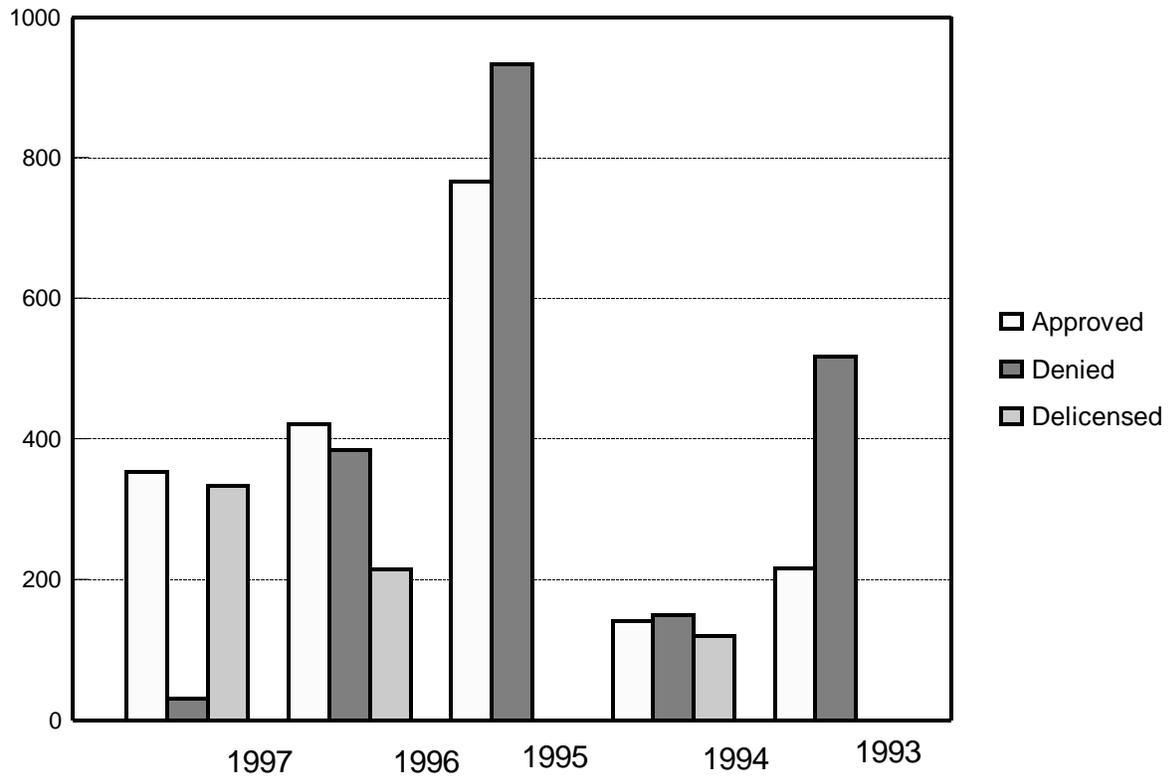
There were no findings in the prior audit report.

APPENDIX

ALLOTMENT CODES

The Tennessee Health Facilities Commission is part of the general fund of the State of Tennessee and is accounted for in allotment code 316.07.

New Bed Decisions



Applications Approved and Denied

