STATE OF TENNESSEE

SINGLE AUDIT REPORT

For the Year Ended June 30, 2004

Comptroller of the Treasury
Division of State Audit

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

June 6, 2005

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

Ladies and Gentlemen:

We are pleased to submit the twenty-first *Single Audit Report* for the State of Tennessee. This report covers the year ended June 30, 2004. The audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996 and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

This *Single Audit Report* reflects federal expenditures of over $10.2 billion and outstanding loan balances with continuing compliance requirements of over $52 million. This report includes reportable conditions and material weaknesses relating to major federal programs and those instances of noncompliance, including several instances that we believe constitute material non-compliance, that meet the criteria of OMB Circular A-133.

The *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 2004, has been issued under a separate cover. In accordance with *Government Auditing Standards*, we are issuing our report on our consideration of the State of Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We noted reportable conditions, including four that we believe constitute material weaknesses. We noted one instance of noncompliance material to the basic financial statements. The reportable conditions and instance of noncompliance arising from our audit are described in the Schedule of Findings and Questioned Costs.

We would like to express our appreciation to the Department of Finance and Administration and other state agencies, universities, and community colleges, for their assistance and cooperation in the single audit process.

Sincerely,

John G. Morgan
Comptroller of the Treasury

State of Tennessee
Single Audit Report
For the Year Ended June 30, 2004

Table of Contents

	Page
Selected Statistical Data	1
Total Federal Expenditures – Ten Year Summary	3
Expenditures by Awarding Agency	4
Number of Type A and Type B Programs	5
Type A and Type B Program Expenditures	5
Auditor's Section	7
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*	9
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	12
Schedule of Findings and Questioned Costs	
Section I - Summary of Auditor's Results	17
Section II - Financial Statement Findings	19
Section III - Federal Awards Findings and Questioned Costs	61
Auditee's Section	251
Schedule of Expenditures of Federal Awards	253
Notes to the Schedule of Expenditures of Federal Awards	341
Finding Index	343

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Selected Statistical Data

Total Federal Expenditures – Ten Year Summary

Expenditures by Awarding Agency

Number of Type A and Type B Programs

Type A and Type B Program Expenditures

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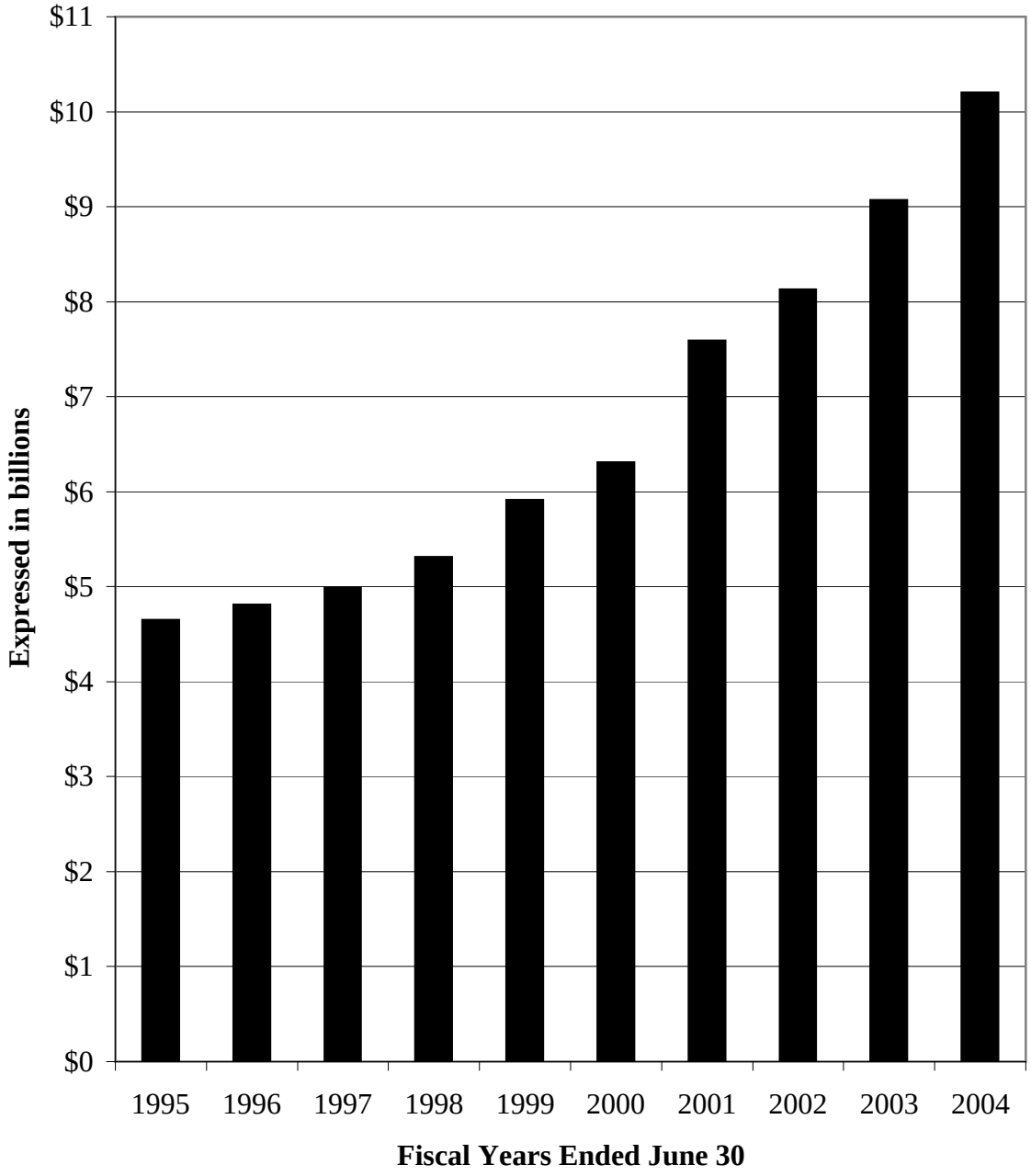
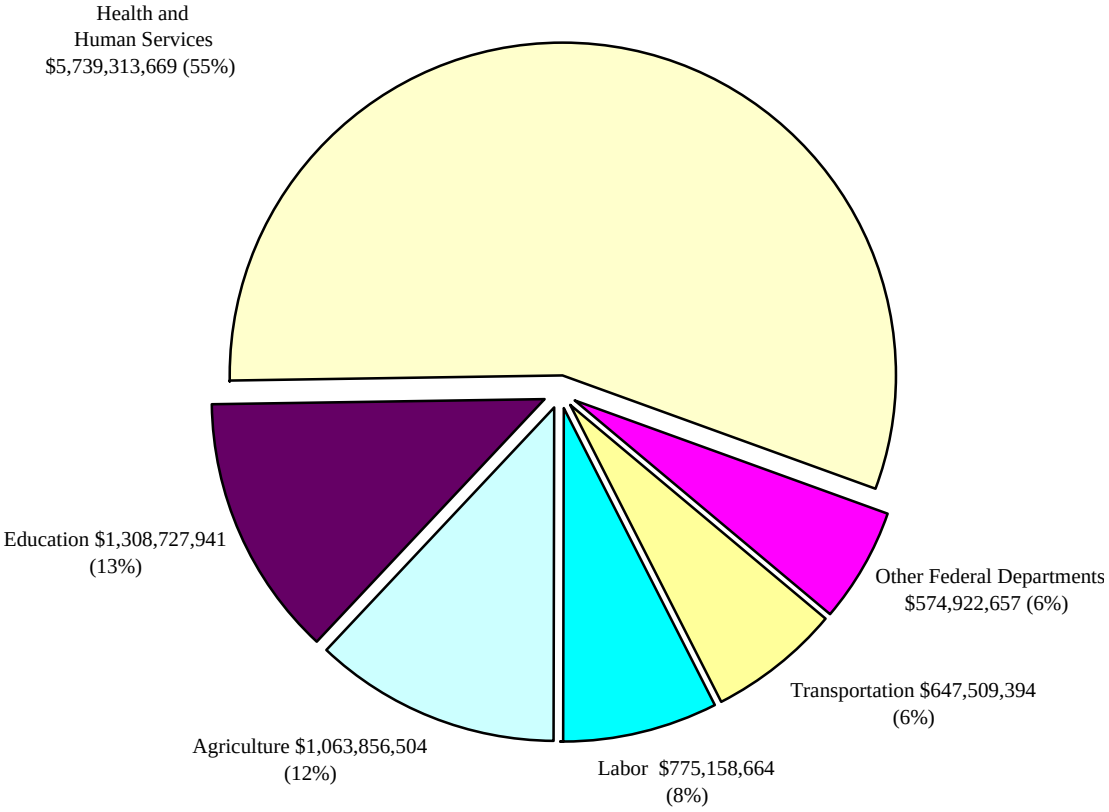
Total Federal Expenditures - Ten Year Summary

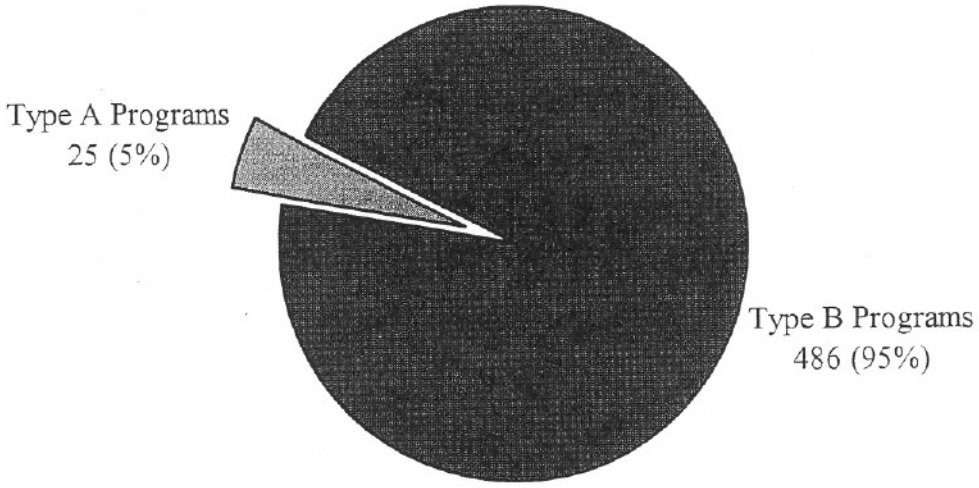


Expenditures by Awarding Agency

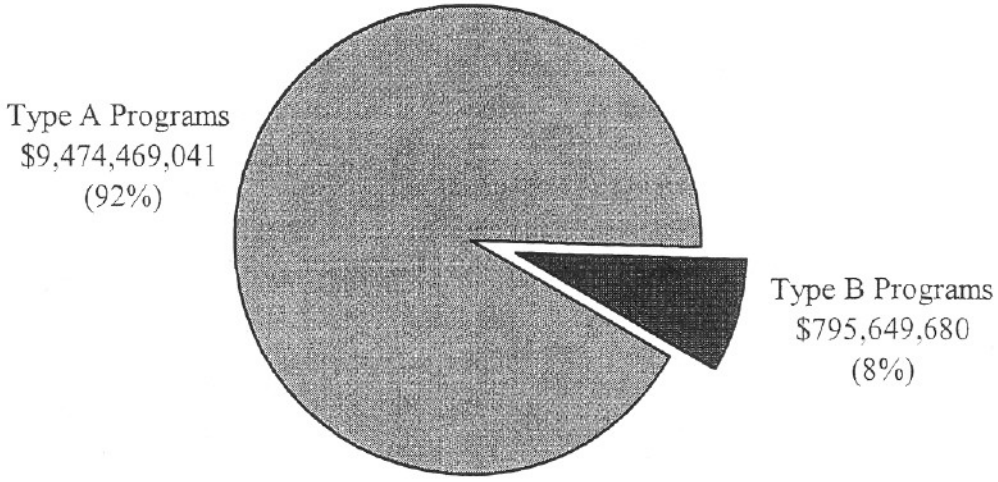
July 1, 2003 through June 30, 2004



Number of Type A and Type B Programs



Type A and Type B Program Expenditures



Type A programs for the State of Tennessee are defined as federal programs with expenditures exceeding the larger of $30 million or fifteen hundredths of one percent (.0015) of total federal awards expended. For the fiscal year ended June 30, 2004, the Type A program threshold for the State of Tennessee was $30 million. Those federal programs with expenditures below the Type A threshold are labeled Type B programs.

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Auditor's Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor's Results

Section II – Financial Statement Findings

Section III – Federal Award Findings and Questioned Costs

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

December 3, 2004

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

Dear Mr. Morgan:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of and for the year ended June 30, 2004, which collectively comprise the State of Tennessee's basic financial statements and have issued our report thereon dated December 3, 2004. As discussed in Note 4 to the financial statements presented in the *Tennessee Comprehensive Annual Financial Report*, the State of Tennessee has implemented the Governmental Accounting Standards Board's Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Tennessee's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items, 04-DCS-01, 04-DFA-01, 04-DFA-02, 04-DFA-04 through 04-DFA-07, 04-DFA-09, 04-DOT-01, 04-TCRS-01, and 04-TDT-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider items 04-DFA-04 through 04-DFA-06 and 04-DFA-09 to be material weaknesses.

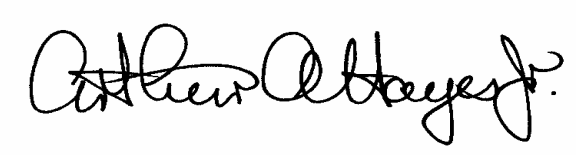
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 04-DFA-06.

We noted certain matters that we reported to management of the State of Tennessee in separate letters.

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

Sincerely,



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

AAH/ras

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

June 6, 2005
except for the Schedule of Expenditures of Federal Awards,
as to which the date is December 3, 2004

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

Dear Mr. Morgan:

Compliance

We have audited the compliance of the State of Tennessee with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The State of Tennessee's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Tennessee's management. Our responsibility is to express an opinion on the State of Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of

the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State of Tennessee's compliance with those requirements.

As described in items 04-DFA-03, 04-DFA-04, 04-DFA-06, and 04-DFA-07 in the accompanying Schedule of Findings and Questioned Costs, the State of Tennessee did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles that are applicable to its Medicaid Cluster. Compliance with such requirements is necessary, in our opinion, for the State of Tennessee to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. 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 04-APSU-01, 04-APSU-02, 04-DCS-02 through 04-DCS-06, 04-DFA-08, 04-DFA-10 through 04-DFA-13, 04-DFA-15 through 04-DFA-17, 04-DHS-01 through 04-DHS-06, 04-DOE-01, 04-LWD-01 through 04-LWD-05, 04-TDH-01, 04-TDH-07, 04-TDH-09, 04-TDH-10, 04-THDA-01, 04-UTM-01 through 04-UTM-03, and 04-UTS-01.

Internal Control Over Compliance

The management of the State of Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Tennessee's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 04-DCS-02 through 04-DCS-06, 04-DFA-03 through 04-DFA-10, 04-DFA-14, 04-DFA-15, 04-DHS-01 through 04-DHS-03, 04-DHS-07 through 04-DHS-16, 04-DOM-01, 04-DOT-01, 04-LWD-01 through 04-LWD-05, 04-TDH-01 through 04-TDH-06, 04-TDH-08, 04-TDH-11, 04-THDA-01, 04-TSAC-01, 04-UTK-01, 04-UTM-01, 04-UTM-02, and 04-UTS-01.

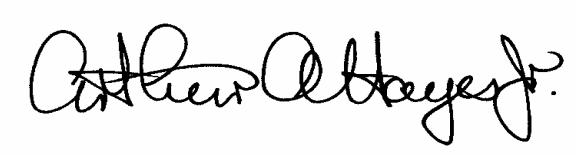
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 04-DFA-03 through 04-DFA-07, 04-DFA-09, 04-TDH-03 through 04-TDH-06, and 04-TDH-11, to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. Our audit was performed for the purpose of forming opinions of the financial statements that collectively comprise the State of Tennessee's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,



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

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State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section I – Summary of Auditor's Results

Financial Statements

- We issued an unqualified opinion on the basic financial statements.
- We identified reportable conditions and material weaknesses in internal control.
- We noted one instance of noncompliance material to the basic financial statements.

Federal Awards

- We identified reportable conditions and material weaknesses in internal control.
- We issued a qualified opinion on the state's compliance with requirements applicable to its major federal programs.
- We disclosed audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- The State of Tennessee does not qualify as a low-risk auditee under OMB Circular A-133, Section 530.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed in OMB Circular A-133, Section 520(b), was $30,000,000.

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004
(continued)

Section I – Summary of Auditor's Results

CFDA Number	Name of Major Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.228	Community Development Block Grants/State's Programs
17.225	Unemployment Insurance
17.245	Trade Adjustment Assistance Workers
83.544	Public Assistance Grants
84.010	Title I Grants to Local Educational Agencies
84.032	Federal Family Education Loan Program (FFEL) – Guaranty Agencies
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.367	Improving Teacher Quality State Grants
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
-	Research and Development Cluster
-	Student Financial Assistance Cluster
-	Food Stamp Cluster
-	Child Nutrition Cluster
-	Emergency Food Assistance Cluster
-	Section 8 – Project-Based Cluster
-	Workforce Investment Act Cluster
-	Highway Planning and Construction Cluster
-	Special Education Cluster (IDEA)
-	Child Care and Development Fund Cluster
-	Medicaid Cluster
-	Disability Insurance/SSI Cluster

Section II – Financial Statement Findings

Finding Number	04-DCS-01
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Children's Services
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	None
Questioned Costs	None

The department has not collected overpayments; uncollected overpayments totaling at least $1,174,601 are due from foster care and adoption assistance parents

Finding

As noted in the ten previous audits, from July 1, 1993, to June 30, 2003, the Department of Children's Services (DCS) still has not collected overpayments from foster care and adoption assistance parents. Management concurred with the prior audit finding and stated,

> Beginning February 2004, monthly letters will be mailed to the last known address for persons with accounts that have had no collection activity in the ninety days prior to January 31, 2004. The number of monthly letters mailed will comply with Finance and Administration's Policy 23 based on the dollar amount to be collected. Mailing of all letters required by Policy 23 will be completed prior to April 30, 2004. A file of all accounts adhering to the requirements of Policy 23 that remain uncollected as of May 31, 2004, will be submitted to the Department of Finance and Administration to be turned over to the assigned collection agency prior to June 30, 2004. All accounts returned uncollected by the assigned collection agency will be reviewed by DCS legal staff to determine the appropriate legal action, if any. This referral will be completed within thirty days from the date the accounts have been returned by the Department of Finance and Administration. At the time that all collection activities have been exhausted, uncollected accounts will be written off in compliance with Policy 23.

As of June 30, 2004, the department's records indicated an outstanding accounts receivable balance for these parents totaling $1,174,601, an increase of $52,609 since June 2003. The balance for foster care resulted in an overall increase of $19,517, and the balance for adoption assistance resulted in an overall increase of $33,092. The prior audit finding disclosed a total decrease of $8,336 in the outstanding accounts receivable balance.

Management has identified the account receivable balances that contained no activity since January 2004 and sent out 888 letters. Of those letters, 590 accounts were turned over to a collection agency; however, as of November 4, 2004, the department has not written off any accounts as uncollectible. In addition, controls regarding Adoption Assistance continue to allow overpayments to be made.

An analysis of the 794 foster care receivable accounts revealed that five of the new accounts added during the fiscal year were for vendors who had declared bankruptcy prior to the current fiscal year. According to management, they had inadvertently deleted these accounts from the receivables listing. These balances accounted for a total of $17,967.

Of the 147 adoption assistance receivable accounts, our review of 17 of the larger balances that were added during the fiscal year indicated that:

- Five of these overpayments were due to disrupted adoptions where the parents surrendered rights to the children. These cases indicated that overpayments to parents ranged between one and 12 months.

- Three of these overpayments were due to the child having left school and DCS not being notified. Two of these children were over 18 and were not attending school which made them ineligible to receive Adoption Assistance. These overpayments ranged from 6 to 10 months.

- Three of these overpayments were due to the children receiving social security income and the adoptive parents not notifying DCS. These overpayments ranged from 8 to 15 months.

- Two overpayments were due to a child who had gotten married and a child who left home to live with his or her birth mother. In both of these cases, DCS was not notified by the adoptive parents when these changes occurred. These overpayments were 5 and 6 months, respectively.

The remaining four receivable accounts were for overpayments due to the following: a child who was removed from home; a child's case that should have been closed but was set up in another county by error; a child who had turned 21 and was no longer eligible for the program; and a child's adoption assistance renewal contract that was not returned to DCS. In all of these cases, DCS did not have adequate internal controls to prevent overpayments to these adoptive parents. These overpayments ranged from 2 to 10 months.

Recommendation

The Executive Director of Program Support should continue efforts to recover all funds from foster care or adoption assistance parents who received overpayments but are no longer keeping children according to the Department of Finance and Administration (F&A) Policy 23, "Accounts Receivable – Recording, Collection, and Write-Offs." After management has taken all appropriate steps to collect the outstanding receivable, the Executive Director of Program Support should request through F&A that the uncollectible accounts be written off. The Commissioner of DCS should develop protocol for the different divisions within the department, particularly between DCS Fiscal Services, DCS Adoption Services, DCS regional offices' adoption units, and Child Protective Services, so that the proper individuals are informed in a timely manner of changes in children's cases and/or changes that affect adoption assistance eligibility. The Executive Director of Child Permanency should ensure that adoption assistance paid to adoptive parents is terminated when eligibility terminates. Since adoption assistance payments are based on information indicated on the Subsidized Adoption Turnaround Document (Form 16), regional designees should verify this information before authorizing payments.

Management's Comment

We concur. The department continues to make progress toward recovering uncollected overpayments, and when all reasonable efforts are exhausted, obtain permission to write-off these outstanding accounts. In September 2002, the department initiated collection activities with a collection agency for some of these overpayments. After the collection agency concluded its work, the department forwarded these uncollected accounts to the department's legal counsel to further attempt collection. The department's legal counsel determined that $75,000 was uncollectible. The department will request permission from the Department of Finance and Administration in March 2005 to "write-off" this amount. Of the total outstanding, 55% ($648,610) is currently being handled by the collection agency prior to turning these accounts over to the department's legal division, and if necessary, to the Department of Finance and Administration to write-off. The department has recovered $21,229 from the collection agency and $10,333 from DCS efforts. There are 290 remaining accounts currently at the department for recovery. The department will continue to make progress with these overpayments, as resources within the agency allow.

The department has strengthened controls and improved intra-agency coordination to reduce adoption assistance overpayments, which account for the greatest portion of the overpayment cited in the audit finding. Prior to the conclusion of the audit, the department finalized procedures effective May 2004 that require the submission of copies of any revised, renewed, or new agreements along with the payment request (Form 16). No payment is made until a copy of the agreement is received. Procedures were also strengthened to address payments inadvertently made on behalf of children turning age 18, 21 or 3. Additional documentation is required with the submission of payment, plus joint signatures by the parent and field staff attesting to the accuracy of the child's status.

Finding Number	04-DFA-01
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Finance and Administration
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	None
Questioned Costs	None

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

Finding

As noted in the prior two audits, the Department of Finance and Administration's Division of Capital Projects and Real Property Management has failed to implement an effective review system of land transactions entered on the Land Inventory System (LIS). As a result, land was not always properly valued. The Division of Capital Projects and Real Property Management uses the LIS to maintain records of state-owned land for each site in the state's 95 counties. For each site listed in LIS, there are one or more activity records that include the information regarding acquisition or disposal transactions of property and the associated value for each activity related to that site. The values for each activity in LIS are used to generate reports—such as the Land Value Report, the Land Inventory Report, and an Adjustments Report at the end of each fiscal year—which are used in determining the amount of land to be included in the financial statements. The current audit revealed that land acquisitions, land disposals, and land transfers were not valued correctly in LIS. The LIS is also used by the Division of Accounts to record values for buildings. It was noted during the current audit that seven buildings that no longer exist were still reported on the state's financial statements.

In response to the prior audit finding, management concurred and stated that the division would implement a new review system that establishes a system of multiple checks and reviews for all closed files, and the Division of Accounts would reconcile its building inventory to Treasury's Division of Risk Management Inventory and monitor the actions of the State Building Commission through a review of the commission's minutes. Reviews are being performed on closed land files, but certain recording problems still occurred because the reviews were not thorough enough to catch certain errors. Also, the Division of Accounts did start the reconciliation process for the buildings, but the process was not completed. Differences between the building inventory and the risk management inventory were identified and larger dollar items were researched and corrected, but not all differences were resolved.

All 20 land acquisitions and eight land disposals that occurred during the audit period were tested. Four acquisitions recorded incorrectly in LIS resulted in a total land understatement of $134,393. Five disposals recorded incorrectly in LIS resulted in a land overstatement of

$19,402. Five of the nine incorrect transactions were due to the contract officer not indicating in LIS that the transaction involved a donated item. Testwork on land transfers indicated that three of five transfers (60%) were recorded incorrectly in LIS. These errors resulted in an understatement of $11,102.

To record building values for financial statement purposes, the Department of Finance and Administration maintains a list of buildings and structures on LIS. The Department of Treasury also maintains a list of state buildings and structures for insurance purposes. However, the listings have not been reconciled to one another. We selected a random sample of 48 buildings and structures from the LIS listing to observe. Testwork revealed 7 of 48 buildings and structures were not owned by the state or no longer existed and were still being reported on the financial statements. The buildings were purchased for a total of $487,600 and had a book value of $66,576. Five of the buildings had been identified as differences on the reconciliation to Treasury's Division of Risk Management Inventory but had not been researched and removed. The other two buildings were not identified in the reconciliation process since the buildings were erroneously included on both of the listings.

Recommendation

Management of the Division of Capital Projects and Real Property Management should reassess their review system to ensure all aspects of the major transaction types are addressed. Furthermore, they should ensure that the value entered into LIS equals the cost or the appraisal amount, changes to land are valued correctly, and the cost or value of land transferred between departments is correct. Each transaction should be reviewed to determine when the donation code should be marked in LIS. Once information is on LIS, system information should be compared to the source documents and files to ensure accuracy. The Division of Accounts should complete the reconciliation process with the Department of Treasury records. The reconciliation should be performed annually to ensure accurate records are being maintained.

Management's Comment

We concur. Corrective action is being taken to keep these types of errors from occurring and an annual reconciliation will be performed.

Five (5) of the nine (9) errors occurred when the state acquired a tract of land by gift or donation. Real Estate Management was unaware of a gift code feature in the Land Inventory System (LIS). In the absence of activating the gift code in the LIS, the land cost entered into the system also serves as a default figure for land value. When a gift is received there is no land cost, but there is still land value. Thus donated land costs entered into the system as zero caused the land value field to also show up as zero. The LIS Administrator is now aware of the gift code feature of the system and checking this aspect of the transaction has been incorporated into the review system.

The four remaining errors were due to human error. A review process, involving multiple reviews, has been instituted. This process includes comparing all data in the LIS to the original documents. The Director of Real Estate performs a final review.

The Division of Accounts will complete a reconciliation annually of Finance and Administration's records and the Department of Treasury's records.

Finding Number	04-DFA-02
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Finance and Administration
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	None
Questioned Costs	None

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

Finding

As noted in the prior audit, the department's Office for Information Resources has not implemented adequate controls over two areas. Two additional areas that need improvement were noted in the current audit. The state's Information Technology Policies require that "… all Information Technology resources must be appropriately and adequately protected against unauthorized access, modification, destruction, or disclosure." However, improvements are needed. Failure to provide such controls increases the risk that unauthorized individuals could access sensitive state systems and information.

In response to the prior-year audit finding, management concurred in part with the first area and concurred entirely with the second. In the first area, management stated that other compensating preventive and detective controls mitigate the risk, and management believes this condition has an acceptable level of risk when measured against other exposures taking resource precedence. Auditors determined that the compensating preventive and detective controls utilized did not appear effective. In the second area, management stated they had implemented enhanced controls in this area and were implementing a process to ensure weaknesses are reported to and addressed by management. Although the auditors observed significant progress in this area, corrective actions did not appear entirely effective.

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

This finding is a reportable condition for purposes of the State of Tennessee Single Audit of federal financial assistance. This wording will also appear in that report, which will be provided to the federal government pursuant to the procedures developed for reporting of Single Audit findings.

Recommendation

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

Management's Comment

We concur in part with the first finding. While the specifics cannot be addressed in this document pursuant to Section 10-7-504 (i), *Tennessee Code Annotated*, it is management's position that best practices dictate that expenditures for mitigating security vulnerabilities should be commensurate with the costs associated with the risks. We concur that the mitigation strategies, both preventive and detective controls, need to be strengthened.

We concur with the second finding. We appreciate State Audit's acknowledgement of the significant improvements made over the past year. Management will continue to improve the process implemented to ensure that weaknesses are reported to and addressed by management.

We concur with the third finding. Immediate steps have been taken to mitigate the risk.

We concur with the fourth finding. Immediate steps have been taken to mitigate the risk.

Finding Number	04-TCRS-01
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of the Treasury
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	None
Questioned Costs	None

The Tennessee Consolidated Retirement System should strengthen controls over access to the Consolidated Retirement Information System

Finding

The Tennessee Consolidated Retirement System (TCRS) uses the Consolidated Retirement Information System (CRIS) to track all retired members' personal and benefit-related information, such as social security numbers, bank account numbers for direct deposits, and addresses. A lack of segregation of duties exists in some TCRS employees' access to this system, creating an opportunity for fraud.

Twenty-nine employees have the capability within CRIS to change both a member's social security number and the direct deposit bank account information. An employee with this access could change the direct deposit information to divert funds to an unauthorized bank account for a recently deceased member. The same employee could also change the deceased member's social security number to avoid detection through TCRS established procedures, which are to periodically compare social security numbers in CRIS to national and state databases of social security numbers of deceased people.

Of the 29 employees mentioned above, one employee is also responsible for processing the payroll for the members. After the payroll is run, this employee retrieves various payroll checks and mails them. Therefore, this employee has not only the opportunity to divert direct deposit payments but also the opportunity to divert manual payroll checks.

Recommendation

The Tennessee Consolidated Retirement System should properly segregate access in CRIS to reduce the opportunities for fraud. Also, an employee independent of the payroll process and with limited CRIS access should be assigned to physically handle payroll checks.

Management's Comment

Management concurs. Management immediately implemented the refinements to the internal control procedures as was recommended. Our business practice is to continuously evaluate internal controls and to implement improvement in internal controls as new techniques become available or as new technology is developed.

While fraud is a possibility in the scenario, the probability of the fraud to occur and not be detected is remote. The steps necessary to conceal continued payments would be difficult due to other compensating controls.

Finding Number	04-TDT-01
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of the Treasury
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	None
Questioned Costs	None

User controls over claims are not adequate

Finding

The department does not adequately limit access to functions within the Division of Claims System (DOCS), which is used to process tort claims and property damage claims filed by state employees against the state arising pursuant to Section 9-8-101 et seq., *Tennessee Code Annotated.* Also, access to functions within the Criminal Injuries System (CIS) is not adequately limited. CIS is used to process victims' compensation claims pursuant to Section 29-13-101 et seq., *Tennessee Code Annotated.* For both DOCS and CIS, which employees have access and the type of access permitted are critical to the integrity of the claims process. When inadequate system controls permit individuals to circumvent other claims controls, fraud could occur and go undetected.

When a Risk Management Fund tort or employee property damage claim form is received by the Division of Claims Administration (DCA), generally the DCA Director assigns the claim to an examiner. (Exceptions to the general rule are noted later in the finding.) The director indicates assignment (by examiner's initials) on the claim form. The director then forwards the claim form to the secretary. According to procedures, "The secretary enters the claim information onto DOCS, including but not limited to name, address, SSN, date of accident, date of receipt, department against which the claim is filed, and claim type." This is referred to as initiating a claim. The "Add" function in DOCS allows the secretary to complete this claims initiation process. The secretary then sends the department against which the claim is filed a "request for departmental report" to obtain the state employee's side of the story or the state agency's response to the allegations raised against it or its employees. This procedure not only results in additional information needed to process the claim but also provides assurance that the claim is legitimate and provides evidence that the events underlying the claim actually occurred.

The "Modify" function in DOCS enables the examiner to process the claim that has already been entered and then key the claim as tentatively approved or denied. After the examiner has entered a claim in "examiner approved" status, a "claim recommendation" for payment sheet is printed by DOCS. The DCA Director, Criminal Injuries (CI) Supervisor, or Claims Senior Examiner then reviews the recommendation and supporting documentation. If the DCA Director, CI Supervisor, or Claims Senior Examiner deems the information complete and

correct, she authorizes payment by signing the "claim recommendation" and accessing the "Approval" function in DOCS to approve the claim for payment.

A review of the DOCS user functions revealed that 8 of 25 DOCS users (32%) had access to both the "Add" and "Modify" functions. This review indicated that all three examiners had been granted access to the "Add" function. The review also revealed that two secretaries had access to the "Modify" function. Additionally, the DCA Director, the CI Supervisor, and the State Treasurer were provided with both "Add" and "Modify" capabilities.

When a Criminal Injuries Compensation Fund claim form is received, generally the CI Supervisor assigns the claim, and then the secretary enters the claim information into CIS. (Exceptions to the general rule are noted later in the finding.) The "Add" function in CIS, as in DOCS, enables the secretary to complete the claims initiation process. The secretary then sends out a request for a "report of district attorney" to obtain additional supporting information including, but not limited to, evidence that an offense against the claimant actually occurred that caused personal injury or death. This procedure not only allows the division to obtain additional information necessary to process the claim but also enables the division to gather evidence from an external party to provide assurance that the claim is legitimate.

Once the claim is entered into CIS by the secretary, the claim form and other supporting documentation are forwarded to the assigned examiner. After an investigation of the circumstances underlying the claim and review of the supporting documentation, the examiner approves or denies the claim. If the claim is approved, the examiner keys the payments into CIS, and CIS automatically prints an "approval sheet." The examiner signs the "approval sheet" and forwards this and the supporting documentation to the DCA Director, CI Supervisor, or CI Senior Examiner for approval of the payments scheduled by the examiner. If the DCA Director, CI Supervisor, or CI Senior Examiner deems the information complete and accurate, she authorizes payment by signing the "approval sheet" and accessing the "Approval" function in CIS to approve the claim for payment. The "Modify" function enables the examiner to schedule the payment into CIS before final approval by the DCA Director, CI Supervisor, or the CI Senior Examiner. Payments are not made until after final approval.

A review of the CIS user functions revealed that 7 of 23 CIS users (30%) had access to both the "Add" and "Modify" functions. This review indicated that all three examiners had been granted access to the "Add" function. The review also revealed that three secretaries had access to the "Modify" function. Also, the CI Supervisor was provided with both "Add" and "Modify" capabilities.

In addition, the secretaries with access to DOCS and CIS receive certain checks (e.g., checks that need a special mailing label) and are responsible for mailing those checks. Since the secretaries have access to the "Modify" function, controls are compromised and a lack of segregation of duties exists.

If access to functions within DOCS and CIS allow an employee to initiate and modify a claim, that employee could create and approve a fraudulent claim that appears to be adequately supported. If the claim never reaches the secretary, the "request for departmental report" or

"report of district attorney" would never actually be sent and could be forged; therefore, the controls in place to confirm legitimacy of the claim would be circumvented. The employee could then approve the fraudulent claim for payment. Although the DCA Director, CI Supervisor, or a Senior Examiner has to give final approval for the payment, the claim would appear adequately supported by the forged documents. A review of all claims initiated and assigned in DOCS and CIS during the fiscal year revealed one claim for $347.98 that was initiated by the same user to whom the claim was assigned. Further review of this claim was performed by the auditor by contacting the parties involved. Based on these discussions, it appears that the claim was legitimate.

As stated earlier, a tort or property damage claim is generally assigned by the DCA Director, and a CI claim is generally assigned by the CI Supervisor. When these individuals are absent, claims may be assigned by another supervisor or a senior examiner. However, no record is maintained of who assigns a claim; therefore, it is not possible to determine whether someone had assigned a claim to himself or herself.

Although information from external third parties is requested by the secretaries, such as from the department involved or the district attorney, if the information is not received, the follow-up would be handled by the assigned examiner. Having the ability to assign, initiate, modify, and follow up on a claim creates an inadequate segregation of duties and increases the risk of fraud.

Recommendation

The department should initiate a review of access to the claims processing systems. Those employees with more access than is required for the completion of their job duties should have their access reduced accordingly. Employees should not have the authority to both initiate and modify the same claims. The Treasurer should only have the ability to view claims. Further, the individuals assigning claims should not be allowed to assign claims to themselves. The name of the assignor of each claim should be documented in the system or on the face of the claim form. The individual responsible for approving the claim payments should ensure that the examiner who processed the claim was not also the assignor.

Management's Comment

We concur. In October 2004, a new consolidated claims system, Gemini, replaced the 10-year-old DOCS and CIS systems. The Gemini system has many program enhancements, including security and internal controls. As part of implementing the new system, we established security roles to control access to Gemini and enforce segregation of duties. As is our business practice, management continues to evaluate internal controls and to implement improvements as needed.

Finding Number	04-DOT-01
CFDA Number	20.205
Program Name	Highway Planning and Construction Cluster
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	Other
Questioned Costs	None

System administrative and security controls need improvement

Finding

The Department of Transportation needs to improve its controls over the authorization and approval of computer user access as well as improving controls over the elimination of user access for terminating employees. The following exceptions were noted:

a. The process for authorizing users in the Department of Transportation State Transportation Accounting and Reporting System (DOT STARS) is not sufficiently documented. For 20 of 25 users tested (80%), there was no supporting documentation authorizing their access to the system.

b. Access was not appropriately terminated for 9 of 25 users tested (36%). These nine individuals were not employees during the audit period but still had access to the DOT STARS system.

Strong computer security controls will help prevent the unauthorized access, deletion, or alteration of data. Security controls will also limit a user's system access so that access is granted on a "need-to-know, need-to-do" basis. The proper administrative controls will assist management in maintaining the appropriate level of computer security.

Recommendation

Management should implement the proper computer administrative and security controls over the authorization and approval of user access as well as improving controls over the termination of user access. Authorization and approval should be maintained on file for all users of the department's significant information system. The authorization should specify the system capabilities required by the user and should be approved by appropriate management. User access should be reviewed regularly to determine whether it is still appropriate, based on the employee's current job responsibilities.

Controls should be implemented to ensure that user access is revoked immediately after employment ends or when the user no longer requires access.

Management's Comment

We concur. Rather than indefinitely keep on file individual requests for user authorization, annually all authorized users will be verified. Users with more than "inquiry only" security level will be verified by the unit or division director. Individual authorization requests received after the most recent verified list of users will be maintained on file. All other requests will be destroyed.

RACF security controls user access to all mainframe applications, including STARS. Therefore when a user's RACF ID is removed, access to STARS is effectively removed. In addition to the current process, all authorized STARS users will be verified against a list of active TDOT employees and user records not on the active TDOT employee list will be deleted.

Finding Number	04-DFA-04
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Material Weakness
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

TennCare's monitoring of payments to the Managed Care Contractors needs improvement

Finding

As noted in two prior audits, TennCare's monitoring of payments to the Managed Care Contractors (MCCs) needs improvement. During the audit period, TennCare's MCCs included the Behavioral Health Organizations (BHOs), the Managed Care Organizations (MCOs), Doral Dental of Tennessee, Consultec LLC (Consultec), and First Health Services Corporation (First Health).

For the year ended June 30, 2004, TennCare reimbursed the MCCs as follows:

- TennCare paid approximately $403 million to the BHOs for behavioral health claims and administration payments.
- TennCare paid over $2.4 billion to the MCOs for actual medical claims of enrollees.
- TennCare paid over $126 million to Doral Dental, the dental benefits manager, for dental claims.
- TennCare paid over $2.1 billion to Consultec and First Health, the pharmacy benefits managers, for pharmacy claims.

We reviewed procedures to determine if TennCare had monitored the MCCs for the same five critical control areas mentioned in the prior audit findings. Our objectives were

- to determine if third-party liabilities (TPL) were appropriately deducted from the amount paid,
- to determine if TennCare adequately monitored to ensure that individual provider claims were not reimbursed more than once,
- to determine if TennCare adequately monitored reimbursements to ensure that the MCCs paid for valid and eligible TennCare enrollees,

- to determine if TennCare adequately monitored transactions to ensure that the MCCs paid the providers the same amounts billed to TennCare, and
- to determine if TennCare reconciled the amounts TennCare reimbursed to the MCCs to the claim encounter data received by the Division of Information Systems.

Third-Party Liability

Testwork revealed that TennCare had not taken the necessary steps to ensure that third-party liability was collected before payments to the providers were made. According to the *Code of Federal Regulations*, Title 42, Part 433, Section 138, "The agency must take reasonable measures to determine the legal liability of the third parties who are liable to pay for services furnished under the plan. . . ." However, audit inquiry revealed that TennCare had not made reasonable efforts to ensure that the BHOs, Doral Dental, and First Health appropriately deducted third-party liabilities from the amount paid to the providers. According to the Deputy Chief Financial Officer, given the nature of behavioral health services provided to the enrollees, the BHOs would not have much TPL to recover. However, management could not provide us with the total TPL related to the BHO services, or with evidence that the cost of recovering TPL would exceed the amount recoverable.

To address pharmacy claims, TennCare contracted with the Public Consulting Group (PCG) to perform retroactive third-party liability and duplicate payment recovery for pharmacy claims until December 31, 2003. However, the contract with PCG was not extended. In addition, TennCare has not assumed the responsibilities of PCG since its contract termination. According to the Chief Financial Officer, an additional unit dedicated to TPL is still being considered by TennCare management to assist in the monitoring of TPL.

Duplicate Reimbursements

Testwork was performed to determine whether TennCare had adequate monitoring procedures in place to ensure that provider claims were not reimbursed more than once. Based on discussions with TennCare Information Systems (IS) staff, TennCare generated duplicate reimbursement edit reports each month since January 2004 for the BHOs and the MCOs. However, IS staff have no procedures to address the exceptions that are identified by the edit reports. In addition, according to the TennCare IS staff, reports for the months prior to January 2004 were not created because there were problems with the reports prior to refinement.

Additionally, based on discussions with the Deputy Chief Financial Officer, TennCare had no procedures in place to prevent duplicate claims payments to dental and pharmacy providers. As noted above, Public Consulting Group (PCG) was contracted to perform retroactive third-party liability and duplicate payment recovery for pharmacy claims only until December 31, 2003, and TennCare has not assumed the responsibilities.

Eligibility

TennCare did not adequately monitor payments to the BHOs to ensure that payments to providers were for services performed for eligible TennCare enrollees. Although TennCare has

taken steps to establish an effective monitoring process, TennCare has not yet ensured that payments to providers were for services performed for eligible enrollees. TennCare's Fiscal Budget Unit receives reports from the TennCare IS Division that list claims paid for ineligible and dead recipients. During fieldwork, management indicated that their plan was to send the reports to the respective BHOs for response and explanation of the discrepancies. In addition, TennCare fiscal staff plans to maintain and document all of the error reports, the responses from the BHOs, and status of all the responses sent out. However, as of September 24, 2004, reports for only the months of May 2004 and June 2004 had been sent out to the BHOs. Fiscal staff noted the reports for the other 10 months have been generated but were provided along with data from prior fiscal years and therefore are not easily reviewed. Fiscal staff also stated that they have asked TennCare IS staff to break down the reports by month so that the information is more manageable. However, the reports have not been provided to the BHOs as of December 15, 2004.

Reimbursement to MCCs and Providers

Based on discussions with fiscal staff, TennCare did not have adequate procedures in place to ensure that the MCOs were actually paying the providers the same amount that the MCOs bill TennCare. Each week, TennCare receives invoices from each MCO for reimbursement of actual medical expenditures. Some of the check registers of the MCOs are sent electronically; some are faxed, or in the case of John Deere Health Plan, not sent at all. The check registers for Victory Health Plan and Preferred Health Plan are not sent at the same time as their respective invoices. As a result, TennCare could not compare the MCOs' check register totals to the billing invoices for these MCOs. Also, we noted examples of invoices that did not reconcile to the claims data, and that TennCare had no procedures in place to handle discrepancies between claims data and invoices.

In addition, TennCare's procedures for determining if Doral paid the dental providers the same amount that was billed to TennCare were ineffective. Based on discussions with TennCare staff, TennCare made comparisons between the claims data, the check registers, and the invoices monthly, but corrective action for any exceptions found was not documented. Furthermore, TennCare could not provide evidence that the appropriate party (i.e., the Fiscal Director, Dental Director, etc.) was aware of any differences between these three items. In addition, although TennCare staff indicated that the check-register-to-invoice reconciliation was done for July 2003 through September 2003, we were unable to confirm that the reconciliation was performed because it was not documented.

Encounter Reconciliation

Current testwork revealed that as of October 21, 2004, TennCare had not successfully reconciled the amount reimbursed to the MCOs to the claims encounter data for the year ended June 30, 2004. According to the Director of Managed Care Analytics, the report has not been generated for the year ended June 30, 2004, due to lack of system space. When the system space becomes available, it will take approximately one month to run the report so that the reconciliation process can begin. Based on discussions with the Director of Managed Care Analytics, TennCare has generated reports and attempted to reconcile the encounter data sent by

the MCOs with their invoices for the year ended June 30, 2003. We found that the Director of Managed Care Analytics sent a memo dated July 1, 2004, to each MCO with a report showing differences for encounter data and invoices for the year ended June 30, 2003, and requested the MCOs provide explanations and a reconciliation. As of October 28, 2004, the responses have been received from the MCOs, and TennCare is reviewing the responses to determine the appropriate action.

In addition, TennCare's procedures for reconciling the amounts TennCare reimbursed to Doral for dental claims to the claims encounter data received by the TennCare Division of IS were also ineffective. Testwork revealed that TennCare reconciled the amount TennCare reimbursed to Doral to the claims data sent with the respective invoice. However, the claims data were not, in turn, reconciled with the encounter data. TennCare staff compared the total amount of claims from the encounter data to the claims data total for the 17 payments made between October 23, 2003, and June 18, 2004. However, at no time during the audit period did the two amounts match, and TennCare staff were unable to explain the differences. For 14 of these payments, the encounter data totals were higher than the claims data totals by a total of $1,191,218. For 3 payments, the claims data totals were higher than the encounter data totals by a total of $3,799. Management stated that no comparisons were made before October 23, 2003.

Additional discussions with fiscal staff revealed there were no procedures in place to reconcile the amounts TennCare reimbursed to Consultec/First Health to the claim encounter data received by the TennCare Division of IS. The amount reimbursed to Consultec/First Health was reconciled with the claims data sent with the respective invoice, but the claims data were not, in turn, reconciled with the encounter data.

Inadequate monitoring of the MCCs could result in TennCare paying duplicate claims, paying claims on behalf of ineligible recipients, and paying the MCCs more than the MCCs paid out to the providers.

Recommendation

The Director of TennCare should ensure that adequate monitoring of the MCCs is performed and that it specifically addresses the five critical control areas.

The Director should ensure that

- procedures are developed to monitor TPL collection for BHO, MCO, dental, and pharmacy claims in accordance with the *Code of Federal Regulations*;
- procedures are implemented to prevent BHO, MCO, Doral Dental, and First Health providers from being reimbursed more than once;
- reports of all months of potentially ineligible enrollees are sent to the BHOs for follow-up and review and that reports are returned from the BHOs timely;
- check registers are received and compared to the invoices for all MCOs;

- the MCO invoices are reconciled to the claims data;
- reconciliations of MCO and Doral invoices to claims data are documented for all months and necessary corrective action is taken and documented for any discrepancies discovered;
- the current-year amounts reimbursed to the MCOs and the encounter data received by the TennCare Division of IS are reconciled; and
- procedures are developed to reconcile dental and pharmacy claims data to encounter data obtained by the TennCare Division of IS.

In the future, when TennCare management decides that other areas will be paid on a fee-for-service basis, it should ensure that all critical areas are identified and subsequently monitored, and that action is taken on the monitoring results.

Management's Comment

We concur. TennCare has made and will continue to make improvements in the monitoring of payments to Managed Care Contractors (MCC). The most notable improvement in this area will be the identification and handlings of questioned costs associated with MCC encounter data. During this audit, a request was submitted by the Fiscal Services Division to Information Systems for a report identifying potential questioned costs made by the MCCs such as duplicate payments and dead or ineligible enrollees. Although a preliminary report was produced and sent to some MCCs, we have found that the information in the report should be refined. Once the refined report is received by Fiscal Services, it will once again be forwarded to the appropriate MCC for evaluation. MCCs will be provided 30 days to respond with comments and what appropriate corrective actions were taken. Once returned by the MCC, the returned file will be reviewed by Fiscal Services staff to ensure that adequate justification is provided for those payments that are found to be appropriate, and necessary action is taken for other payments.

As noted in the finding, TennCare initiated the process of establishing a Third Party Liability (TPL) Unit within the Fiscal Services Division. This unit's primary responsibility will be to maximize TennCare's TPL recoveries. Once established, this unit will be able to look retrospectively against TennCare claims for additional TPL recoveries. We will continue to improve monitoring of TPL activities used by the BHO and maximize TPL in this area. The MCCs have various TPL activities today, and additional efforts around TPL collections will be pursued retroactively to the earliest legally allowable date. More specifically, contract language between TennCare and each MCO not only requires that each MCO perform TPL activities, but TennCare also encourages MCO's to have a robust TPL program by allowing the MCOs to recover some administrative costs of an approved MCO's TPL program. See contract excerpts below:

<u>Third Party Resources</u>
"The CONTRACTOR shall exercise, full assigned benefit rights and/or subrogation rights as applicable and shall be responsible for making every reasonable effort to

determine the legal liability of third parties to pay for services rendered to enrollees under this Agreement and recover any such liability from the third party".

"Failure to seek, make reasonable effort to collect and report third party recoveries shall result in liquidated damages".

Medical Expenses (Amendment 6)
"If approved by TennCare, the TPL or subrogation recoveries may be the net of administrative expenses incurred that are related to recovery activities".

The Fiscal Services Division has also made noticeable improvements in documenting the results from internal control procedures. Specifically, more detailed explanations are maintained for the variances between claims data, the check registers, and the invoices for both the PBM and DBM. When unexplained differences do occur, payment will be made on the lesser of the amounts reported and notice will be forwarded to management. These same procedures will be integrated into the MCO payment process as well. The CFO has directed Fiscal Services to assign responsibilities to all necessary reviews and document completion of the reviews and results.

We have also entered into an agreement with the Comptroller's TennCare Division to perform procedures to review the claims processing accuracy and reporting accuracy of data to TennCare by the MCOs, DBM, and BHO. This work will supplement the audit schedule of the Department of Commerce and Insurance, TennCare Oversight Division, the goal being to increase the number of reviews performed each year.

The Office of HealthCare Informatics has assigned dedicated resources working on (1) the fiscal year 2004 high-level MCO invoice/encounter reconciliation, and (2) the fiscal year 2005 monthly on-going MCO and pharmacy invoice and encounter reconciliations concurrently.

The final MCO reconciliation summary for fiscal year 2004 will be provided to the CFO for review by June 2005. In February 2005, the Bureau began conducting monthly (on-going) invoice/encounter reconciliations for July 2004 MCO and PBM invoice submissions. During this process, systems related issues occurred, requiring further modification to the reconciliation methodology. Staff are continuing to develop alternative plans of action to resume monthly reconciliation.

The progress made to date was done despite losing three analysts in the last 18 months. The Bureau will continue to implement and revise its reconciliation process of all MCOs, PBM, and Dental invoices to encounter files.

Finding Number	04-DFA-05
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

TennCare incorrectly issued an $8,000,000 check to a provider

Finding

TennCare failed to follow established financial policy and procedure, and as a result, incorrectly issued an $8,000,000 check to an institutional Medicare cross-over provider on August 15, 2003.

Medicare cross-over recipients are eligible for both Medicare and Medicaid, and are required by Medicare to pay coinsurance and a deductible to the provider for services received. Because the recipient is eligible for Medicaid, Medicare cross-over providers bill TennCare instead of the patient for the coinsurance or deductible amounts. In July 2003, a county hospital contacted TennCare and requested an increase from $50.75 to $97.50 in the Medicare coinsurance amount for a claim previously submitted for a cross-over recipient. Staff of Electronic Data Systems (EDS), the contractor hired to maintain and operate the system, manually enter adjustments of this type. However, because EDS made a data entry error, the claims data relating to the amount billed and the deductible for the claim in question were incorrectly increased to $8,000,097.50 and $8,000,000, respectively. This error resulted in TennCare generating an $8,000,000 check to the hospital. The provider received and endorsed the check; however, the provider immediately returned the check to TennCare when it realized the error. We examined the voided check.

According to TennCare management, there were procedures in place to review and verify the accuracy of all manual adjustments. These procedures, dated January 2003, are included in EDS's *Financial Procedures Manual*. The procedures require all manual adjustments to be verified accurate by a person other than the individual performing the initial update. Had these procedures been followed, the keying error would have been detected and corrected in a timely manner prior to the check being issued. In addition, TennCare indicated that system edits were established to suspend any institutional cross-over claim over $10,000. However, according to EDS staff, the edit was never operational.

According to TennCare and EDS management, system modifications to the new TennCare Management Information System (interChange) are being put in place that will identify payment anomalies and suspend the payment for manual review. According to EDS

management, until these edits are in place, EDS will run a weekly series of queries and reports to identify claims that exceed defined monetary thresholds. All claims identified will be manually reviewed and compared to supporting documentation by EDS staff.

Following prescribed procedures and having working system edits in place are essential in preventing erroneous payments to providers, which could remain undetected.

Recommendation

The Director of TennCare should ensure that policies and procedures regarding the review of manually adjusted claims are adequate and that EDS staff responsible for this review follow the policy. We also recommend that the Director ensures that the new TennCare Management Information System (interChange) has appropriate system edits in place to identify checks over a certain amount in order to facilitate a review by management prior to issuance.

Management's Comment

We concur. TennCare's investigation determined that although the contractor does have the previously described process to verify manual adjustments, it failed to identify this keying error. Again as stated, the contractor's documentation for the legacy TCMIS identified an edit to suspend any institutional crossover adjustment in excess of $10,000 for additional review and approval. This edit, however, was never implemented and thus failed to suspend the claim. Additionally, TennCare staff review a sample of the remittance advices for each payment cycle generated by EDS to determine the accuracy of the payments prior to authorizing their release. Unfortunately, this claim was not part of the sample selection and thus not reviewed.

TennCare's Informatics' staff also analyzed all payments made by EDS in the fiscal year ended June 30, 2004 to determine if any other aberrant payments were issued. That search identified no payments other than the one discussed in this finding. This analysis is now routinely performed on a quarterly basis. In response to this finding, TennCare also verified that a maximum payment edit to preclude errors of this type was installed and operational in the new interChange system.

It should be noted, that this error **did not** result in the loss of state or federal funding as the check was returned by the provider. Additionally, the TCMIS contract language provided that "The Contractor shall be liable for overpayments and duplicate payments if adequate documentation to determine accuracy of processing is not maintained by the Contractor or if the Contractor fails to utilize available information or fails to process correctly." Therefore, had the check not been returned, EDS would have been liable for the overpayment. Additionally, TennCare assessed EDS the maximum allowable liquidated damage for making this error.

Finding Number	04-DFA-06
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028, 05-0405TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

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

Finding

As noted in the prior five audits, TennCare has contracted with and paid Medicaid providers in violation of the terms of the Medicaid Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (HCBS MR/DD waiver). The *Code of Federal Regulations* (CFR), Title 42, Part 431, Section 10(e)(3), allows other state and local agencies or offices to perform services for the Medicaid agency. As a result, the Bureau of TennCare has contracted with the Division of Mental Retardation Services (DMRS) (both the Bureau and DMRS are within the Department of Finance and Administration) to oversee the HCBS MR/DD waiver program. However, after five years of repeated findings, TennCare continues not to comply with HCBS MR/DD waiver requirements regarding claims for services.

The prior audit finding noted the following:

- TennCare did not make direct payments to providers of services covered by the waiver and allowed claims to be processed on a system not approved as a Medicaid Management Information System.
- TennCare is not paying DMRS the same amount DMRS pays providers.
- TennCare allowed DMRS to combine services without waiver approval.

These issues continue to be problems. Even though management concurred or concurred in part with these prior audit findings the first four years, management decided not to concur last year.

Testwork revealed that TennCare has continued to inappropriately pay DMRS as a Medicaid provider. DMRS in turn has continued to treat the actual Medicaid service providers as DMRS vendors. According to Medicaid principles, as described in the *Provider Reimbursement Manual*, Part I, Section 2402.1, DMRS is not a Medicaid provider because it does not perform actual Medicaid services.

Failure to Process and Pay Claims on Approved MMIS

Furthermore, the waiver agreement also requires provider claims to be processed on an approved Medicaid Management Information System (MMIS) and provider payments to be issued by TennCare. Under Appendix F of the HCBS MR/DD waiver, TennCare has selected the payment option which states, "All claims are processed through an approved MMIS." However, under the current arrangement, TennCare has allowed DMRS to process claims on its own system and make payments to providers through the State of Tennessee Accounting and Reporting System (STARS).

In response to the previous audit finding for year ended June 30, 2003, management stated:

> We do not concur. We do not agree with the Centers for Medicare and Medicaid Services on this issue and will work with them on a resolution. Payments made by the Division of Mental Retardation Services (DMRS) for services provided through the Home and Community Based Services (HCBS) waivers were not made directly to individual providers or via an approved Medicaid Management Information System during the audit period; however, payments made by TennCare to DMRS for services provided through the HCBS waivers were made through the approved TennCare Medicaid Management Information System. We believe this arrangement is in compliance with federal regulations. . . .

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

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

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

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

> Federal regulations allow providers to reassign payment to DMRS. Signed provider agreements include reassignment of payment of DMRS. However, we concur that the payments made by DMRS were not made via an approved MMIS system. TDLTC has had meetings with TennCare Information Systems staff, Fiscal staff and Provider Services staff to begin developing mechanisms for direct provider payment. . . .

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

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

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

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

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

> Section 1902(a)(32) requires that providers have the option of receiving payments directly from the State Medicaid Agency. The state should modify its payment system to comply with this requirement.

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

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

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

Testwork revealed as it has been reported in the previous five audits that TennCare is not paying DMRS the same amount DMRS pays providers because DMRS has paid waiver claims outside the prescribed waiver arrangements. The waiver is designed to afford individuals who are eligible access to home and community-based services as authorized by Section 1915(c) of the Social Security Act. Regulations require any claims submitted by providers for services performed for waiver recipients to be processed in accordance with all applicable federal regulations and waiver requirements, and the state to receive the federal match funded at the appropriate federal financial rate.

The billing and payment process used by TennCare and DMRS is as follows:

1. Medicaid service providers perform services for waiver recipients.

2. Providers bill DMRS for services at rates agreed upon by DMRS and its providers.

3. DMRS pays providers based on rates established by DMRS, not the rates in the waiver. The DMRS rates are sometimes higher and sometimes lower than the waiver rates.

4. DMRS bills TennCare based on the waiver rates.

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

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

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

In management's six-month follow-up report to the Division of State Audit regarding the 2003 finding, management stated:

> TennCare submitted HCBS-MR waiver renewal applications for the statewide and Arlington waivers with revised rate structures to CMS on February 23, 2004. The waiver renewal would revise the HCBS rate structure so that TennCare will pay the Division of Mental Retardation Services (DMRS) the lesser of the TennCare waiver service rate (not the average rate payment specified in the waiver) or the amount paid by DMRS to the waiver service provider. The waiver services definitions were also revised to eliminate combined services. However, on May 10, 2004, TennCare requested CMS to stop the 90-day review clock to allow for submission of additional information and to request a 90-day extension of the current approved waivers. CMS approved the requests to extend the waivers for 90 days and to stop the 90-day review clock. New waiver applications and 90-day extensions of the current waivers were submitted to the Centers for Medicaid Services on September 15, 2004.
>
> Proposed changes to the TennCare Management Information System, in order to correct the way that claims are being processed and paid, would ensure that the rate DMRS is paying to HCBS providers is the exact amount TennCare is reimbursing DMRS. The Comptroller's Office, Medicaid Division, has reviewed cost settlement data prepared by the Department of Mental Health and Developmental Disabilities (DMHDD). However, denied claims data has not yet been verified so the settlement has not been completed. The anticipated completion date is not yet known.

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

> . . . TennCare is paying DMRS the rates established in the waiver and approved by CMS. These payments are paid on an interim basis and are being cost settled to ensure that no amounts greater than the waiver rates are paid. . . .

In our rebuttal, we noted:

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

In the audit for year ended June 30, 2002, management also concurred with this issue in the prior-year audit finding and stated:

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

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

> We concur that DMRS has been paid in accordance with the rates in the waiver and that, in most cases, the rates paid to providers by DMRS have been different. The rates in the approved waiver document are estimated average rates. It is common for states to contract with providers for rates that are different than the average rates in the waiver to accommodate for differences in regional cost of living and staffing costs. The goal is for the rates paid to average what has been approved in the waiver application for FFP. The amount paid to DMRS in excess of what was paid providers was intended to provide reimbursement to DMRS for administrative cost of daily operations for the waiver program. The amounts realized via this mechanism do not, in fact, cover all the administrative costs incurred by DMRS; therefore, DMRS is not "profiting" from this arrangement. However, we intend to include in TennCare's contract with DMRS a description of payment for administrative services in accordance with the cost allocation plan approved by CMS (verbal notification has been received approving the cost allocation plan and official notification is expected soon). The cost allocation plan includes a process to perform a year-end cost settlement.

This response was similar to the response for the year ended June 30, 2000. TennCare included in its contract a section entitled "payment methodology" and described the payment of administrative costs through the cost allocation plan.

While DMRS may not be recovering enough money through the claims reimbursement process to pay its providers and fund all administrative costs, it should be noted that administrative costs should be claimed using a cost allocation plan. Under the current arrangement with the Bureau, any profit (the excess of TennCare's reimbursements to DMRS over DMRS' payments to providers) from the reimbursement of treatment costs would be inappropriately used to pay administrative costs.

The federal government has also noted this inappropriate practice of using claims reimbursement to partially fund administrative costs in the CMS compliance review report dated July 27, 2001, in which CMS stated:

> The State Medicaid Agency reimburses the DMRS for the services and DMRS reimburses the providers. It appears that, in some cases, the DMRS reimburses providers less than the payment received from the Bureau of TennCare. Governmental agencies may not profit by reassignment in any way, which is related to the amount of compensation furnished to the provider (e.g., the agencies may not deduct 10 percent of the payment to cover their administrative costs). To do so places the agency in the position of "factor" as defined in 42 CFR 447.10(b). Payment to "factors" is prohibited under 42 CFR 447.10(h).

Testwork specifically revealed that because TennCare has not ensured that DMRS complied with the waiver and federal regulations, TennCare paid DMRS more than DMRS had paid the providers in 4 of 5 claims (80%). TennCare paid DMRS less than DMRS paid the providers on the other claim. In total for the 5 claims examined, TennCare paid $14,719 to DMRS, and DMRS paid the providers only $12,095.

As noted in finding 04-DFA-07, testwork on the sample of five also revealed that some of these claims were not adequately approved and/or documented. As a result, the questioned costs relating to the inadequate approval and/or documentation have been reported in finding 04-DFA-07. Hence, no additional questioned costs relating to the differences in payments will be reported in this finding.

Combined Services Without Approval

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

In response to the prior-year audit finding, management stated:

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

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

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

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

> CMS has indicated that it is permissible to allow a combination of day services, as long as the provider is not paid for two day services that are billed during the same period of time. TDLTC will have further discussions with CMS and DMRS pertaining to the way DMRS has elected to pay for combination services. The system will be revised as necessary to comply with federal regulations and ensure

> appropriate payment for services rendered. TDLTC will monitor for overpayment via survey and post payment review.

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

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

During fieldwork, we asked long-term care staff for documentation that CMS has approved this type of combo service. Management stated that on February 23, 2004, TennCare submitted a waiver renewal application to CMS to include changes in the waiver service definitions. However, TennCare has stopped this process to make additional changes, and the new application was submitted on September 15, 2004.

Recommendation

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

Failure to Process and Pay Claims on Approved MMIS

The Director of TennCare should take immediate action to comply with all federal requirements, including those in the waiver. The Director should also ensure that TennCare pays providers in accordance with the waiver.

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

TennCare management should discontinue its practice of paying lip service to the finding by continuing to refer to pending requests for exceptions as excuses for noncompliance with clear requirements. By annually repeating this strategy, management has circumvented the clear rules for reimbursements while responding in a way to try to make it appear that they are meeting the spirit of the rules while only seeking continuing clarification of the letter of the rules. After six years, it is time for management to stop posturing and to comply with the rules. Circumvention of rules as a management policy reflects a control environment that prioritizes form over substance and rewards attempts to justify noncompliance through stalling maneuvers rather than a good-faith commitment to compliance with the spirit and the letter of rules even when that compliance requires departure from the status quo and effort to make needed changes in policy and procedure.

For providers paid through the DMRS system, the Director should ensure that TennCare pays DMRS the lesser of the approved TennCare waiver rate or the amount paid by DMRS to the providers.

Combined Services Without Approval

The Director should ensure that TennCare has CMS approval for all bundled services.

Management's Comment

Management concurs that this finding has been repeated in the last five audits and that it has taken an excessive time to resolve. Management, however, does not concur that it has attempted to circumvent the rules, nor is that our management policy. Management takes this audit finding, as well as all of our findings, very seriously and has devoted extensive resources to resolving the findings. It should be noted that of the 48 findings in the 2002 audit, 35 have been resolved with only 13 of those findings repeated in this audit, as well as an additional two new findings for a total of 15. Additionally, the narrative of seven of the 13 repeat findings states that although the issue is not fully resolved, that the finding in 2003 documents that substantial progress has been made. We believe that these statistics speak for themselves to support the level of commitment by TennCare management to resolving these findings.

Although this finding was not resolved by the end of the audit period on June 30, 2004, TennCare was working closely with the Centers for Medicare and Medicaid Services (CMS) to resolve the disagreement involving the requirement that TennCare make direct payments to providers of services through an approved MMIS, as well as, to get approval for reimbursing DMRS providers for bundled services. Both of these issues have now been resolved in the new TennCare waivers. TennCare, with the assistance of the Comptroller's Office and the Department of Finance and Administration, is also well on the way to finally completing a reconciliation of payments to DMRS for services and administrative costs for the period July 1, 1996 to June 30, 2003 in accordance with the CMS approved Cost Allocation Plan. After completion of that time period, we will complete fiscal years 2004 and 2005 reconciliations. TennCare also worked with DMRS and the Comptroller's staff to develop a new reimbursement methodology that would assure that all DMRS providers would be paid consistent rates and that the amounts paid by TennCare to DMRS would be the same amount that DMRS paid to its providers.

Failure to Process and Pay Claims on Approved MMIS

The renewals of the waivers effective on January 1, 2005, admittedly after the end audit period, include approvals of TennCare to reimburse DMRS for payments made by them to providers. This documentation has been provided to management of the Division of State Audit.

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

We concur. As stated earlier, we are in the process of cost settling the prior periods to address payment differences in accordance with the CMS approved cost allocation plan. DMRS is putting procedures in place to bill TennCare the amount DMRS paid the provider beginning with dates of service January 1, 2005, as well as to place frequency limitations on a number of

the services. DMRS' computer system is not currently capable of billing TennCare using specific dates of service for procedures with frequency limitations, but they are working to correct this situation. Their current computer software is antiquated and no longer supported by the software vendor, making it impractical to upgrade the current software to this new requirement. DMRS will be manually applying the frequency limitations prior to billing TennCare concurrent with implementing new computer software that complies with the date of service requirements. It is anticipated that DMRS will have their new computer software in place in early 2006, after which the manual intervention will no longer be required.

Combined Services Without Approval

We concur. Effective January 1, 2005, CMS approved the waiver application renewals for the HCBS waivers #0357.90 and #0128.90.R2A. The waiver renewals contained revised definitions which were approved by CMS, including those which had bundled services.

Finding Number	04-DFA-07
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$10,362

Since 1999, some of TennCare's providers could not provide documentation to substantiate services associated with fee-for-service claims under the Medicaid Home and Community Based Services Waivers

Finding

As noted in the previous five audits, some of TennCare's providers did not have documentation to substantiate services associated with fee-for-service claims under the Medicaid Home and Community Based Services (HCBS) Waivers. Although the state is operating under a waiver from the federal Centers for Medicare and Medicaid Services (CMS) to implement a managed care demonstration project, more and more services are being paid on a fee-for-service basis.

We tested a sample of 100 claims (which included all areas of TennCare that operated on a fee-for-service basis during the audit period) to determine the adequacy of documentation supporting the medical costs associated with these claims for services. This review consisted of obtaining support for the sample of claims such as medical records, pre-admission evaluations, and service plans for HCBS Waiver recipients. Testwork revealed problems with 4 of 100 claims (4%) paid by TennCare. Specifically, the following issues were noted:

- For three HCBS Mentally Retarded/Developmentally Disabled (MR/DD) Waiver claims, service plans associated with these claims either could not be located or were not signed prior to services being provided. According to the *Operations Manual for Community Providers*, Chapter 2, billing cannot be claimed for services prior to the development and authorization of the service plan.
- For one HCBS MR/DD Waiver claim, the documentation provided did not support the service billed and was not adequately documented. Therefore, we could not determine that the service was medically necessary. Also, the service plan associated with the claim could not be located.

The total amount of questioned costs for the four claims noted above was $14,477 out of a total of $159,654 tested. Federal questioned costs totaled $9,778. The remaining $4,699 was state matching funds. The total amount of the population sampled was $5,891,280,941. We believe likely questioned costs exceed $10,000 for this condition. In addition the amount

TennCare paid the Division of Mental Retardation Services (DMRS) for these four claims was not the same amount DMRS paid to the actual provider. (See finding 04-DFA-06 for more information on this issue.)

Management concurred with the prior audit finding regarding missing or unsigned service plans and supporting documentation and stated:

> DMRS [the Division of Mental Retardation Services] will be required to submit a corrective action plan within 30 days of receipt of the audit findings. The TennCare Division of Developmental Disability Services will review and approve the plan and monitor to ensure the implementation of corrective actions.

We noted that TennCare submitted on May 12, 2004, a request to DMRS to notify TennCare within 30 days of the corrective action taken by DMRS to resolve the finding. However, according to TennCare management, DMRS did not submit the corrective action until September 2004.

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

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

Additional Questioned Costs

In compliance with Office of Management and Budget Circular A-133, we are required to report all known questioned costs if likely questioned costs exceed $10,000 for a compliance requirement. The compliance requirement "Allowable Costs/Cost Principles" has total questioned costs exceeding $10,000. Therefore, we are required to report known questioned costs as follows:

- TennCare did not recover $782 of patient liabilities for enrollees in the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled, causing TennCare to pay more for services than necessary. Of this amount, $528 was federal questioned costs. The remaining $254 was state matching funds.
- For one pharmacy claim, the claim was not net of all applicable credits. According to the TennCare Management Information System, the individual had third-party liability; however, no third-party liability was deducted. Federal questioned costs totaled $56. The remaining $27 was state matching funds. The Office of Management and Budget A-133 Compliance Supplement, which references the *Code of Federal Regulations*, Title 42, parts 135 through 154, requires that:

> States must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third party resources should be exhausted prior to paying claims with program funds. Where a third party liability is established after the claim is paid, reimbursement from the third party should be sought.

Recommendation

The Director of TennCare should ensure that providers maintain the required documentation to support costs charged to the program. The Director of TennCare should consider expending additional resources to conduct reviews of medical records. The Director of TennCare should assign specific responsibility to a member of management to ensure that the scope of work is expanded in regard to verifying medical necessity and that adequate documentation exists to support services billed. The Director of TennCare should ensure that all service plans are maintained and signed before services are provided.

The Director and all staff should recognize the possibility that undocumented charges could represent fraudulent charges and should take appropriate actions.

Management's Comment

We concur. After review by TennCare, a revised DMRS Provider Manual was promulgated by DMRS in March of 2005. The Provider Manual clearly outlines provider responsibilities, including the need for providers to adequately document all services provided and to have appropriately completed and signed service plans.

However, we do not concur that the improper documentation noted in the second bullet in the finding should be considered questionable simply because it could not be located. TennCare and DMRS made significant efforts to recover a copy of the documentation supporting the claim, including utilizing the resources of the Office of the Inspector General. However, the provider has filed bankruptcy and would not produce the documentation. In addition, the *Code of Federal Regulations*, Title 42, Section 433.318, "Overpayments involving providers, who are bankrupt or out of business," provides that the agency is not required to refund the federal share of the overpayment due from a bankrupt provider. Therefore, despite TennCare's concern that the claim documentation could not be recovered, there is no federal overpayment amount.

Effective February 1, 2005, TennCare established a separate Utilization Review Unit in the Division of Developmental Disability Services to perform postpayment claims review and medical necessity reviews of fee-for-service claims. The Utilization Review Unit manager and one nurse reviewer were hired for this unit in February of 2005, and efforts are underway to hire a third nurse. Instances of inappropriate billing that are identified during utilization review activities will be referred for recoupment or fraud investigation, as appropriate. As part of the

Annual State Assessment, TennCare continues to review service plans to ensure that plans are completed appropriately and signed before services are reimbursed.

Finally, we have implemented edits in the TCMIS to detect claims from DMRS that have patient liability and possible third party resources.

Finding Number	04-DFA-09
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

Terminated employees still have access to the TennCare Management Information System, and TennCare needs to improve documentation of system changes

Finding

As noted in the six previous audits, one of the most important responsibilities, if not the most important, for the official in charge of an information system is security. The TennCare Management Information System (TCMIS) contains extensive recipient, provider, and payment data files, processes a high volume of transactions, and generates numerous types of reports. One factor that is critical to the integrity of the TennCare program is deciding who needs access and what type of access to permit. Good security controls restrict access to data and transaction screens on a "need-to-know, need-to-do" basis.

Subsequent to the previous audit, management corrected a problem related to justification forms not being obtained for all users. In other areas, the error rates have not been as high as in the past. However, for the audit period ending June 30, 2004, we continue to note deficiencies in controls over TCMIS security.

Not All Users Needed the Access Granted (This portion of the finding has been reported in one previous audit.)

The prior audit finding noted that TennCare has allowed TCMIS users more access than was needed or failed to terminate users when necessary. Management did not concur with this portion of the prior-year finding but stated:

> . . . We have incorporated procedures each year based on audit recommendations as well as evaluating our own internal security processes. TennCare is committed to having procedures in place that provide a high confidence level that only the users that need access to the system have access to the system and that users have appropriate access levels. . . .

Current testwork revealed that for the year ended June 30, 2004, 6 of 60 TCMIS users (10%) had access that was not needed. The details follow:

- One user who works at the Department of Finance and Administration did not request access to TCMIS and does not require it for her job.
- Five users were no longer state employees or state contractors. Four of the users received their access through the Department of Health, and one user received her access through TennCare.

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

TennCare partially concurred with this portion of the prior-year finding and stated,

> . . . TennCare has implemented additional procedures to document, track and report all SCRs [system change requests] and WRs [work requests] to the TennCare Information Systems Director. . . .

Although we determined that TennCare improved the tracking of SCRs and WRs by requiring more details to be maintained on the system logs, weaknesses remained. For the year ended June 30, 2004, we found problems with 16 of 60 program changes (27%) that were tested. The objectives of our work were to determine if TennCare had a program change authorization form, if approval of the change was documented, and if there was a description of the change. The problems were as follows:

- For eight program changes, TennCare IS personnel could not provide documentation of approval by TennCare IS and/or the requestor prior to when the changes were moved into the production environment. TennCare IS personnel did have program change authorization forms and did have a description of the program change documented.
- For seven program changes, TennCare IS personnel did not have a program change authorization form and there was no documentation that the changes were approved by IS and/or the requestor when the changes were moved into the production environment, but there was a description of the change documented.
- For one program change, TennCare IS personnel did not have a program change authorization form or program documentation that contained a description of the change, and there was no documentation of approval by TennCare IS and/or the requestor prior to the changes being moved into the production environment.

In addition, the Production Move Log, which serves as a log of all TennCare program changes, is updated manually by EDS Production Control personnel. Manual updates of the log increase the risk that some production moves will not be recorded in the log. In the prior-year finding, TennCare stated that "there have been no instances that TennCare can identify where any production move has been omitted." However, without adequate documentation of the changes and because of the manual log process to document these changes, the risk that unauthorized production moves could occur and not be detected by TennCare increases.

Recommendation

The Director of Information Systems should ensure that personnel responsible for security maintain periodic communication with contractors and other state agencies to which they grant access to ensure that all access granted is needed and that terminated individuals have their access removed. The Director of Information Systems should ensure that adequate processes are in place to ensure that program changes are adequately documented and approved for the new system.

Management's Comment

Not All Users Needed the Access Granted

We concur. As referenced in the audit finding, the error rate with the current audit is *significantly lower than in past years*. The decrease in the error rate resulted from the implementation of additional procedures relating to security, recommendations from previous audits, and revision of existing procedures. Historically, TennCare has relied on business unit managers/supervisors to notify the TennCare security team when an employee leaves/terminates. In addition, users having access to the TCMIS from external entities are required to provide TennCare with notice when an employee no longer needs access as a result of termination or change in job duties. As noted in this finding, there were six (6) users having access deemed as not required. Five (5) of these individuals were from external state agencies. The sixth individual was an internal contractor no longer employed. Once the security team was made aware of these individuals, access was immediately terminated.

Additionally, subsequent to the end of the audit period, we implemented additional procedures for terminating and granting access to the system including the receipt of a weekly list of active terminations. This report is reviewed by the security team and terminated individuals are deleted. TennCare also sends monthly reports of active users to the business units for review, and now actively tracks the responses to assure timely receipt. As a result, there has been significant improvement in the notification process.

Equally important, we receive periodic reports on users not logging into the system for a significant period of time (30 days). Additionally, an enhancement of the new TennCare TCMIS is to automatically lock out individuals who have not accessed the system in 30 days. These users must contact the security team to renew their access privileges. The process for granting and terminating access to the system has been greatly enhanced and we will continue to review security processes for quality control to ensure we are performing due diligence with regard to this finding.

TennCare has also hired a system Security Officer who has conducted a review of all internal security procedures, and the resulting changes have significantly enhanced this area. We are currently in the process of issuing security policies and procedures for TennCare IS. The procedures listed above have been incorporated in the Information Systems Security Procedures manual. TennCare further plans to enhance the level of security by expanding this function,

which should greatly improve the control of access to the TennCare system by employees of TennCare, as well as other state agencies.

System Changes to TCMIS Were Not Adequately Documented, and Procedures Over System Changes Need Improvement

TennCare partially concurs with this portion of the finding as stated.

Effective September 2, 2004, TennCare implemented the following additional procedures to document, track, and report all system change requests (SCRs) and work requests (WRs).

- All new system change requests (SCRs and WRs) are reviewed, numbered, and logged by TennCare IS each day.
- Analysis and monitoring of SCRs and WRs is performed in weekly meetings with EDS. This review includes requests being carried forward from the old TCMIS as well as the new ones associated with the new TCMIS interChange (iC) system.
- Status updates on outstanding requests (SCRs and WRs) are received weekly from EDS. Completed requests are sent for state verification. TennCare IS logs are updated as status is received.
- The Data Center Move Log indicates each daily change made affecting the system, including the associated SCR or WR number. This log is monitored to ensure changes to the production programs are documented and approved by the state. Program changes are kept in a temporary library until the next scheduled release of the production iC TCMIS.
- EDS schedules a new release of the production iC TCMIS approximately every two weeks. Any modules that have been updated and shown on the Data Center Move Log that are being propagated into the base system code are reviewed and approved by the TennCare Change Control Board, which is made up of participants from TennCare IS, TennCare Policy, OIR, and EDS. The first Change Control Board meeting was held November 12, 2004.
- We are in the process of implementing a software program to track changes to the system. This will replace some of the manual tracking that is currently occurring. All SCRs and WRs initiated since July 1, 2004 have already been entered into this system, and are being tracked through this system in parallel with our manual tracking logs. Some management reports are also being produced out of this system.

Although we partially concur that TennCare needed improvement in the tracking of SCRs and WRs for the year ended June 30, 2004, the previously referenced changes outlined have significantly enhanced our internal control. TennCare has recently created and is currently staffing a Contract Mangement Unit that is designed to track and monitor all change requests (WRs, SCRs and PCRs). The tracking program that is being installed will be mandated for EDS and, as such, there will be a consolidated list of the status and priority of all outstanding requested changes. The Contract Management Unit is tasked to ensure all change requests are monitored to final resolution and meet all contract performance and responsibility requirements.

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Section III – Federal Award Findings and Questioned Costs

Finding Number	04-TDH-01
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency	Department of Agriculture
State Agency	Department of Health
Grant/Contract No.	5TN700712
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$419,810

Although the bulk of WIC participants are automatically eligible due to their participation in other programs, the department has issued WIC vouchers to individuals who appeared not to be eligible based on the information contained in the PTBMIS system

Finding

The department has not properly documented eligibility records of participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

The Department of Health uses the Patient Tracking and Billing Management Information System (PTBMIS) to maintain WIC clients' eligibility information. Data from PTBMIS is provided to the federal government as an administrative requirement of the department's participation in the WIC program. During the course of the audit, we reviewed the general and application controls over PTBMIS. We found that the IS Director did not implement effective controls to ensure that regional system administrators could not make unauthorized changes to system tables. As a result according to department staff, the regional system administrators changed the system tables in order to enter inappropriate values for WIC, such as "NP" as noted below. In addition, PTBMIS management has not implemented effective data entry and edit controls over eligibility data fields to reduce the occurrence of data entry errors or the risk of intentional false data.

According to the *Code of Federal Regulations* (CFR), Title 7, Part 246, Section 7(i), "All certification data for each person certified shall be recorded on a form (or forms) which are

provided by the State agency." An individual who applies for WIC must certify his or her identity, residency, and income. This information must also be verified by the Department of Health by a review of various source documents which are to be presented to Department of Health staff by the applicant. Since the application process is essentially "paperless," the supporting documents themselves are not retained. If the individual is receiving Temporary Assistance to Needy Families (TANF), Food Stamps, or is on TennCare/Medicaid, then the individual is automatically eligible for the WIC program and the participant's income does not have to be verified. (The technical term for automatic eligibility is adjunctive eligibility, and this term will be used in the finding.) The department also uses the Informed Consent Form to document all certification information for WIC eligibility presented by the applicant. The Informed Consent Form is also used to document other eligibility criteria such as residency and income, and the form provides space for the applicant's signature certifying the accuracy of information provided. The information on the Informed Consent Form comes from PTBMIS.

Our audit procedures regarding the eligibility of WIC participants were twofold. First, we used computer-assisted auditing techniques to search data fields in the PTBMIS that would indicate potential errors that could result in ineligible participants. Second, we selected a sample of 85 participants' files to test the correctness of eligibility determinations.

Search of PTBMIS data fields

We used computer-assisted auditing techniques (CAATs) to identify participant information in four regions (Davidson, Hamilton, Shelby, and Mid-Cumberland) which had been recorded in PTBMIS records which would make it appear that ineligible participants received WIC benefits. The auditor excluded participants that were recorded in the system as eligible for other state or federal government programs, which would make them adjunctively eligible for WIC, because these participants did not have to meet the verification of income requirement.

Our CAATs revealed that the department did not maintain accurate eligibility information on some WIC participants in PTBMIS.

A. Verification Issues

The department issued vouchers redeemed in the amount of $732,572 during the audit period by 1,935 of 76,335 participants (2.5%) whose PTBMIS record did not include verification of income, proof of residency, or proof of identity as required by CFR, Title 7, Part 246, Section 7(d)(2)(v). However, the Department subsequently reviewed the 1,935 participants after we informed them of this issue and provided other proof of the adjunctive eligibility for 1,577 participants. The department did not provide proof of eligibility for the remaining 330 of 76,335 participants (0.44%). Federal questioned costs for the 330 participants totaled $120,162.

B. Detailed Data Errors in PTBMIS

- The department issued vouchers during the audit period to 364 participants (.3%) with total incomes improperly recorded in PTBMIS as the default income ($999,999)

for adjunctively eligible participants when they were not adjunctively eligible. This permitted vouchers to be issued to individuals when the very record their eligibility determination was based on did not support eligibility. Of these, 29 were included in the listing in Section A above. In the system, the participants' verification source did not show that the participants were adjunctively eligible; therefore, the system should have calculated their actual income instead of the default. Federal questioned costs for the remaining 335 participants were $75,050.

- The department issued vouchers during the audit period to 550 participants (.5%) whose income as recorded in PTBMIS exceeded the maximum allowed for the recorded family size. These participants were not coded as adjunctively eligible. Eight of these participants had annual incomes incorrectly recorded in PTBMIS as over $1 million. It appears this is a flaw in the system's ability to record annual incomes. The total income field records no more than six digits. Our observation of incredibly high incomes for some participants led us to recalculate the incomes entered in these fields by the caseworkers based on the information obtained from applicants. Those recalculations revealed that the high figures most likely resulted from staff entering the cents as part of the salary. The system would drop the decimal point and record all the cents as dollars. For example, $10,000.00 a year would become $1,000,000. Clearly someone earning that much would not be eligible for WIC. Although there were only eight examples of $1,000,000 incomes out of the 76,335 files reviewed, the fact that these figures did not raise questions among WIC staff calls into question whether this field is serving as an edit or is being reviewed at all. WIC eligibility is partially determined by reviewing the participant's income and the number of persons in the family. These values are compared to established federal criteria, and all participants who are not adjunctively eligible must meet this requirement. Of the 550 participants, 119 were previously reported in this finding. Federal questioned costs for the remaining 431 participants were $130,607.

- The department issued vouchers during the audit period to 398 non-adjunctive participants (.5%) whose incomes were recorded as less than $100 and whose verification of their income was coded as "Blank" or "NP" (Not Provided). According to department personnel, incomes of less than $100 are valid, but "Blank" and "NP" are not listed as valid WIC codes for proof of income in the *2003-2004 WIC Manual State of Tennessee*. The costs for the vouchers redeemed for these participants were questioned in Section A above.

- The department issued vouchers during the audit period to 300 participants (.3%) who were not coded as adjunctively eligible, and did not have any income value recorded or any verification of income recorded in the PTBMIS system. CFR, Title 7, Part 246, Section 7(d)(2)(v), requires that participants that are not identified as being eligible for another state or federal program which would make them adjunctively eligible must provide verification of income. Vouchers redeemed for 207 of the 300 have been listed previously. Federal questioned costs for the remaining 93 were $54,538.

- The department issued vouchers during the audit period to 90 participants (.1%) whose address was recorded as out of state. CFR, Title 7, Part 246, Section 7(c)(1)(i),

requires that participants "reside within the jurisdiction of the State." In addition, the *2003-2004 WIC Manual State of Tennessee* also states that applicants must be residents of the State of Tennessee. It further states that participants who move into the state must show proof of identity and residency to receive program benefits. As a result, no participants should be listed with out-of-state addresses. Vouchers for two of the participants have been listed previously. Federal questioned costs for the remaining 88 participants were $20,212.

- The department issued vouchers in the audit period to 51 participants (.06%) who had questionable family sizes listed in PTBMIS. There were participants whose family size was recorded on their most current PTBMIS record as ranging from 16 to 81. These participants were not adjunctively eligible. Family size is used to determine income eligibility for non-adjunctively eligible participants. Vouchers for five of these participants were listed previously. Federal questioned costs for the remaining 46 participants were $19,045.

Review of participants' files

In addition to our CAATs testwork, we reviewed 85 participants' files selected from four clinics chosen at random from counties with WIC expenditures for the year ended June 30, 2004, that were among the highest. The review revealed that for one participant, the department certified the participant as automatically eligible for the WIC program because the participant was on TennCare. However, our review determined that the participant was not on TennCare for the period December 8, 2003, to June 29, 2004, and therefore was not automatically eligible for the WIC program, and no other eligibility procedures had been performed. Department personnel stated that the WIC recertification process should have determined whether the participant had lost TennCare eligibility and thus WIC eligibility. The total amount of redeemed WIC vouchers for the participant was $195.90. The total amount of redeemed WIC vouchers for the sample of participants was $6,220.78. The total of redeemed vouchers for the participant's clinic for the year was $276,321.04, and the total redeemed vouchers for all four clinics for the year was $6,983,381.79. Federal questioned costs totaled $196.

If certifications and verifications of WIC participants' eligibility are not performed and documented properly and recorded accurately into PTBMIS, benefits may be provided to those not eligible. These issues are particularly critical in a paperless system. Furthermore, the Department of Health could apply the same CAATs we did to their population of files.

Recommendation

The Commissioner should ensure that the WIC Director, the IS Director, and staff follow proper procedures to certify participants' eligibility and that eligibility determinations are properly documented for all WIC participants in the paper files as well as properly recorded in PTBMIS.

The WIC Director should ensure that staff verify and obtain certifications of participants' identity, residency, and income, when participants are not adjunctively eligible. This information should be properly documented in PTBMIS.

The WIC Director and the IS Director should implement appropriate edit controls over the data entered into the PTBMIS system. Specifically, the WIC Director should ensure that staff

- perform edit checks to verify that family sizes are reasonable (all family sizes exceeding a preset limit should be verified and approved by supervisory personnel);
- implement system controls to prevent the use of invalid codes for WIC certifications; and
- ensure that the addresses of WIC participants are within the jurisdiction of the State of Tennessee WIC program.

In addition, the WIC Director should ensure that the WIC program staff and internal audit adequately monitor all clinics to ensure that clinic staff are performing and documenting eligibility determinations. The WIC Director should monitor all edits. Only the WIC Director should be able to turn the edits off. In such case, the reason should be documented in writing.

The WIC Director should take the time to review all of the other questionable transactions we noted to ensure that the transactions are only the result of a lack of due regard of controls and not fraud.

Management's Comment

We concur in part with this finding. We agree that the documentation within the PTBMIS system did not always confirm a WIC participant's eligibility for the program. However, we do not agree with the value of the questioned costs.

In the very limited time available since the receipt of this finding, we can show that the majority of the records cited by the auditors are eligible either by virtue of Medicaid eligibility or based on other evidence within PTBMIS or the participants' medical records. As discussed below, we believe we have explained $270,721 of the $419,810 questioned costs identified in the audit. While $149,089 remains unexplained at this point the Department will continue to assess the exception records to determine if any participants in the program received WIC services when they were not eligible. The $149,089 that is potentially still questionable only indicates that the eligibility for individuals for whom those vouchers were issued has not yet been assessed by the WIC Central Office staff and should in no way indicate that the Department agrees that those participants are ineligible.

It is important to acknowledge that the PTBMIS system is used in all ninety-five health departments and supports clinic activities as well as serving as the data system for many of the programs administered by the Bureau of Health Services. Many of the patients that receive WIC

services at the local health departments are also served by other programs administered in those local health departments. Health departments strive to provide quality services in an efficient manner in order to serve as many Tennessee citizens as possible. It was for that reason that table adjustments had been made in some of the metro health departments' PTBMIS systems. These health departments contract with the Department for the delivery of WIC services. These adjustments in the tables were made by these contractors to facilitate efficient processing of patients being served in other programs with different eligibility requirements and were not intended to negatively impact the accuracy of WIC eligibility determinations. These actions were not approved by the Department and the tables have been returned to their appropriate settings at the Department's request. A check of the tables by the Department on March 15, 2005, verified that the tables were correct. Additionally, a request has been made to the PTBMIS contractor to prohibit the updating of the WICQ screen and voucher printing if the table entry NP (Not Provided, which is used on the FI screen for all other programs) or a blank entry is in the FI screen of a WIC certification visit. Tables are being monitored until a permanent fix can be made that will disallow WIC food instruments to be printed when inaccurate data has been entered into the proof fields.

Regional Quality Management staff have been briefed on the errors that have been found in documentation. We are exploring modifications to the review tools that are currently being used by the Quality Management staff to address some of the weaknesses cited by the auditors that would hopefully prevent these kinds of problems in the future. Discussion of the importance of strong internal controls and accurate eligibility determination and documentation will be included on the agenda for the annual WIC Field Staff meeting this summer. Both WIC central office staff and Bureau staff will run special reports from each region's and metropolitan health department's PTBMIS systems to look for aberrant records and potential breaches in internal controls so that appropriate corrective actions can be taken.

We agree that the Department and its contractors must be diligent in assuring that accurate eligibility determinations are made and documented for those who participate in the program.

The following responses relate to the individually listed problems:

A. Verification Issues

As time has allowed, we have obtained proof of eligibility through participant record information. Of the 330 participant records, 94 records have documented eligibility which would reduce the $120,162 reported questioned costs to $82,804. With more time to research each record, it is estimated that there would be more records with documented eligibility further reducing the questioned costs.

B. Detailed Data Errors in PTBMIS

- An income of $999,999 is a system default value in response to answering "No" to the sliding scale question. This question applies to fee for service programs within the Department of Health other than WIC. The information on the financial screen of

PTBMIS is applicable to all programs that use Department of Health services. Although the "Total Income" defaults to the value of $999,999 with an "N" in the sliding scale field, there are other fields where household member's income is documented and they are completed accurately and used for WIC eligibility.

Our research, with supporting documentation, shows that of the 335 items identified in the finding resulting in $75,050 in questioned costs, there are only two which do not have Medicaid eligibility or eligible income showing on the eligibility screen in the field where it is captured. These two totaled $389 of redeemed vouchers. This reduces reported questioned costs from $75,050 to $389.

- In reviewing the financial screen histories of these participants, we identified the reasons for many of the incomes exceeding the income guidelines. Proof has been found for data entry errors which included some prenatal patients who did not have the fetus counted as an additional family member and errors where there was only 1 or 2 shown in the family but more persons shown with income in the household resulting in an increase in the household size.
  There are various policies for counting the number in a "household" or "family" for differing programs. WIC policy is to count the number and income in the family of all living in the household. Other programs may only count the pregnant mother and child/fetus if living in a house with others. This accounts for some of the discrepancies in this file. At this point, we have identified proof of eligibility for 316 participants to reduce the reported questioned costs from $130,607 to $67,189 for 234 participants. We are still reviewing records of the remaining participants.

- As stated above, table corrections have been made to eliminate blank table entries. A request has been made to our software vendor to block the printing of vouchers if "NP" is listed for a WIC participant on the FI screen for a certification visit.

  For many of these records, the participant FI (Financial Information) screen shows a "VO" in the Verification Source field, which means that a Verification of Certification (VOC) was provided by the participant. When a participant brings in a VOC from another location within Tennessee or from another state, no income eligibility has to be verified, nor does a nutritional risk assessment have to be done for the duration of the certification period. Other records of children are accurate as evidenced by Medicaid eligibility screens and FI screens with the correct information from the mother for the same period as the child participant.

  Of the 193 findings with "Less Than $100" in Total Income, we have found evidence of eligibility for all except 14 participants. This reduces the reported questioned costs from $54,538 to $2,209.

- We have identified documentation for all 88 persons identified with Out of State addresses that proves they were Tennessee residents at the time of certification.

The patient registration screen is used for all programs and when updated, no history of the information on the screen before the update is stored. In some regions, when a person notifies the clinic they are moving, a VOC (Verification of Certification) is issued to take with them to their new location to establish eligibility. The person is terminated because of Transfer (a 4 in the Termination Reason field) and the patient's new forwarding address is entered on the Registration screen in the event a billing statement needs to be generated for a balance due. Most of the instances in the Mid-Cumberland region were for such circumstances. Some even have notations in the Note field such as "Moving to PA" or "Transfer papers". Some of the documentation shows data entry errors such as NT instead of TN but the zip code is the local area zip code.

The two metro health departments involved with these particular exceptions provided copies of information from the patient record that was completed at the time of certification with a Tennessee address. Some of it is paper registration forms completed by the participant and some is information printed from PTBMIS at the time the patient was certified. Therefore the reported questioned cost for this finding should be reduced from $20,212 to $0.

- There were 51 identified in the finding for having a family size greater than 16. The finding states that of these 51, five were listed previously, and therefore only 46 remain for a questioned cost of $19,045. Most errors were created due to data entry mistakes. One exception is a household of 16.

  Most of the keying errors are because of the dynamics of the FI screen and field. A new screen brings forward the information on the old screen for updating. The "Number in Family" field is a two character field. On a screen that is brought forward from a previous screen for updating, the character is in the right character of the two digit field. When moving to the "Number in Family" field with the cursor, it goes to the left character of the two digit field. Therefore, many of the keying errors were such as 54, 76, etc. when increasing the family size by one. The new number was entered, yet the old number never deleted.

  The total reported questioned costs should be reduced from $19,045 to $181.

<u>Review of participants' files</u>

Upon examination of the patient medical record (consisting of the PTBMIS record and the patient chart), it was determined that this participant was eligible for the full period of December 3, 2001, through January 3, 2005. Although through a clerical error, the verification code was not changed from a previous certification, there was a documented annual family income of $4,186 on the FI screen, which was within the WIC eligibility income guidelines for the visit on December 8, 2003. Included in the patient chart was an Informed Consent signed by the patient verifying this income. Therefore, reported questioned costs should be reduced from $196.00 to $0.

SUMMARY

As stated above, the Department continues to review the exception records provided by the auditors. Due to the short period of time between the provision of this finding and accompanying records, we have been unable to research every exception. The information provided above indicates that through research conducted to date, questioned costs could be reduced by $270,721. However, as we stated above, this does not indicate that we are agreeing with the remaining questioned costs. It is our intention to continue to research the exceptions, and we will be glad to share all documentation with the auditors. We believe that the Department and its contractors have accurately assessed eligibility for the WIC program but have failed in some cases to document the verification in PTBMIS according to the documented procedures. As stated in our response earlier, we will implement the improvements mentioned and will continue to look for ways in our highly complex operations and data system to assure appropriate controls in our eligibility determination process for WIC.

Auditor's Rebuttal

As noted in Finding 04 TDH 05, management should not allow adjustments to system tables without ensuring that a change made to benefit one program does not negatively affect another program. By not adequately monitoring the PTBMIS system's implementation and use, management accepted overrides to system controls.

The results of our computer-assisted auditing techniques were originally provided to the Department of Health staff in November 2004. We examined and subjected to further audit tests any additional information provided by the department subsequent to that time that would support participant eligibility until Single Audit deadlines prevented us from continuing to do so. Many questioned costs resulting from audit procedures were reduced or eliminated by this procedure. We are required by the Single Audit Act to report the remaining questioned costs associated with items in question. The ultimate resolution of these questioned costs is the responsibility of the U.S. Department of Agriculture. Furthermore, the department's response acknowledges that participants' PTBMIS records identified in the finding contain deficiencies, and that the department staff will continue to spend time using sources external to the system, and in many cases external to the department, to verify and document participants' eligibility.

Search of PTBMIS data fields

B. Detailed Data Errors in PTBMIS

- Regarding the default incomes of $999,999, in situations where the system automatically defaults to this value and participants have been incorrectly determined adjunctively eligible, the department has stated that other fields where household member's income is documented are used to determine WIC eligibility. However, the department staff has not properly documented the verification of the participant's income in these situations; therefore, the costs associated with vouchers redeemed for these participants is still questioned.

- Regarding the 88 individuals with out-of-state addresses, we would have accepted documentation of proof of residency had it been provided during fieldwork or before Single Audit deadlines prevented us from examining the information.

Review of participants' files

Although the Department of Health provided the participant's reported income for the period in question, there was no documentation of the verification of this income.

Finding Number	04-TDH-02
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency	Department of Agriculture
State Agency	Department of Health
Grant/Contract No.	5TN700712
Finding Type	Reportable Condition
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

The department did not adequately monitor a high risk WIC vendor

Finding

The Department of Health did not adequately monitor a high-risk food delivery vendor for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) when information raising concerns about the vendor's integrity came to management's attention. Under the WIC program, the Department of Health is responsible for the fiscal management of, and accountability for, food delivery systems under its jurisdiction. To fulfill its responsibility, the department has contracted with the Davidson County/Metropolitan government for WIC services in the Nashville and Davidson County area. In order to provide these WIC services to the state, the Davidson County/Metropolitan government has entered into provider agreements for food delivery services pursuant to its contract with the Department of Health. Under the provider agreement, the food delivery vendor operated three WIC food stores in the Davidson County/Metropolitan area.

According to department officials, the following information came to management's attention:

- The WIC Director for Davidson County/Metropolitan government awarded a food delivery agreement to a vendor, which was owned by her secretary's husband, creating a potential conflict of interest. The vendor was the parent company of three WIC food delivery vendors within Davidson County.
- The vendor was allowed to maintain food stores which provided only WIC food items which could be redeemed with WIC vouchers, rather than traditional WIC retail food stores that provide WIC and non-WIC food items. These were the only non-retail food delivery stores in the state. WIC products at these stores were sold for amounts which were higher than for similar products at the traditional retail WIC vendors.

In addition, our review revealed that these three food stores had among the highest WIC voucher redemptions for the period ended June 30, 2004, when compared to voucher redemptions of other vendors in Davidson County and in other regions of the state. According to department officials, these three stores were located in close proximity to WIC clinics that issue

WIC food vouchers to participants. Most food items in these food stores were priced higher than the average retail prices.

Our review and discussions with department staff revealed that the department had classified this food delivery vendor as high risk and had performed monitoring visits for all three food stores during the fiscal year ended June 30, 2004; however, it appears that considering the risk of fraud associated with the vendor and the three food stores, more extensive monitoring procedures should have been performed. Because of the importance of inventory to the WIC program, the monitoring procedures should have included performing invoice audits of the vendor's records to compare the claims for reimbursement against records of inventory purchases from wholesalers. (This tool would indicate evidence of fraud if the vendor billed the WIC program for more WIC items than were available in inventory.)

The documentation for the vendor monitoring does not include any indication that inventory records were reviewed or that any procedures that might uncover fraudulent transactions were performed. When a high risk of fraud exists with a vendor, the department must respond with extensive monitoring procedures to ensure the integrity of the WIC program and that WIC costs are appropriate.

Recommendation

The Commissioner should ensure that the Director of WIC increases efforts to investigate high-risk vendors who pose a risk to the department by including invoice audits and other fraud tools when appropriate. The Director of WIC should continue to evaluate and monitor all of its food delivery vendors routinely.

Management's Comment

We do not concur with the finding. According to Federal Regulations, Sec. 246.4(a)(14)(iv), the State agency must conduct routine monitoring visits on a minimum of five percent of the number of vendors authorized by the State agency as of October 1 of each fiscal year. Tennessee far exceeds the federal routine monitoring requirement in that all grocery vendors receive a minimum of two routine monitorings annually.

The State agency must identify high-risk vendors at least once a year using criteria developed by FNS and/or other statistically-based criteria developed by the State agency. Tennessee's high-risk list is developed based on the criteria in the Vendor Management Manual. A vendor's placement on the list does not mean they are necessarily committing fraud.

The State agency must conduct compliance investigations of a minimum of five percent of the number of vendors authorized by the State agency as of October 1 of each fiscal year. The State agency must conduct compliance investigations on all high-risk vendors up to the five percent minimum.

If more than five percent of the State agency's vendors are identified as high-risk, the State agency must prioritize such vendors so as to perform compliance investigations of those determined to have the greatest potential for program noncompliance and/or loss of funds. Our high-risk list comprises more than 5% of the total number of vendors and therefore we perform compliance investigations only on high-risk vendors. They are selected following a procedure in the Vendor Management Manual based on such factors as number of redemptions, accessibility of the buyers to vendor locations, whether there have been legitimate complaints about the vendor, etc.

Just because a vendor is listed as high-risk does not mean that we are required to do extra monitoring and/or compliance investigations. The vendor is on the high-risk list, however, if during routine monitoring visits, operations were observed and price reports indicated that each location was within the guidelines for their peer group.

The vendor's three locations received monitoring visits conducted by Davidson County Vendor Management staff in accordance with the CFR requirements during the fiscal year under review and in the months following.

- One location received monitoring visits on 10/10/03, 2/25/04, and 10/21/04. They also received required annual training on 9/26/03 and 9/26/04.
- One location received monitoring visits on 7/8/03, 2/20/04, 5/6/04, 8/26/04, 10/1/04, and 2/24/05. They also received required annual training on 9/26/03 and 9/26/04.
- One location received monitoring visits on 8/1/03, 9/4/03, 1/16/04, 5/16/04, 10/1/04, and 2/24/05. They also received required annual training on 9/26/03 and 9/13/04.

Such monitoring visits as those referenced above include:

- Product inventory adequate for voucher redemption patterns;
- Product prices (actual vs. reported);
- Interviews of cashiers and store managers;
- Review of past problems (reported by participants, other vendors, or clinic staff or identified from regional and state reports); and
- Observations made by the staff person conducting the visit.

During these visits, operations were observed and price reports indicated that each location was within the guidelines for their peer group. Additionally, regular price reporting shows prices have been within the appropriate range for the peer group. A vendor is deemed high-risk based on three system reports:

1) Comparing the vendor's average redemption price for these package types to other vendors in their peer group in their region (known as Variance Report 1).
2) Comparing the vendor's average redeemed price for all four voucher types combined to the previous quarter's average (known as Variance Report 2).

3) A review of the vendor's minimum and maximum redeemed amount for each of the four voucher types individually to determine if there is a consistent pattern (known as Variance Report 3).

Analysis of these reports was completed by Central Office staff. The analysis revealed that the reasons that the vendor was identified as high-risk were:

1) The majority of participants purchased the full food package because this is not a self-service environment compared to other vendors in Peer Group 3.
2) The total number of vouchers or the dollar total sales have increased and/or decreased significantly. As a WIC-only vendor, the caseload fluctuations affected the number of WIC transactions.
3) Fewer items result in a tighter price range within the product categories, i.e. cereal, juice, and cheese compared to broader price range by vendors in Peer Group 3.

These desktop analyses precluded the need for other compliance activities which are virtually impossible in a WIC-only store.

Auditor's Rebuttal

As noted in the finding, the department's WIC staff did not perform the required monitoring for this high-risk vendor. In addition to routine monitoring, the *Code of Federal Regulations* , Title 7, Part 246, Section 12(j)(4)(i), requires that for high-risk vendors,

> The State agency must conduct compliance investigations of a minimum of five percent of the number of vendors authorized by the State agency as of October 1 of each fiscal year. The State agency must conduct compliance investigations on all high-risk vendors up to the five percent minimum. . . . A compliance investigation of a high-risk vendor may be considered complete when the State agency determines that a sufficient number of compliance buys have been conducted to provide evidence of program noncompliance, when two compliance buys have been conducted in which no program violations are found, or when an inventory audit has been completed.

We discussed all monitoring efforts with the WIC Director and the WIC Food Delivery Administrator. According to the Director, because this vendor had WIC-only stores, staff were not able to perform compliance buys that are typically conducted at high-risk retail stores. However, even though compliance buys could not be performed, the Director and the Food Delivery Administrator stated that no other procedures were performed at this vendor's locations. As noted in the CFR and as recommended in the finding, the Director should have performed an inventory audit at each of the vendor's locations.

Finding Number	04-TDH-03
CFDA Number	10.557
Program Name	Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Agency	Department of Agriculture
State Agency	Department of Health
Grant/Contract No.	5TN700712
Finding Type	Material Weakness
Compliance Requirement	Activities Allowed or Unallowed
Questioned Costs	None

Segregation of duties over issuing vouchers needs improvement

Finding

The Department of Health has not adequately segregated duties of employees responsible for the issuance of food vouchers to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

The Department of Health uses the Patient Tracking and Billing Management Information System (PTBMIS) to issue WIC food vouchers to participants. Unless specifically restricted, anyone with access to PTBMIS can add or update participant information. In addition, some of these PTBMIS users can also print food vouchers. When food vouchers are printed, each voucher has a perforated receipt which is maintained by the user. Users who print vouchers are also responsible each day for reconciling their voucher receipts to system-generated reports of vouchers issued. Our review revealed that the department did not have controls in place to prevent users who had authority to print vouchers from also creating a participant case, adding participant information, and reconciling their own daily voucher issuances. Without appropriate management controls to prevent the same person from performing these tasks, the opportunity to print unauthorized vouchers is increased and the likelihood of detecting any unauthorized vouchers is decreased. In fact, according to department staff, at least one user has issued unauthorized vouchers in the past, and was detected when reported by another user. Although the offender was terminated, the department did not implement effective controls to ensure that the problem did not recur.

As a compensating control, WIC supervisors reconcile the voucher receipts to system-generated reports of vouchers issued each month. During our testwork, we reviewed some of these reconciliations. Although we did not identify any inappropriate vouchers, inappropriate access allows users to enter an unauthorized record into the system which the reconciliations will not detect.

According to department staff, every two years, a sample of food vouchers is selected and traced to the hard-copy participant file. However, the same users who have authority to print vouchers also have access to the paper forms used to create participant paper files. Therefore, it

is possible for those users to create a participant file to support unauthorized vouchers issued, making detection of unauthorized vouchers more difficult.

Recommendation

The Department of Health should enact available system controls that will properly segregate duties to prevent employees from printing vouchers, adding and updating participant information, and reconciling their own voucher receipts. Such controls include restricting clerks from creating or updating participant records, implementing user authorizations and security reports to allow management to review user access and activity patterns, and monitoring the number and value of vouchers issued by person to determine if there are users who fall outside of expected issuance patterns. Management should also strengthen compensating controls by requiring participants to sign in upon arrival at the clinic and reconciling the vouchers issued to the sign-in logs in addition to the existing reconciliations.

Management's Comment

We do not concur. Tennessee complies with the only federal requirement for separation of duties which is between the Certifying Professional Authority (CPA) and the voucher issuing clerk.

The current level of staffing in some clinics in the Department of Health prohibits further segregation of duties. In order to cover clinics when clerical staff members are sick, on annual leave or in training, clerks must be cross trained for the various screens in PTBMIS. All clerks are experienced in completing the registration screen and the primary clerk(s) issuing WIC vouchers have at least one back up person who can cover clinic when she/he is out. To disallow all of these duties to be accomplished by these staff persons would make clinics unable to serve their caseloads. Program monitoring of all of these functions (registration, updating the WICQ screen, voucher issuance and receipt report reconciliation) is done by three entities. Quality Management, the Regional WIC Staff and the State WIC Office all review records within the region.

The state WIC Program will enhance current monitoring methods in the future to select records to review that include vouchers that are high risk for fraud. We believe that this will be more indicative of potential problems. We are exploring the use of a new capability within PTBMIS, which was created to assist in HIPAA compliance that could perhaps provide additional data reporting abilities for detecting potential problems. The Department is currently pursuing a replacement for the PTBMIS and appropriate security controls will be built into that system. However, there will always be limitations based upon the staffing pattern limitations.

Participants currently sign in upon arrival at the clinic; however, matching the sign in sheet to the voucher receipt report would be a labor intensive duty that would not prevent fraud.

Auditor's Rebuttal

Management's statement that "Tennessee complies with the only federal requirement for separation of duties which is between the Certifying Professional Authority (CPA) and the voucher issuing clerk" does not appear relevant to the finding. The finding does not report noncompliance with federal compliance requirements. Rather, it reports deficiencies in the system of internal control that could permit Department of Health employees to fraudulently issue WIC vouchers. The U.S. Department of Agriculture, as do other federal grantor agencies, establishes certain compliance requirements for its programs. It does not however tell grantees how to design systems of internal control. The grantees, in this case the Department of Health, are expected and required to have a properly designed and effectively operating system of internal control to prevent errors or fraud from occurring in the federal program.

Finding Number	04-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.	5TN700712
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

Security over PTBMIS needs improvement

Finding

Management cannot ensure that only appropriate staff have system access

Auditors requested the Patient Tracking and Billing Management Information System (PTBMIS) user authorization forms for a sample of users from the Upper Cumberland region and from the Shelby County Metropolitan Health Department. The Department of Health Upper Cumberland region personnel were unable to locate 22 of the 25 PTBMIS User Authorization Forms (88%) selected for testwork, and created them after the fact to submit to the auditors. These forms were incomplete and lacked approval by user management. Testwork also revealed that the Shelby County Health Department has not implemented a User Authorization Form for PTBMIS; therefore, there is no documentation of management's authorization of user access to the system.

Furthermore, as noted in finding 04-TDH-06, the Department of Health does not have information systems policies and procedures to govern the user authorization process. Approval of users' access should be documented by designated management personnel before system access is granted, and the approved authorizations should be maintained regionally and reviewed periodically by department management in the central office.

PTBMIS System Security report was not used

Department personnel have not implemented user-level system security reporting for PTBMIS. Such security reports should be used to identify the level of access each user has to system screens, data, and processes. According to department staff, it was possible to create the reports, but the department had not done so. Routinely monitoring access activities of system users can help identify significant problems, such as violations to segregation of duties or unauthorized access to sensitive information, and can help deter users from attempting inappropriate or unauthorized activities.

The failure to complete and maintain user authorization forms and to produce and review security reports could allow users access exceeding that necessary to perform job responsibilities. In addition, unauthorized access increases the risk that unauthorized changes can be made to the system without detection.

Recommendation

The Commissioner should ensure that the department's Office for Information Technology (OIT) creates and implements policies and procedures for the user authorization process. The Director of OIT should obtain security authorization forms for each user, including the level of access required, what screens the user should have access to, and management's approval of that access. These forms should then be maintained by OIT management at the regional level and periodically reviewed by management at the central office. OIT should also generate system security reports of PTBMIS user authorities and activities, carefully review the reports, and take appropriate action. All reviews and actions should be fully documented and reviewed by top management for adequacy, completeness, and corrective actions.

Management's Comment

We concur. Policies and procedure for PTBMIS user authorization processes will be implemented that will require PTBMIS users to document on the existing security authorization form the specific access to functions for which PTBMIS provides security controls including the ability to print WIC vouchers. These forms will be maintained at the regional office for regional and local users and in the Office of Information Technology for all central office users. Periodic reviews will occur to assure compliance with this procedure.

Finding Number	04-TDH-05
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.	5TN700712
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

Management could not provide adequate assurances that no improper program changes and modifications had occurred

Finding

Program change documentation for PTBMIS was missing, incomplete, or not approved by management

The Department of Health uses the Patient Tracking and Billing Management Information System (PTBMIS) to maintain the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) participants' eligibility information. Department personnel were unable to locate documentation for 9 of 15 program changes (60%) selected for testwork. In addition, although the department provided documentation for six program changes, the documentation was incomplete and lacked approval by management. Management is responsible for establishing effective controls for the program change process, which include documentation for user acceptance testing, documentation of when the program change migrated from the test environment to the production environment, and management's approval of the program change. All documentation related to program changes should be maintained by management. Without a proper program change approval process, programs could be modified and changed without management's knowledge, resulting in a system that does not meet user needs and stated objectives.

System administrators had improperly circumvented management approvals, resulting in errors in system data

PTBMIS is used in each of the department's seven regions, as well as in the central office. During the course of testwork, auditors identified weaknesses that were the result of system administrators changing data tables within the regions to allow entries that were not approved by the central office. The affected records contained errors in the data which prevented the department from documenting that participants had provided proof of identity, residency, and income as required by the *Code of Federal Regulations*, Title 7, Part 246. Also, according to the department's disaster recovery plan, if one of the regional systems fails, staff should be able to load data from that system in any of the other unaffected regions and continue day-to-day

operations. Therefore, in addition to an increased risk of creating fictitious or invalid participant records, system administrators' changes to tables jeopardize critical disaster recovery efforts.

Recommendation

The Commissioner should ensure that appropriate Office of Information Technology staff complete and maintain program change documentation. Requests for changes, their approvals, change requests submitted to the vendor, testing plans, and test results of the amended code should all be documented. In addition, the Commissioner should require that the central office approve all requests for changes to programs and system tables in the department's regional and metropolitan offices before the changes are implemented. Central office management should carefully monitor system and table change requests, review all changes after they have been implemented to ensure that no unexpected changes were made, and take any necessary corrective action to ensure that unauthorized requests are detected and corrected.

Management's Comment

We concur. In response, OIT is in the process of implementing a 'Change Control Procedures' policy. This policy requires documentation and sign-offs at every stage of the systems revision process. Stages include initiation of change request, written specifications, vendor time and cost quote, test plans and testing, final approval from user, and implementation.

Regarding tables, PTBMIS contains hundreds of tables. Most of the tables are maintained and updated centrally. However, PTBMIS is a distributed system and some tables contain data that is specific to a region. Therefore, tables containing region specific information must be maintained at the regional level.

For those tables that are maintained centrally, we will periodically run a job that will compare all relevant tables to ensure that table entries have not been added, deleted or changed.

In addition, the Bureau of Health Services has drafted a policy to be added to the HSA Policy and Procedure Manual which addresses this issue. This policy is currently under review and should be finalized within forty-five days.

Finding Number	04-TDH-06
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.	5TN700712
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

The department does not have information systems policies and procedures

Finding

The Department of Health's Office of Information Technology has not established information systems policies and procedures to direct its operations. Documented information systems policies and procedures are necessary to ensure that changes to programs, databases, and system tables; development of system applications; physical security; and review and supervision of staff activities are in accordance with management's intentions.

Without these policies and procedures, the department does not have sufficient guidance to effectively direct, control, operate, and maintain any of its systems. In addition, the absence of policies and procedures influences many aspects of information systems operations, including issues identified in this report such as the inadequate documentation of program changes related to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) module of the department's Patient Tracking and Billing Management Information System (PTBMIS) and the lack of proper security over system access.

Recommendation

The Department of Health should establish and implement appropriate policies and procedures over its information systems operations which are designed to provide guidance for the execution of effective daily operations.

Management's Comment

We concur. The need for the establishment of appropriate policies and procedures was addressed at the department's Heath Executive Management Advisory Committee (HEMAC) meeting on March 31, 2005. The HEMAC directed the creation of appropriate policies and procedures by the department's Office of Information Technology. The initial draft of the policies and procedures will be presented to the HEMAC for their review and possible approval in June 2005.

Finding Number	04-TDH-07
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.	5TN700712
Finding Type	Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	None

The department did not monitor the required percentage of local agencies or clinics for the WIC program

Finding

The department did not monitor the required percentage of local agencies or clinics within the department's federal Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

The *Code of Federal Regulations*, Title 7, Part 246, Section 19(b) 3, states,

> The State agency shall conduct monitoring reviews of each local agency at least once every two years. Such reviews shall include on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater. The State agency may conduct such additional on-site reviews as the State agency determines to be necessary in the interest of the efficiency and effectiveness of the program.

In addition, the *Code of Federal Regulations*, Title 7, Part 246, Section 2, defines a state agency as "the health department or comparable agency of each State. . . ." The monitoring plan prepared by the department defines "local agency" as one of 14 regions. The *Code of Federal Regulations*, Title 7, Part 246, Section 19(b)2, states, "Monitoring of local agencies must encompass evaluation of management, certification, nutrition education, participant services, civil rights compliance, accountability, financial management systems, and food delivery systems."

We examined documentation of the monitoring reviews performed by the department for the federal fiscal year ended September 30, 2004. Our review revealed that:

- The department did not monitor two of the ten local agencies (Knox and Sullivan regions) at least once every two years. The department monitored these regions on August 30, 2001, and September 4, 2002, respectively.

- Although the department monitored the Upper Cumberland region, the review did not include the required 20% of all clinics in the region. The review of the Upper Cumberland region only included 14% of the clinics in the region.

Proper monitoring is essential to ensure that program objectives are achieved. When monitoring is not performed, the risks of fraud and actions contrary to the best interests of the program increase.

Recommendation

The Commissioner should ensure that the WIC Director and staff perform all required monitoring reviews and that the reviews cover all required areas. Reviews should be adequately documented to support all work performed and conclusions reached.

Management's Comment

We concur that the scheduled monitoring visits were missed for Knox and Sullivan Counties. The Department of Finance and Administration (F&A) had responsibility for coordinating monitoring reviews of the WIC contracts with metropolitan counties including Knox and Sullivan. The responsibility for contract review was returned to individual agencies around February 2004. Perhaps these monitoring reviews were scheduled, but not completed by F&A when it was decided that the monitoring of the contracts would be returned to the Department of Health.

It is important to note that although a routine program monitoring visit was not done, a technical assistance visit from the WIC Central Office staff was done in the identified time period. Technical assistance visits are made to the regions in the off year of the two-year period when they are not being monitored. Additionally, the state staff conducted a monitoring review of Vendor operations for both Knox and Sullivan counties.

We concur that the required 20% of the clinics in the Upper Cumberland Region were not monitored. Only two clinics were monitored and had we monitored three clinics, we would have met the requirement to monitor 20% of the clinics. It was an oversight because of staffing shortages. During the time that this review should have been conducted, there was a staffing change and the Program took over the monitoring of the metros from F&A.

To our knowledge, this was the only time that the required number of clinics has not been monitored and we will strive to insure that it never occurs again.

Finding Number	04-TDH-08
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.	5TN700712
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed
Questioned Costs	None

The Department of Health has not followed its policy to identify and prevent dual participation in the WIC and CSFP programs

Finding

The department did not comply with provisions of the *2003-2004 WIC Manual State of Tennessee* concerning requirements for dual participation reports, which are used to prevent individuals from participating in more than one Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program or participating in both WIC and the Commodity Supplemental Food Program (CSFP). The manual states the following:

> A report that identifies potential dual participants across the State within the WIC sites and between WIC and CSFP will be generated monthly at the WIC Central Office and mailed to the Regional WIC Directors for investigations. The report will be mailed by the 7th of each month. The purpose of the report is to identify participants that may be participating in more than one WIC program or between WIC and CSFP within the state of Tennessee. The match will show up on the report of the site where the person was enrolled last. That region is responsible for initiating the investigation and reporting the results. The report must be investigated and the results of the investigation returned to the WIC Central Office within (30) days of the receipt of the report . . .

In addition, according to the *Code of Federal Regulations*, Title 7, Part 246, Section 7(l)(1)(i), the state agency "shall be responsible for . . . the prevention and identification of dual participation within each local agency and between local agencies."

Our testwork revealed that for 7 of the 12 months tested (58%) the following weaknesses were noted:

- For four months, the central office did not generate dual participation reports for any of the regions.

- For two months, there was no evidence the central office received responses related to the investigations of the dual participation reports from four regions.

- For one month, the central office did not provide a dual participation report to the Knox County region.

Recommendation

The Commissioner should ensure that the WIC Director and staff generate and provide all dual participation reports to the regions. The WIC Director should monitor all regions to ensure investigation is performed as required and that appropriate actions are taken to address the results of the investigations.

Management's Comment

We concur that prior to the period July 2004, the WIC Manual established specific timeframes that could not always be met because of operational issues. As of July 2004, the WIC Manual was modified removing the specificity for the date that a report would be run. Tennessee continues to exceed the minimum requirement in the CFR Title 7, Part 246, Section 7(l)(1)(i) ". . . including actions to identify suspected instances of dual participation at least semiannually." Effective January 2004, a tracking tool was developed to track regions that are past due with their responses.

Finding Number	04-LWD-02
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	N/A
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	None

For the fiscal year ended June 30, 2004, controls over the Unemployment Insurance Program need to be strengthened

Finding

The Department of Labor and Workforce Development is responsible for administering the state's Unemployment Insurance Program. This program provides benefits to unemployed workers for periods of involuntary unemployment. Testwork on the program for the fiscal year ended June 30, 2004, revealed the following weaknesses:

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

Unemployment Insurance Procedures Manual has not been updated to include written procedures for documenting verification of identity of claimants through ESCOT, when a social security card and one other form of identification are not observed. Testwork was performed on 60 initial claims for unemployment compensation. The interviewer did not document the method of verifying a claimant's identity on the initial claim form for four claimants (7%) who applied for unemployment compensation at a local office. Also, the interviewer did not document agreement of claimant-provided information with employer-provided information in ESCOT for seven claims taken over the phone or via the Internet (12%). This information should have been noted in the interviewer comment section of the unemployment application.

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

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

Section 3210 of the Unemployment Insurance Procedures Manual states:

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

Section 3211 of the Unemployment Insurance Procedures Manual states:

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

Testwork also revealed that one initial claim form and related supporting documentation could not be located by the Director of Benefit Operations.

b. Additional wage information obtained from employers by the Employer Accounts Section was not entered into the ESCOT system by the Data Entry section. As a result, benefit amounts and the related employer's liability were not redetermined in the ESCOT system. The information obtained from the employers' wage reports is used to determine the claimants' weekly and maximum unemployment insurance benefit and to determine the employer's liability. Section 5905 of the *Unemployment Insurance Procedures Manual* says the agency will redetermine the claim after new or

additional information is received. For 2 of 60 Unemployment Insurance (UI) claimants tested (3%), Employer Accounts received additional employer wage reports but Data Entry failed to add the information to the claimants' records. As a result, one claimant's benefit should have been increased by $2.00 per week. There was no effect on the other claimant as they were already receiving the maximum weekly benefit amount. Also, the liability percentage of the three employers related to the two cases noted above was not adjusted to reflect the additional information.

c. Controls over the processing of unemployment compensation benefit claims need improvement. The interviewer can make changes to the claimant's records on the Change Benefit Screen in the ESCOT system. This screen contains the claimant's address, employer number, benefit decision date, and benefit decision code. Almost all interviewers have capabilities to update this screen. The benefit decision code is used to document approval or disapproval of a claimant's receipt of unemployment compensation benefits. Based on discussions with the Nashville Call Center Director and the Internal Audit Director, no specific field on this screen is restricted and even though an interviewer may have access to a particular screen, the interviewer may not have authority or permission to change a particular field within the screen. Interviewers do not have authorization to change the final benefit decision code; however, the interviewers are not restricted within the ESCOT system from changing the benefit decision code. The lack of restriction leaves this area open for potential inappropriate authorization of benefits for ineligible claimants or denial of benefits for eligible claimants. The Nashville Call Center Director stated that the ESCOT system prints a daily report that shows all changes made and who made the changes; however, it does not appear that management reviews the report daily to make sure only authorized changes were made. In addition, an Internal Audit Investigation Report was issued in June 2004 as a result of a $550 overpayment to a claimant that was not detected until the claimant that received the check notified the Call Center that they should not have received this benefit. The report attributed the overpayment to the interviewer's lack of training and experience. The Internal Audit Section recommended that management evaluate training at the Call Center and provide additional training and closer supervision to less experienced staff. In the department's answer to the Internal Audit investigation, the Call Center felt that this was an isolated case but has agreed to provide additional training and feedback to less experienced staff, as well as more supervisory review. However, it appears that this error was also possibly caused by an interviewer at the Call Center having the ability to change benefit decision codes to which they should not have had access.

If interviewers do not verify the identity of unemployment compensation claimants and document the process used to identify the claimant, there is an increased risk of fraud and ineligible claimants could receive benefits that they are not entitled to. These procedures are essential controls over the integrity of the unemployment insurance program. Failure to redetermine claimant benefits, when new or additional information becomes available, may result in the claimant being over or underpaid and an employer's liability may be accessed incorrectly. Also, if interviewers are given access to screen fields and the ability to change

information that they are not authorized to change, claimants may receive benefits for which they ineligible. There is also an increased risk for errors and fraud to occur and to go undetected.

Recommendation

The Commissioner should instruct the Director of Benefit Operations to review and update the *Unemployment Insurance Procedures Manual*, where applicable. The manual should include written procedures for documenting verification of identity of claimants through agreement of claimant-provided information with employer-provided information in ESCOT, when a social security card and one other form of identification are not observed. The Director of Benefit Operations should ensure that all local unemployment offices and the Call Center comply with the *Unemployment Insurance Procedures Manual.* Verification of the identity of all claimants should be documented. Also, the department should maintain all supporting documentation for all initial claims.

The Data Entry Operations Supervisor should ensure that all new and additional wage information received from employers by the Employer Accounts Section is entered in the ESCOT system so that the redetermination process is completed in a timely manner. In addition, the Commissioner should assign an Information Systems Manager to make appropriate changes to the ESCOT system to restrict screen field access to what is appropriate for the interviewers. Exception reports should be generated on a regular basis and reviewed by an appropriate level of management.

Management's Comment

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

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

We are taking steps to ensure that supplemental wages are added to the ESCOT system in a timely manner. We have also begun programming to automate the redetermination process to insure that claimant weekly benefit amounts and employer charges are adjusted to reflect additional wage information. We feel that these steps will prevent similar errors in the future.

We will discuss with UI Information Technology staff the issue of changing ESCOT to restrict access to certain decision codes. While it is more common for Adjudicators to issue decisions and update final decision codes, authorization to do so is not restricted to Adjudicators. There are instances when Interviewers must and do make these decisions, and are required to change final decision codes to insure timely payment of benefits. This is a management decision based on staffing levels, work flow, and the experience of individual Interviewers. Staffing levels in local offices make the restriction of decision code fields unworkable at this time. Once all claims are consolidated at the Claims Center, it will be more practical to establish levels of access based on the classification and experience level of the employee.

Finding Number	04-LWD-03
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	N/A
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

For the fiscal year ended June 30, 2004, controls over federal reports for the Unemployment Insurance Program needed improvement

Finding

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

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

a. The indirect cost rate shown on 20 of 20 *Financial Status Reports* tested (100%) for the period July 1, 2003, to June 30, 2004, was incorrect. The instructions for the *Financial Status Reports* require the department to report the approved indirect cost rate for the reporting period. The Indirect Cost Negotiation Agreement states that the approved indirect cost rate for the period July 1, 2003, to June 30, 2004, was 10.45%. However, the rate shown on 20 reports and used to prepare the *Financial Status Reports* ranged from 8.87% to 21.40%.

b. Ten of 20 *Financial Status Reports* tested (50%) for the period July 1, 2003, to June 30, 2004, were not submitted according to the grantor's reporting deadline. The *ET Handbook,* No. 336, instructs the department to submit the *Financial Status Reports* to the United States Department of Labor within 30 days after the end of the reporting quarter. However, 10 of the *Financial Status Reports* tested were not submitted timely. Testwork determined that the *Financial Status Reports* were submitted within 33 to 89 days after the end of the reporting quarter.

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

information in the department's accounting records with the information reported on the *Financial Status Reports*. In addition, the Accounting Manager stated the 30-day filing deadline imposed by the United States Department of Labor is impractical because the departmental reports used to prepare the *Financial Status Reports* are not available until approximately 25 days after the end of each month. The Accounting Manager felt that five days was not sufficient time to prepare and submit the quarterly *Financial Status Reports.*

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

Recommendation

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

Management's Comment

We concur.

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

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

For Quarter Ending	CAS 61 Report*	SF 269 Due Date	Time to Prepare
December 2003	1/28/04	1/30/04	Two days to submit
March 2004	4/28/04	4/30/04	Two days to submit
June 2004	7/30/04	7/30/04	Due that day
September	10/27/04	10/30/04	Three days to submit

* Status of Obligational Authority

Finding Number	04-LWD-05
CFDA Number	17.225
Program Name	Unemployment Insurance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	N/A
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Cash Management
Questioned Costs	None

For the fiscal year ended June 30, 2004, the Department of Labor and Workforce Development requested and received too much federal funding for the Unemployment Insurance (UI) program's costs and controls over cash drawdowns need improvement

Finding

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

Testwork performed on administrative costs drawdowns revealed the following:

a. The department incorrectly calculated the administrative costs cash drawdowns because of various computerized worksheet and human errors. Examples of these errors include the use of incorrect formulas, the use of incorrect allocation percentages, and the use of incorrect numbers from the accounting records. As of June 30, 2004, these errors produced an overdraw of $1,150,814.09 of federal funds by the department. The *Code of Federal Regulations,* Title 31, Section 205.33(a), states, "The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs . . ." When federal receipts exceed federal disbursements, the state is not in compliance with federal cash management principles and may be required to pay the federal government interest on the excessive receipts. No interest had accrued on this amount as of June 30, 2004. However, as of December 2004, the department had not returned the money owed to the federal government. Interest began accruing on the overdrawn funds in July 2004 and will continue to accrue until the funds are repaid. In addition, 1 of 60 participant benefit payment drawdowns tested (2%) was calculated incorrectly. This error resulted in an overdraw of funds in the amount of $15,640.51. Interest began accruing on the overdrawn amount as of August 2003. As of June 30, 2004, total interest accrued on this amount was $159.41. The amount of overdrawn funds has not been repaid as of March 31, 2004, and interest has continued to accrue.

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

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

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

Recommendation

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

Management's Comment

We concur.

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

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

2. **Incorrect allocation percentages were used.** The percentages utilized in the drawdown spreadsheets had been rounded due to the concerns of previous auditors that the sum of the percentages did not equal 100%. As a result, the amount of payroll costs allocated did not equal to 100% of the payroll costs. Due to their concerns, the

percentages had been rounded to six decimal places. We have now made changes so that the percentages are no longer rounded.

3. **Incorrect numbers were used from the accounting records.** Incorrect numbers were obtained at different times for different reasons. (a) Previously, when listing the amounts from our Cost Accounting System (CAS), there was no check figure to assure that all programs had been input. There is now a summary page that has been created to check the total of the programs input. (b) Although a general review of the support papers was performed, there was no detailed review of the entire draw process. There is now a detailed review of the draw process, with a review checklist that is to be signed and dated. (c) At times, staff used the CAS 91 *Costs by Program Report* (the alternative report used for drawdowns during time constraints) and the manual addition of monthly closing entries. This led to differences with the final CAS 61 *Status of Obligational Authority Report*, which has all costs included. The detailed review checklist will also address this issue.

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

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

Finding Number	04-LWD-04
CFDA Number	17.245
Program Name	Trade Adjustment Assistance
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	N/A
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Cash Management
Questioned Costs	None

The Department of Labor and Workforce Development did not request enough federal funds to cover Trade Adjustment Assistance (TAA) administrative costs and controls over cash drawdowns need improvement

Finding

The Department of Labor and Workforce Development did not request and obtain enough federal funds to cover the Trade Adjustment Assistance (TAA) program administrative costs. They also had no written drawdown procedures and drawdown duties were not adequately segregated.

Testwork performed on administrative costs drawdowns revealed the following:

a. The department incorrectly calculated the administrative costs drawdowns because of various human and computerized worksheet errors. Examples of these errors include the use of incorrect formulas, the use of incorrect allocation percentages, and the use of incorrect numbers from the accounting records. As a result, administrative costs were under drawn by $422,056.96. The *Code of Federal Regulations*, Title 31, Section 205.33(a) states, "The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs." The department did not draw down enough funds to meet actual federal cash outlays and as of December 2004, the department had not attempted to recover this money.

b. There are no written TAA administrative costs drawdown procedures. Written procedures are necessary to ensure that administrative costs drawdowns are consistently and correctly performed.

c. There was also an inadequate segregation of duties. The Accountant for Fiscal Services performs all aspects of the administrative costs drawdowns. The employee prepares all the documents for the cash drawdowns and performs the drawdowns from the Payment Management System. There is no independent review of the Trade Adjustment Assistance administrative costs drawdowns before a drawdown occurs.

When the department does not draw down sufficient federal funds, state funds are used to cover federal disbursements and the department is in violation of the *Code of Federal Regulations*. Also, when written drawdown procedures do not exist and duties are not adequately segregated, there is an increased risk that errors will occur and go undetected.

Recommendation

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

Management's Comment

We concur.

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

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

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

3. **Incorrect numbers were used from the accounting records.** Incorrect numbers were obtained at different times for different reasons. (a) Previously, when listing the amounts from our Cost Accounting System (CAS), there was no check figure to assure that all programs had been input. There is now a summary page that has been created to check the total of the programs input. (b) Although a general review of the support papers was performed, there was no detailed review of the entire draw process. There is now a detailed review of the draw process, with a review checklist that is to be signed and dated. (c) At times, staff used the CAS 91 *Costs by Program Report* (the alternative report used for drawdowns during time constraints) and the manual addition of monthly closing entries. This led to differences with the final CAS

61 *Status of Obligational Authority Report*, which has all costs included. The detailed review checklist will also address this issue.

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

We are also in the process of analyzing the TAA program, and will take the necessary action to resolve the under/over draws in that program once the analysis is completed.

Finding Number	04-DOE-01
CFDA Number	84.010
Program Name	Title I Grants to Local Educational Agencies
Federal Agency	Department of Education
State Agency	Department of Education
Grant/Contract No.	S010A010042
Finding Type	Noncompliance
Compliance Requirement	Activities Allowed or Unallowed
Questioned Costs	$27,310.54

The department allocated unallowable expenditures to Title I

Finding

The Department of Education allocated unallowable expenditures totaling $27,310.54 to Title I Grants to Local Educational Agencies (Title I). The department contracted with The University of Memphis to conduct state-wide training, professional development, and technical assistance related to the No Child Left Behind (NCLB) legislation. Some of these services were related to one federal program, while other services related to multiple federal programs. This contract was funded by multiple federal grants, two of which were Title I and State Grants for Innovative Programs.

Normally, The University of Memphis submits an invoice for expenditures incurred using a "Request for Reimbursement" form. The invoice is received and reviewed by the Department of Education's Office of Federal Programs. Once approved by the Office of Federal Programs, the invoice is delivered to the Accounting Office for further processing, which includes being paid and entered into the State of Tennessee Accounting and Reporting System (STARS). In the case noted in paragraph one, The University of Memphis invoiced the state for services performed during the period July 1, 2003, through September 30, 2003. During the review process, both the Office of Federal Programs' and the Accounting Office's staff modified portions of the invoice. However, the portion of the invoice related to the $27,310.54 was not modified by either office's staff. When the expenditures were initially recorded in STARS, $27,310.54 was charged against State Grants for Innovative Programs. A few days later, before the federal funds were requested, the Accounting Office moved the $27,310.54 in expenditures out of State Grants for Innovative Programs and charged it against Title I. According to supporting documentation for the invoice, the expenditures were related to programmatic uses for State Grants for Innovative Programs. According to The University of Memphis staff, these expenditures related specifically to training on charter schools.

United States Code, Title 20, Chapter 70, Section 6312, states, "A local educational agency may receive a [Title I] subgrant . . . only if such agency has on file with the State educational agency a plan." However, not all charter schools had submitted applications to the state's Department of Education to receive Title I funding. Therefore, the performed services relating to charter schools were not allowable expenditures for Title I.

Recommendation

The Accounting Office's staff should exercise caution when allocating expenditures between different federal programs to ensure that only allowable expenditures are charged to the programs.

Management's Comment

We concur. The department has made the necessary accounting adjustments to charge the $27,310.54 to State Grants for Innovative Programs and to credit the Title I Grants to Local Education Agencies Program.

Finding Number	04-TSAC-01
CFDA Number	84.032
Program Name	Federal Family Education Loans (FFEL) - (Guaranty Agencies)
Federal Agency	Department of Education
State Agency	Tennessee Student Assistance Corporation
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

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

Finding

As stated in the prior audit, the Tennessee Student Assistance Corporation (TSAC) has not ensured that the status of outstanding loans is correct in the student loan information database. Management concurred with the prior finding and stated:

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

However, results of the current audit indicate that problems with the reporting of student loan status still exist.

A random sample of student loans with a status of "in-school" or "repayment" was selected from the TSAC's listing of outstanding loans. For each sample loan, the school or lender (current holder of the loan) was contacted to confirm the authenticity and status of the loan. Based on the audit procedures performed, for 6 of 40 loans (15%) tested, the student status shown in the corporation's system did not agree with the status reported by the lender. Last year, for 7 of 40 loans (18%) tested, the student status shown in the corporation's system did not agree with the status reported by the lender.

The amount of loans in repayment status is used in the calculation for determining the reinsurance rate that the U.S. Department of Education (ED) pays to the corporation. The information on the National Student Loan Data System (NSLDS) is used by ED to calculate the amount of loans in repayment. If loans are not correctly shown in a repayment status in the corporation's system, then the amount reflected on NSLDS may be in error, and the amount paid to TSAC for reinsurance may be incorrect.

TSAC's procedures for ensuring the correct status include periodic counseling sessions with lenders to discuss the various loan program requirements, including the reporting of changes in student status. TSAC also provides a Loan Status Update Form, and lenders can submit status change data via hardcopy, tape, e*CLIPS (the loan servicer's Internet application and transaction processing tool), and Common Line 4 format via FTP server. When a lender submits status change information, the loan servicer's system first determines that the loan is in a status compatible with the change before the change will be accepted. For example, if a loan is currently in an in-school status, a new status of deferment would not be accepted. If the change is rejected, the lender is informed as to the reason and asked for additional information to resolve the rejection. However, it should be noted that section *A.4.a* of the corporation's contract with the loan servicer requires that all loan maintenance activities either electronically or manually received be processed, returned for correction, or rejected within a maximum turnaround time of five business days, measured from the servicer's initial receipt of the loan maintenance activity to the posting of the activity on the corporation's database.

TSAC did have a system in place to encourage and provide for the reporting of changes in loan status by the lenders and procedures to properly record loans paid in full when the lenders report them. However, as noted above, the testwork indicated that there were problems with lenders reporting status changes. The fact that the lenders have not been held formally accountable for reporting "paid-in-full" status to TSAC limits the effectiveness of TSAC's procedures. Furthermore, TSAC has not adequately reviewed status changes rejected by its system and has not ensured that the corrections for system acceptance are made by the lenders. For lenders that are in substantial noncompliance with requirements for student status reporting, TSAC could refuse to guarantee loans, per its enforcement authority under the *Code of Federal Regulations*, Title 34, Part 682, Section 410. Exercised appropriately, this authority could effectively prompt lenders to comply.

Recommendation

The director and program administrator should consult the U.S. Department of Education and the corporation's loan servicer to determine what further procedures can be established to ensure that updated student loan information is maintained in the corporation's system. TSAC should analyze its status change error reports, determine the causes of rejections of the status changes, and contact the lenders to determine the necessary corrective action for processing. The interaction with the lender should continue until the system accepts and processes the status change. Appropriate actions should be initiated with respect to lenders with recurring errors, up to and including refusal to guarantee loans until lenders properly report student information.

Management's Comment

TSAC concurs. TSAC's Loan Program Administrator has taken several steps to ensure that the updated student loan information is correctly maintained by TSAC's contracted servicer, GuaranTec. These steps include:

- Personal meetings with senior management at participating lenders and GuaranTec to determine the cause and a solution to the problem;
- Designation of a TSAC Loan Staff employee to work closely with the lenders and GuarenTec to correct the information on the database;
- Develop and implement a policy and procedures for lenders and GuaranTec concerning loan status error reports;
- Develop and implement a "Limit, Suspend, and Terminate" policy and procedures for lenders who fail to comply with required loan maintenance updates;
- Provide regular informational updates and guidance to lenders on common reject scenarios and their solutions;
- TSAC senior management will perform periodic review of steps to ensure compliance; and
- Employment of an Internal Auditor.

Finding Number	04-DHS-01
CFDA Number	84.126
Program Name	Rehabilitation Services_Vocational Rehabilitation Grants to States
Federal Agency	Department of Education
State Agency	Department of Human Services
Grant/Contract No.	H126A030063, H126A040063
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Equipment and Real Property Management
Questioned Costs	None

Controls over Vocational Rehabilitation equipment need to be strengthened

Finding

The Department of Human Services (DHS) has not always updated the Property of the State of Tennessee (POST) system to reflect accurate information about equipment assigned to the Tennessee Business Enterprises (TBE) section of the Vocational Rehabilitation program (VR). TBE oversees the operation of vending machines and snack bars in rest areas and public buildings across the state that are managed by blind vendors. Revenue from the machines and snack bars goes to the blind vendors, although the blind vendors are required to pay TBE a licensing fee. TBE is responsible for training the blind vendors, maintaining the vending machines, moving machines between locations, and purchasing new machines.

The department uses POST to maintain equipment information such as descriptions, serial numbers, state tag numbers, acquisition costs, locations, dates of acquisition, funding sources, etc. Testwork on a sample of 17 VR equipment items revealed the following problems:

- One item (6%), a vending machine costing $5,087, could not be found reducing the actual items available for inspection and testing to 16. Management believes that this machine was traded-in for another vending machine; but they could not provide documentation to substantiate this.

- The serial number of a commercial dishwasher costing $22,850, one of 16 items tested (6%), was incorrectly recorded in POST.

- Two of 16 items tested (13%), an ice-cream-making machine costing $9,094 and a vending machine costing $5,087, were not at the location shown in POST.

- Two of 16 items (13%) did not have a State of Tennessee property tag attached. These items included a vending machine costing $5,044 and a counter cabinet stand costing $14,864.

In addition, the inventory process had not been completed for fiscal year 2004 for 65 (10%) of 662 equipment items shown in POST as assigned to the VR program and costing at

least $5,000. The Department of General Services' state property officer sent a memo to DHS's property officer which outlined the department's responsibilities concerning equipment. The memo included the following statement:

> The annual count of fixed assets and sensitive equipment owned by your department begins February 17, 2004 and is to be completed by June 25, 2004. Completion will be termed as a hundred percent accountability of the department's equipment by physically locating or completing the appropriate paperwork for any retirements of equipment not found.

The Department of General Services' *POST User Manual*, Appendix C – *Physical Inventory Procedures*, states, "Each state agency must take an annual physical inventory prior to the close of the fiscal year." The inventory process includes entering the inventory information into POST and notifying the Department of General Services about any equipment items that could not be located. Also, the property officer could not provide complete documentation to support his statement that all equipment items had been observed or otherwise accounted for by June 25, 2004.

When proper equipment records are not accurately maintained, the probability increases that equipment will be lost or stolen and not be detected.

Recommendation

The department's property officer should ensure that all Vocational Rehabilitation equipment items are recorded in POST and that the information in POST is accurate and up-to-date. The correct location information, descriptions, serial numbers, and other information should be promptly recorded in POST. When equipment is traded in or surplused, there should be appropriate documentation detailing these transactions. Also, a complete physical inventory should be taken annually.

Management's Comment

We concur. While the Department did conduct an inventory, all of the information was not timely entered into POST. We are preparing to implement a bar coding procedure for our equipment. This procedure should minimize this problem and allow for better inventory controls. Again, we believe that the bar coding procedure will help this issue.

Finding Number	04-DHS-07
CFDA Number	84.126
Program Name	Rehabilitation Services_Vocational Rehabilitation Grants to States
Federal Agency	Department of Education
State Agency	Department of Human Services
Grant/Contract No.	H126AO40063, H126AO30063
Finding Type	Reportable Condition
Compliance Requirement	Eligibility
Questioned Costs	None

The Division of Rehabilitation Services has not always properly maintained client case files

The Division of Rehabilitation Services could not locate one of 40 client case files (2.5%) requested for testing of client eligibility within the guidelines of the State Vocational Rehabilitation Services Program. The Director of Vocational Rehabilitation initially stated that the file existed, but subsequently acknowledged the fact that the client case file could not be located by signing the auditor's missing documents form. Client case files contain documentation such as eligibility determination information, client related expenditures, and an individualized plan of employment, as well as sufficient information to confirm that the client is not fictitious.

The *Code of Federal Regulations*, Title 34, Section 361.1, states that this program is "Designed to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their strengths . . . so that they may prepare for and engage in gainful employment." Section 361.47 states that for each individual who has been determined to be eligible for services, documentation of eligibility and an individual record of service must be maintained.

If client files are not properly maintained, the department is in violation of federal regulations and cannot adequately support client eligibility. Also, these is an increased risk that information in lost files could be used for unauthorized purposes and violate the *Code of Federal Regulations*, Title 45, Part 164, Section 530(c)(2)(ii), which states, "A covered entity must reasonably safeguard protected health information to limit incidental uses or disclosures made pursuant to an otherwise permitted or required use or disclosure."

Recommendation

The Commissioner should ensure the department adequately maintains and safeguards information used to determine eligibility for the State Vocational Rehabilitation Services Program. The Commissioner should also ensure that a diligent effort has been made to locate the missing file and ensure that the client is not a fictitious person and no other problems exist with this client.

Management's Comment

We do not concur. The Regional Supervisor indicated that all the case files requested by the auditor for review were sent to the state office. The state auditor remembered receiving a checklist along with the files from the support staff. No one knows where and how the file got misplaced. Due to this incident, the Division of Rehabilitation Services will now ask the auditors to sign a document when borrowing cases/files for review. It has also been determined that the client is not fictitious and there are no other problems with the case.

Auditor's Rebuttal

As noted in the finding, the Director of Vocational Rehabilitation acknowledged the fact that the client case file could not be located and signed the auditor's missing documents form. There is nothing to indicate that the client file was lost or misplaced by our auditor. The Division of Rehabilitation Services is responsible for ensuring that all client files are properly maintained and accounted for.

Finding Number	04-DHS-10
CFDA Number	84.126
Program Name	Rehabilitation Services_Vocational Rehabilitation Grants to States
Federal Agency	Department of Education
State Agency	Department of Human Services
Grant/Contract No.	H126AO40063, H126AO30063
Finding Type	Reportable Condition
Compliance Requirement	Eligibility
Questioned Costs	None

Security over computer systems needs improvement

Finding

The Department of Human Services (DHS) has not always exercised proper control over some of its computer systems. When the department does not follow applicable written policies and procedures or has not developed its own policies and procedures, the department does not have sufficient guidance to effectively direct, control, operate, and maintain its systems. Failure to provide such controls increases the risk that unauthorized individuals could access sensitive state systems and information.

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

This finding is a reportable condition for purposes of the State of Tennessee Single Audit of federal financial assistance. This wording will also appear in that report, which will be provided to the federal government pursuant to the procedures developed for reporting of Single Audit findings.

Recommendation

DHS management should improve security over its computer systems.

Management's Comment

We concur in part. The Department has developed an automated system, Security Administration Facility for Everyone (SAFE), to assist and enhance the security of its systems. Pursuant to Section 10-7-504, *Tennessee Code Annotated*, we are providing our detailed response under separate cover.

Finding Number	04-DHS-14
CFDA Number	84.126
Program Name	Rehabilitation Services_Vocational Rehabilitation Grants to States
Federal Agency	Department of Education
State Agency	Department of Human Services
Grant/Contract No.	H126AO40063, H126AO30063
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs	None

The department did not always properly monitor organizations that provided services for the Division of Rehabilitation Services

Finding

Organizations that provide vocational rehabilitation services to individuals with disabilities through contract with the Division of Rehabilitation Services (DRS) are not always monitored. In the fiscal year ended June 30, 2004, there were 104 organizations or educational institutions that had separate contracts with this division. Total expenditures charged to these contracts amounted to $12,012,324.00. These organizations are often paid based only on information shown on an invoice for reimbursement. This invoice is a summary of the organization's program-related expenditures and is normally submitted monthly. Since the information is only a summary, DRS cannot determine if the expenditures were in fact for the particular program or if the amounts of the expenditures were accurate.

Testwork performed on a sample of 89 expenditures for the fiscal year ended June 30, 2004, disclosed that 8 (9%) either had only an invoice as support for reimbursement or had some additional support but still had inadequate documentation. None of these organizations were monitored by the department during the fiscal year ended June 30, 2004.

Additional testwork was also performed on the 25 contracts with the most expenditures charged to them during the audit period. Sixteen (64%) did not have an adequate amount of supporting documentation. Nine were paid based only on the information on an invoice for reimbursement. The other seven had a limited amount of additional documentation in addition to the invoice for reimbursement; however, it was still not enough to verify the accuracy and allowability of the charges. None of these contracts were monitored during the fiscal year ended June 30, 2004. Total expenditures charged to these 16 organizations amounted to $2,201,808.09.

The standard grant agreement used by DRS states, ". . . the Grantee shall submit invoices, in form and substance acceptable to the Grantor State Agency, with all of the necessary supporting documentation, prior to any reimbursement of allowable costs." Also, the *Code of Federal Regulations,* Title 34, Part 80.40(a), states, "Grantees [such as the Department of Human Services] are responsible for managing the day-to-day operations of grant . . . supported

activities. Grantees must monitor grant . . . supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

When the department approves expenditures which lack adequate supporting documentation and an adequate system of monitoring, the probability increases that the program will be charged for unallowable costs or activities and that errors or fraud could occur and not be detected.

Recommendation

The Commissioner should instruct the Assistant Commissioner of Rehabilitation Services to develop policies and procedures which will result in the fiscal monitoring of organizations that provide vocational rehabilitation services to individuals with disabilities through contract with the Division of Rehabilitation Services (DRS). The Program Director should be instructed to submit to the Inspector General at the beginning of each fiscal year a list of all contractors who are paid based on an invoice for reimbursement. The Inspector General should perform a formalized risk assessment of the contractors and ensure that, at a minimum, all high risk contractors are monitored each year. The rest of the contractors should be monitored not less than once every two years to three years. The monitoring should be performed by departmental staff who are not part of the Rehabilitation Services division.

Management's Comment

We do not concur. The contracts on the audit findings fall into three basic groups: 1) contracts with local educational agencies (LEAs) under our Transition School to Work Program, 2) contracts with Institutions of Higher Education under our Learning Disabled student services program, and 3) contracts with Community Centers for the Deaf and Hard of Hearing.

Each of these programs is monitored programmatically on an on-going basis by our State Office and field staff overseeing these programs. Based on our day-to-day programmatic involvement with our contractors and the review of invoices prior to Fiscal Services processing the payment, we believe there are adequate monitoring activities of these programs by our Division.

Auditor's Rebuttal

While the department is performing some program monitoring, the Inspector General should perform a formalized risk assessment of the contractors and ensure that, at a minimum, all high-risk contractors are monitored each year. The rest of the contractors should be monitored not less than once every two to three years. The monitoring should include fiscal as well as program monitoring.

Finding Number	04-TDH-09
CFDA Number	93.268
Program Name	Immunization Grants
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	H23/CCH422528
Finding Type	Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

The department understated expenditures for the Immunization Grants program on the Schedule of Expenditures of Federal Awards for fiscal year ended June 30, 2004, by $4.7 million

Finding

The Department of Health failed to report all program expenditures for the Immunization Grants program on the *Schedule of Expenditures of Federal Awards* (SEFA). For the fiscal year ended June 30, 2004, the department failed to report $4,717,080.06.

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

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

Recommendation

The CEDS Director should ensure that staff prepare accurate expenditure reports for vaccines ordered with Immunization Grants funds. The Fiscal Services division should establish

proper accounting controls for all vaccine ordered and received, and ensure that accurate records are maintained by all responsible parties so that the Schedule of Expenditures of Federal Awards is properly prepared.

Management's Comment

We concur. The basis of the under reporting of non-cash assets of the program was due to a misunderstanding of the information requested by an accountant from the department's Fiscal Services staff. The SEFA has been corrected and an amended report on the non-cash assets was filed with the Department's Fiscal Office. That report showed a non-cash disbursement from the Immunization Program of $22,206,031.85 for FY 2004.

Finding Number	04-TDH-10
CFDA Number	93.268
Program Name	Immunization Grants
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	H23/CCH422528
Finding Type	Noncompliance
Compliance Requirement	Eligibility and Special Tests and Provisions
Questioned Costs	None

The department did not comply with program requirements and special test provisions for the Immunization Grants program for fiscal year ended 2004

Finding

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

The Department of Health contracts with private clinics to obtain vaccination services for individuals who are eligible for the Immunization Grants program. We performed testwork at 3 of 500 clinics (Madison Meharry Family Medicine Clinic, Metro Nashville General Hospital, and Vanderbilt Clinic) for the program and found the following problems:

- For 2 of 82 uninsured immunization patients tested (2%), the provider (Madison Meharry Family Medicine Clinic) charged the patient a vaccine fee greater than the maximum fee established by the United States Department of Health and Human Services (DHHS). The Tennessee Vaccine for Children policies and procedures, Section 1, VFC provider enrollment, 1.2(f), states that providers are, "not to impose a charge in any amount higher than the maximum fee established by DHHS for the administration of the vaccine." The fee limit was $13.70 for fiscal year ended June 30, 2004, but the amount charged was $15.00.

- For another 2 of 82 patient files tested (2%), the providers did not have all of the vaccination information documented. Madison Meharry Family Medicine Clinic did not include the lot number for one file. In addition, Metro Nashville General Hospital could not provide the "Patient Immunization Form," which documents the immunization received, the manufacturer, and the lot number of the vaccine, for one file. *The United States Code*, Title 42, Chapter 6A, Subchapter XIX, Part 2, Section 300aa-25(a), requires,

  > Each health care provider who administers a vaccine set forth in the Vaccine Injury Table to any person shall record, or ensure that there is recorded, in such person's permanent medical record (or in a permanent

office log or file to which a legal representative shall have access upon request) with respect to each such vaccine—

(1) the date of administration of the vaccine,
(2) the vaccine manufacturer and lot number of the vaccine,
(3) the name and address and, if appropriate, the title of the health care provider administering the vaccine, and
(4) any other identifying information on the vaccine required pursuant to regulations promulgated by the Secretary.

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

Recommendation

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

Management's Comment

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

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

Finding Number	04-TDH-11
CFDA Number	93.268
Program Name	Immunization Grants
Federal Agency	Department of Health and Human Services
State Agency	Department of Health
Grant/Contract No.	H23/CCH42258
Finding Type	Material Weakness
Compliance Requirement	Activities Allowed or Unallowed
Questioned Costs	None

The controls over the VACMAN computer system need improvement

Finding

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

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

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

Recommendation

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

Management's Comment

We concur. The Immunization Program will take further steps to minimize the possibility of fraud or abuse. First, the Immunization Program will institute a process whereby a

provider's medical license is verified as on file with the state and current before the provider is authorized to enroll in the program; this verification will be dated and initialed on the enrollment form. Additionally, the person responsible for verification and authorization of credentials will not generate orders in the VACMAN system. No orders will be generated until the credentials check and authorization are completed.

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

Finding Number	04-DHS-02
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0301TNTANF, G0401TNTANF
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility, Special Tests and Provisions
Questioned Costs	$2,841.25

The Department of Human Services did not reduce Temporary Assistance for Needy Families for participants who failed to cooperate with child support requirements, and the department is not adequately monitoring the program's effectiveness

Finding

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

Management concurred with the finding in the audit for fiscal year ended June 30, 2002, and stated that the Tennessee Child Support Enforcement System (TCSES) was not sending an alert to the Automated Client Certification and Eligibility Network of Tennessee (ACCENT) when it was determined that a TANF recipient was not cooperating with child support enforcement efforts. As a result of this interface failure, staff were not receiving the alerts that would have notified them of the non-cooperation. In July 2002, the department made changes to the TCSES-ACCENT interface to ensure that alerts related to instances of non-cooperation with child support were being correctly generated to staff. Also, in a memorandum dated July 31, 2002, field staff were advised of the interface correction and reminded of their responsibilities when they are notified of a participant's failure to comply with child support requirements. However, problems persisted and a similar finding was included in the audit for the fiscal year ended June 30, 2003. Management concurred with the prior audit finding and stated that the Commissioner would send a memorandum to all Family Assistance staff reinforcing the importance of working on the ACCENT alerts timely. Management also stated that alerts would be directed to the supervisor as well as the caseworker to ensure appropriate action is taken. The Director of Families First Policy sent a memo to Family Assistance staff on June 28, 2004. Despite these assurances, problems still persist.

The *Code of Federal Regulations*, Title 45, Section 264.30(c)(1), requires recipients of TANF benefits who do not cooperate with child support authorities to be sanctioned by "deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance. . . ." The *Code of Federal Regulations*, Title 45, Section 264.31(a)(3), further explains that the state may be penalized up to 5% of the State Family Assistance Grant if it does not substantially comply with this child support cooperation requirement.

During the fiscal year ended June 30, 2004, TCSES issued 20,881 child support "non-cooperation" alerts to ACCENT. A sample of 82 cases was selected to determine if the TANF assistance was reduced by at least 25% if the recipient continued not to cooperate with the department's child support enforcement efforts. Of these 82 cases, benefits should have been reduced in 25. However, because staff did not follow established policies and procedures for those who were determined to be non-cooperative, none of the recipients in any of these cases had their benefits reduced. The amount of the overpayments for these 25 cases was $2,841.25. The likely federal questioned cost associated with this condition could exceed $10,000.

For the first nine months of the fiscal year ended June 30, 2004, the University of Tennessee provided an Active Case Review of the TANF cases. This review was intended to give the department a measure of the program's effectiveness and the degree to which the department was complying with federal regulations. The department had developed a list of steps (review guide) for the reviewers to follow in their assessment. This also provided documentation that the reviewers had reviewed all of the key compliance issues. Several problems were noted with this guide. The guide does not ask the reviewer to determine if benefits were properly reduced when child support non-cooperation was confirmed. The guide does not ask the reviewer to determine if benefits were not reduced or denied to any custodial parent of a child under six when child care was not available. Also, the guide did not ask the reviewer to consider all of the circumstances that affect eligibility and might require reductions of benefits.

The staff of the University of Tennessee calculated the number of active cases to be reviewed each year that would provide the necessary assurance of the program's effectiveness and compliance with federal regulations. The population from which the sample was selected consisted of all cases eligible for benefits. However, if a case was selected for review and the client was not receiving cash benefits, the case was not tested, and a replacement was not selected. According to management, this amounted to approximately 10% of the cases selected. Also, in April 2004, the department stopped this case review because of budgetary constraints and did not restart it for the rest of the fiscal year. These two decisions significantly increased the risk that problems in the administration of the program would not be detected timely. In December 2004, the Active Case Review began again and is now being done by DHS employees that report to the department's Inspector General. The inadequacy of the review guide was mentioned in the prior audit report, and management stated, "The Active Case Review form [used by the Active Case Review team] will be modified as recommended." The form was not revised.

A sample of 45 active cases reviewed by the Active Case Review Team was selected to determine whether the team had properly reviewed the active cases for compliance with applicable federal requirements, including eligibility, child support enforcement, work requirements, etc. However, no documentation could be provided for five of the cases (11%) to show that the cases had been reviewed. This documentation would have consisted of a completed review guide and discussion in the guide of any problems noted.

Failure to properly apply the prescribed penalty for non-cooperation is a violation of program requirements and could result in a reduction of federal funding for the TANF program. Failure to properly monitor the program increases the risk that other problems with the program could go undetected.

Recommendation

The Commissioner should again stress to field staff the importance of their responsibility when they are notified of a participant's failure to comply with child support requirements. Where applicable, benefits should be appropriately reduced. Also, supervisors in the field offices should review all cases which have received an alert about child support non-cooperation to determine if benefits should have been appropriately reduced or if cooperation by the recipient has begun.

The Director of Families First Policy should be instructed to revise the ACR review form so that it includes questions that address the key compliance issues, especially the ones that have been a problem for the department. This form should document whether the case reviewer has determined if TANF benefits have been properly reduced, where applicable.

Management's Comment

We concur. During the audit period the Department did not reduce benefits for all Families First participants who failed to cooperate with child support. To correct this problem, the department has undertaken several new procedures including 1) increased monitoring efforts, 2) new management reports, 3) resolution of information systems problems and 4) information system enhancements. Further, the Department submitted a corrective action plan to the U.S. Department of Health and Human Services which was approved.

The Department is continuing to enhance efforts to monitor the program's effectiveness. Since the audit period, the Active Case Review (ACR) staff positions that monitor the overall Families First program have been converted from contract staff to state employees within the Department. This move will enhance communication and management oversight. In addition, the process was reassessed and restructured, which resulted in increased monitoring of child support cooperation by ACR staff and an immediate action notice is being sent to the caseworker if needed.

The department plans to continue efforts to resolve problems in this area, including implementing a centralized unit dedicated to child support cooperation for Families First participants.

Finding Number	04-DHS-05
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0301TNTANF, G0401TNTANF
Finding Type	Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	$17,936.12

The Department of Human Services did not follow its approved cost allocation plan

Finding

The Department of Human Services did not follow its approved cost allocation plan when it charged the administrative cost of the department's Office of General Counsel (OGC) field staff to three federal programs. Administrative costs are allocated on a quarterly basis in accordance with methods outlined in the department's approved *Cost Allocation Plan* dated January 1, 2002. When the department calculated the allocation of OGC administrative costs for the quarter ended June 30, 2004, it used the allocation method approved for the Information Systems division rather than the one approved for the OGC field staff. As a result of this error, three federal programs were overcharged. Temporary Assistance for Needy Families was overcharged $17,936.12, State Administrative Matching Grants for Food Stamp Program was overcharged $9,068.77, and Child Support Enforcement was overcharged $13,635.75.

According to the *Code of Federal Regulations*, Title 45, Section 95.517(a), "A State must claim FFP [Federal Financial Participation] for costs associated with a program only in accordance with its approved cost allocation plan." Section 95.519 further states, "If costs under a Public Assistance program are not claimed in accordance with the approved cost allocation plan . . . the costs improperly claimed will be disallowed." When the department does not properly follow the approved cost allocation plan, it is in violation of federal regulations and makes itself liable for unallowable costs.

Recommendation

The Assistant Commissioner of Finance should ensure that the approved cost allocation plan is applied properly by reviewing supporting documentation and calculations of all quarterly cost allocations, while comparing these calculations to the approved plan. This review should be documented.

Management's Comment

We do not concur that the approved cost allocation plan was not followed. The proper allocation plan was used, but an error was made in the mathematical calculation of the cost. Further, we do not agree this single error rises to the level of a finding. The error has been corrected and procedures have been established to ensure the correct formulae are applied.

Auditor's Rebuttal

As stated in the finding, the department calculated the allocation of OGC administrative costs for the quarter ended June 30, 2004, using the allocation method approved for the Information Systems division rather than the one approved for the OGC field staff. This was not simply a mathematical error. As a result of this error, three federal programs were overcharged, which resulted in questioned costs averaging more than $10,000.

Finding Number	04-DHS-13
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0301TNTANF, G0401TNTANF
Finding Type	Reportable Condition
Compliance Requirement	Eligibility
Questioned Costs	None

Security over computer systems needs improvement

Finding

The Department of Human Services (DHS) has not always exercised proper control over some of its computer systems. When the department does not follow applicable written policies and procedures or has not developed its own policies and procedures, the department does not have sufficient guidance to effectively direct, control, operate, and maintain its systems. Failure to provide such controls increases the risk that unauthorized individuals could access sensitive state systems and information.

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

This finding is a reportable condition for purposes of the State of Tennessee Single Audit of federal financial assistance. This wording will also appear in that report, which will be provided to the federal government pursuant to the procedures developed for reporting of Single Audit findings.

Recommendation

DHS management should improve security over its computer systems.

Management's Comment

We concur in part. The Department has developed an automated system, Security Administration Facility for Everyone (SAFE), to assist and enhance the security of its systems. Pursuant to Section 10-7-504, *Tennessee Code Annotated*, we are providing our detailed response under separate cover.

Finding Number	04-DHS-15
CFDA Number	93.558
Program Name	Temporary Assistance for Needy Families
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0301TNTANF, G0401TNTANF
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs	None

The department has not always properly monitored its contractors in the Temporary Assistance for Needy Families program

Finding

The Temporary Assistance for Needy Families program (TANF) uses contractors to provide some of the program's services. In the fiscal year ended June 30, 2004, the program had 66 individual contracts which received expenditures totaling $45,827,938. The program had another 3,308 contractors who were paid through a Delegated Purchase Authority (DPA). Total expenditures charged to the DPA totaled $2,123,581. The TANF program has a contract review group in the department which is responsible for monitoring these contractors to verify that the costs submitted on the invoices for reimbursement are accurate and the contractors are providing the agreed-upon services. However, the contract review group has not been monitoring all of these contractors; and the monitoring reviews that were done have not always been adequate.

Testwork was performed on 45 TANF contracts that had expenditures charged to them during the fiscal year ended June 30, 2004, to determine if they were monitored and, if so, was the monitoring adequate. The 32 contracts with the most expenditures were included in the testwork. The other 13 were selected judgmentally. Total fiscal year ended June 30, 2004 expenditures for the contracts in the sample amounted to $43,566,507. The following problems were noted:

- Eighteen of the contracts (40%) were not monitored during the audit period. Total expenditures charged to these contracts amounted to $15,967,473.74. Subsequent to the audit period, management stated that it had developed a risk assessment plan and had revised the monitoring guide in an effort to more effectively monitor contractors.

- One of the remaining 27 contracts was audited by a CPA firm. Of the 26 that were monitored by the contract review group, the working papers for 3 (12%) could not be located.

- Of the 23 contracts that were monitored and had some supporting working papers, 18 (78%) appeared to have an insufficient amount of testwork performed on the contract, and there was no explanation as to why this work was not done or was not necessary. The working papers were missing one or more of the following: monitoring guides or guides not referenced to the testwork, internal control questionnaires, testwork on an invoice for reimbursement, testwork on payroll, testwork on in-kind contributions, contracts and independent auditor reports, program participant testwork, travel testwork, equipment testwork, Title VI compliance testwork, and testwork on program outcomes.

This monitoring program is a key internal control for TANF. It should be a priority for upper management. Failure to properly monitor contractors increases the probability that the program could be charged for unallowable costs or activities and that fraud could occur and go undetected.

Recommendation

The Commissioner should instruct the Inspector General, in consultation with the Director of Program Assessment, to develop and implement a more effective monitoring process to ensure that contracts are monitored and that they are monitored properly. The Director of Program Assessment should work with the contract monitors to ensure that they understand the monitoring process and how this monitoring review should be documented. Before any monitoring report is issued, the Director should review the report and the working papers to ensure that all necessary testwork has been done and that the conclusions expressed in the report agree with the testwork in the working papers. In addition, working papers should be properly labeled and stored in a secure area.

Management's Comment

We concur. During fiscal year 2004, the composition and leadership of the contract review group, as well as the system for collection and filing of review materials were in transition due to the conversion of the contract staff to state employees. In addition, based on budget reductions, the number of staff in the contract review group for this audit period had been reduced by one-half for FY2004. In order to prioritize contracts to be monitored, a risk assessment process was used based on guidance from the Department of Finance and Administration, Office of Program Accountability Review (formerly PAR). Program Assessment, at the direction of the Office of Inspector General, will work closely with the Families First Services staff to ensure contracts are monitored as necessary.

Finding Number	04-DHS-03
CFDA Number	93.563
Program Name	Child Support Enforcement
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0304TN4004, G0404TN4004
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

The department did not comply with child support enforcement regulations

Finding

The department did not comply with child support enforcement regulations dealing with establishment of support obligations, initiating interstate cases, and the state's annual self-assessment.

The Department of Human Services is the designated Child Support Title IV-D office; however, enforcement activities are generally contracted out to the Tennessee District Attorneys General Conference or other 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 child support cases, the following weaknesses were noted:

a. Support obligation services were not provided within the required time frame for 7 of 25 child support cases tested (28%). In one of the seven child support cases tested (14%), an attempt was made to commence proceedings to establish a support order. However, no attempt was made to serve notice of legal action on the noncustodial parent until 94 days after locating the noncustodial parent. This attempt was unsuccessful because the noncustodial parent had moved and there was no forwarding address. This was subsequently documented in the Tennessee Child Support Enforcement System (TCSES). In the other six child support cases (86%), no attempts were made to serve notice of action on the noncustodial parent within 90 days of locating the noncustodial parent. As of October 2004, action on two cases was commenced after this was brought to DHS's attention by the State Auditors, two cases had already been closed, one case had been flagged in TCSES for closure, and in one case an appointment had been scheduled with the noncustodial parent. The *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 . . . (or document unsuccessful attempts to serve process . . .)."

b. The *Code of Federal Regulations*, Title 45, Part 303.7(b)(2), states ". . . within 20 calendar days of determining that the noncustodial parent is in another State, and, if appropriate, receipt of any necessary information needed to process the case, refer any interstate IV-D case to the responding State's interstate central registry for action . . . ." One of the 25 initiating interstate cases tested (4%) was not referred to the responding state's interstate central registry for action within the required time frame, upon determining that a noncustodial parent was in another state. The information needed to process this case was received on July 9, 2004; however, the case was not sent to the responding state's interstate central registry until September 23, 2004, which is 76 days after the child support enforcement office had all the necessary information needed to process the case.

If support obligation services are not provided within the required time frame and required information is not provided to other states within the required time frame, caretakers and dependent children may be deprived of needed financial support, the state and federal government may be not be reimbursed for support provided to Temporary Assistance for Needy Families and foster care recipients, and the state's Child Support Enforcement program may lose its share of federal incentive funds.

Weaknesses were also noted in the most recent annual Self-Assessment Review. The Department of Human Services performs an annual Self-Assessment Review of child support cases and issues a *IV-D Self-Assessment Annual Report* to the federal Office of Child Support Enforcement. This is to comply with the requirements of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and the *Code of Federal Regulations*, Title 45, Part 308. The most recent report dated March 31, 2004, covered the review period of October 1, 2002, through September 30, 2003.

The department's internal audit division oversees the Self-Assessment Review, which consists of testing a sample of cases. The testwork is done by internal audit staff as well as staff assigned to the Child Support division. One hundred cases which were active during the review period are tested for compliance in the following areas:

- case closure,
- establishment of paternity and child support orders,
- expedited process,
- enforcement of support obligations,
- disbursement of collections,
- securing and enforcing medical support orders,
- review and adjustment of orders, and
- interstate service regulations.

The department's testwork performed on compliance with establishment of paternity and child support orders, enforcement of support obligations, securing and enforcing medical support orders, and interstate service regulations was reviewed. The following weaknesses in the work performed were noted:

a. Sixty-one of the 100 cases (61%) tested for compliance with regulations on establishment of paternity and child support orders had support orders dated prior to the start of the review period and therefore should not have been included in the assessment.

b. For 11 of 40 applicable cases tested for compliance with regulations on enforcement of support obligations (28%), the evaluators (1) made an incorrect decision about whether the case should have been included in the self-assessment, (2) reached the wrong conclusion about the case's compliance, or (3) did not complete the evaluation form properly.

c. For one of 40 applicable cases tested for compliance with regulations on securing and enforcing medical support orders (3%), the evaluators incorrectly included a case in the self-assessment that should not have been included because the custodial parent had health insurance.

d. For 3 of 40 applicable cases tested for compliance with interstate service regulations (8%), the evaluators either included a case in the review that should not have been included or reached an incorrect conclusion about the case's compliance.

When the department's staff include child support cases that are not applicable in the Self-Assessment Review or reach erroneous conclusions on compliance for the child support cases, the compliance percentages that are reported to the Office of Child Support Enforcement in the *IV-D Self-Assessment Annual Report* become unreliable.

In addition, area coordinators monitor the work of the department, judicial districts, and other contractors by sampling Child Support cases to determine if federal regulations are being followed. The Case Reading Sheet developed by Child Support Field Operations and used by the coordinators does not include a section on securing and enforcing medical support obligations, initiating interstate cases, and responding to interstate cases. Inadequate Case Reading Sheets could result in the area coordinators not identifying compliance problems, similar to those noted at the beginning of this finding, in a timely manner.

Recommendation

The Assistant Commissioner of Child Support should ensure that child support obligation services are provided within 90 days of locating the noncustodial parent. Unsuccessful attempts to serve process should also be documented properly and timely in the Tennessee Child Support Enforcement System. Interstate cases should be referred to the responding state's interstate central registry for action within 20 calendar days of the receipt of any necessary information to process the case.

In addition, the Commissioner should require the Director of Internal Audit to ensure that those persons who will be evaluating program compliance have read and understand the requirements. The Director of Internal Audit should closely monitor the evaluation as it is being

performed in order to verify that only applicable cases are tested for compliance with federal regulations and the conclusions and compliance percentages that are reported to the Office of Child Support Enforcement Self-Assessment Report are reliable.

The Case Reading Sheet used by area coordinators to monitor the work of the department, judicial districts, and other contractors should be revised by the Program Director to include all relevant issues, including sections on securing and enforcing medical support obligations, initiating interstate cases, and responding to interstate cases. In addition, consideration should be given to increasing the number of cases reviewed by the area coordinators in an effort to identify compliance problems in a timely manner.

Management's Comment

We concur in part. The importance of completing service of process within the required time frame and meeting the required time frames in interstate activities will be reinforced at the quarterly Child Support Administrator's meeting. Service of process time frames will also be stressed during the local office Technical Assistance Reviews by State Office Child Support staff.

The following is the department's response to the weaknesses in the Child Support Self-Assessment review:

a. We concur. These are complex cases that do not fit neatly into the questions by which the case was being evaluated and there is some leeway into how to interpret the questions. However, we have implemented the recommendation to include only cases in which the first order is established during the review period.

b. We concur in part. We reviewed the 11 cases in question. Seven of the cases were correctly included in the sample for the review on enforcement of support orders. One case should have been excluded from the sample. The evaluator reached the proper conclusion on two of the cases. The result of the review of one case was shown on the summary sheet but the reviewer failed to mark the questionnaire. This is more of a procedural error and considered a minor issue.

c. We do not concur. The case was determined to be a valid case for inclusion in the sample for compliance with regulations on securing and enforcing medical support order. An order of support, including medical support was established during the review period. The custodial parent had health insurance but the court still had to order the medical support.

d. We concur in part. We agree with the portion concerning the two cases cited as cases that should not have been in the sample. The third case (an interstate case) was properly evaluated and the summary sheet was properly marked.

The case reading sheet used by Area Coordinators to monitor the work of the department,

judicial districts, and other contractors has been revised to include a section on securing and enforcing medical support obligations, initiating and responding to interstate cases. The revised case reading sheet is now being used.

Auditor's Rebuttal

Our responses to the department's complete or partial non-concurrence with the weaknesses noted in the Self-Assessment Review are as follows:

b. The cases in question were being evaluated for proper enforcement. The evaluator had indicated on the evaluation form for 7 of the 11 cases that enforcement was not an issue during the assessment period when, in fact, it was an issue. The summary report had a proper conclusion. For two of the cases, the evaluator had indicated that the case was not in compliance. One of the cases should have been marked not applicable and another case substituted for it. In the other case, the evaluator had indicated that the case was not in compliance. The summary report indicated that the case was in compliance, which was the proper conclusion. One of the cases involved an incarcerated non-custodial parent. We felt that this case was not applicable, but the evaluator included it in the assessment. In another case, the evaluator left the questionnaire blank, but the conclusion of the evaluator was proper. In the last of the 11 cases in question, the child was in foster care. The evaluator left the questionnaire blank. This case should not have been included in the assessment.

c. We believe that since the court had determined that the custodial parent had health insurance, another case should have been selected in which the custodial parent did not have adequate health insurance.

d. All three cases noted were interstate cases. The case diary in TCSES for the case in question shows no activity during the assessment period. Therefore, the department was not in compliance.

Finding Number	04-DHS-06
CFDA Number	93.563
Program Name	Child Support Enforcement
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0304TN4004, G0404TN4004
Finding Type	Noncompliance
Compliance Requirement	Allowable Costs / Cost Principles
Questioned Costs	$13,635.75

The Department of Human Services did not follow its approved cost allocation plan

Finding

The Department of Human Services did not follow its approved cost allocation plan when it charged the administrative cost of the department's Office of General Counsel (OGC) field staff to three federal programs. Administrative costs are allocated on a quarterly basis in accordance with methods outlined in the department's approved *Cost Allocation Plan* dated January 1, 2002. When the department calculated the allocation of OGC administrative costs for the quarter ended June 30, 2004, it used the allocation method approved for the Information Systems division rather than the one approved for the OGC field staff. As a result of this error, three federal programs were overcharged. Temporary Assistance for Needy Families was overcharged $17,936.12, State Administrative Matching Grants for Food Stamp Program was overcharged $9,068.77, and Child Support Enforcement was overcharged $13,635.75.

According to the *Code of Federal Regulations*, Title 45, Section 95.517(a), "A State must claim FFP [Federal Financial Participation] for costs associated with a program only in accordance with its approved cost allocation plan." Section 95.519 further states, "If costs under a Public Assistance program are not claimed in accordance with the approved cost allocation plan . . . the costs improperly claimed will be disallowed." When the department does not properly follow the approved cost allocation plan, it is in violation of federal regulations and makes itself liable for unallowable costs.

Recommendation

The Assistant Commissioner of Finance should ensure that the approved cost allocation plan is applied properly by reviewing supporting documentation and calculations of all quarterly cost allocations, while comparing these calculations to the approved plan. This review should be documented.

Management's Comment

We do not concur that the approved cost allocation plan was not followed. The proper allocation plan was used, but an error was made in the mathematical calculation of the cost. Further, we do not agree this single error rises to the level of a finding. The error has been corrected and procedures have been established to ensure the correct formulae are applied.

Auditor's Rebuttal

As stated in the finding, the department calculated the allocation of OGC administrative costs for the quarter ended June 30, 2004, using the allocation method approved for the Information Systems division rather than the one approved for the OGC field staff. This was not simply a mathematical error. As a result of this error, three federal programs were overcharged, which resulted in questioned costs averaging more than $10,000.

Finding Number	04-DHS-11
CFDA Number	93.563
Program Name	Child Support Enforcement
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0304TN4004, G0404TN4004
Finding Type	Reportable Condition
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

Security over computer systems needs improvement

Finding

The Department of Human Services (DHS) has not always exercised proper control over some of its computer systems. When the department does not follow applicable written policies and procedures or has not developed its own policies and procedures, the department does not have sufficient guidance to effectively direct, control, operate, and maintain its systems. Failure to provide such controls increases the risk that unauthorized individuals could access sensitive state systems and information.

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

This finding is a reportable condition for purposes of the State of Tennessee Single Audit of federal financial assistance. This wording will also appear in that report, which will be provided to the federal government pursuant to the procedures developed for reporting of Single Audit findings.

Recommendation

DHS management should improve security over its computer systems.

Management's Comment

We concur in part. The Department has developed an automated system, Security Administration Facility for Everyone (SAFE), to assist and enhance the security of its systems. Pursuant to Section 10-7-504, *Tennessee Code Annotated*, we are providing our detailed response under separate cover.

Finding Number	04-DCS-02
CFDA Number	93.658
Program Name	Foster Care – Title IV-E
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	0201TN1401 through 0401TN1401
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$47,860

The department charged the Title IV-E program for children's expenditures that were not Title IV-E reimbursable, and the department had no documentation of criminal background checks of approved foster parents

Finding

Nonreimbursable Expenditures

As noted in the prior two audits covering the period July 1, 2001, through June 30, 2003, the Department of Children's Services (DCS) charged the Title IV-E Foster Care program for children's expenditures that were not Title IV-E reimbursable. The Adoption and Safe Families Act of 1997 requires documentation that efforts were made to preserve the family and that removal of a child from his or her home was appropriate and necessary to ensure the child's safety, health, and welfare. To meet these requirements, DCS Policy 16.36, "Title IV-E Foster Care Funds, Court Orders and the Initial Eligibility Determination Process," states,

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

Furthermore, DCS Policy 16.35, "Title IV-E Foster Care Funds and On-Going Reasonable Efforts to Finalize Permanency Plans," requires DCS to secure a new court order at each permanency hearing that includes a judicial determination that reasonable efforts have been made to finalize the goal of the permanency plan. Permanency hearings are to be held no later than 12 months after a child enters custody and every 12 months thereafter. Without the required reasonable efforts language in judicial determinations, the department may not receive Title IV-E Foster Care reimbursement for the care and maintenance of an otherwise eligible child. Policies 16.35 and 16.36 provide specific instructions for case managers to follow in recording the child's benefit status in the appropriate computer systems and documenting the child's status in the case files.

Management concurred with the prior audit finding and stated:

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

Based on discussion with management, DCS has implemented a new program to retroactively review the changes in status of the children by comparing status information between the Children's Plan Financial System (ChiPFinS) and the funding databases. According to management, this retroactive review is to be performed quarterly. Based on review of the funding files in which funds were allocated to the Title IV-E program, DCS performed its reviews during and after the current audit period. The last review noted was on September 20, 2004. Refunds to the Title IV-E program were noted.

During a review of 127 children's case files, it appeared the department received Title IV-E funds for 28 children (22%) during periods when the children's expenditures were not Title IV-E reimbursable. The prior-audit error rate was 28%.

- Thirteen of the children's case files did not contain documentation that the permanency hearings were held within the 12-month requirement. Therefore, the children's expenditures were not reimbursable by the Title IV-E federal funding for the period in which the court orders with the proper reasonable efforts language were not obtained. Title IV-E funds were claimed for periods between one and 12 months when these expenditures were not eligible for federal reimbursement. The department's Director of Internal Audit was subsequently able to locate permanency hearings court orders with the reasonable effort language for 4 of these children. The order for one of these court hearings was signed by a judge on November 8, 2004, for a court hearing held on December 2, 2003; another court hearing order was signed by a judge on October 22, 2004, for a court hearing held on April 6, 2004. These court orders should have been in the children's case files during the auditor's regional children's case files reviews. The other two court orders were obtained from legal staff at Davidson County but were not in the children's case files at the time of the review. The federal questioned costs for payments on behalf of the 9 children without court orders totaled $11,448 with an additional $6,302 in state matching funds.

- Four of the children's case files contained court orders that did not include a judicial determination that DCS had made reasonable efforts (or words to that effect) to finalize the permanency plan. Therefore, the children's expenditures were not Title IV-E reimbursable for the periods associated with these court orders. The periods of unallowable reimbursements ranged from 9 to 12 months. The federal questioned costs for these payments totaled $18,788, with an additional $10,343 in state matching funds.

- Two children's case files contained court orders documenting the permanency plan hearings; however, the court orders (dated June 1, 2004, and October 7, 2003, respectively) were not signed by the judges. The periods of unallowable Title IV-E reimbursements during the audit period were one and 8 months. The federal questioned costs for these payments totaled $3,101, with an additional $1,707 in state matching funds.

- One child's case file contained a court order, dated March 8, 2004, which stated that "DCS is not making reasonable efforts toward making a permanent and appropriate placement resolution for this child . . ." Therefore, the child's expenditures were not reimbursable by the Title IV-E federal funding for the 3 months claimed during the audit period. The federal questioned costs for these payments totaled $2,412, with an additional $1,328 in state matching funds.

- One child was not eligible for Title IV-E reimbursement because her monthly Social Security Administration income exceeded the Aid to Families with Dependent Children (AFDC) standards. According to eligibility guidelines under foster care, a child's income cannot exceed the eligibility requirements of the AFDC program. Title IV-E reimbursements were claimed for the entire fiscal year. The federal questioned costs for these payments totaled $8,129, with an additional $4,475 in state matching funds.

- Two children were on runaway status for 7 and 13 days, respectively, during periods when Title IV-E funding was claimed. The federal questioned costs for these payments totaled $246, with an additional $136 in state matching funds.

- Three children were not in state custody for 6, 8, and 45 days, respectively, during periods when Title IV-E funding was claimed. The federal questioned costs for these payments totaled $1,337, with an additional $736 in state matching funds.

Criminal Background Checks

Title 45, Section 1356.30 (a) of the *Code of Federal Regulations* requires states to provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents.

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

> A criminal background check to include fingerprinting and sex offender registry check must be completed on each foster parent applicant, as well

> as any other adult member of the household, and documented in the foster home record.

Management concurred with the prior audit finding and stated:

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

The sample of 127 children's case files represented 106 foster parents' files. For 3 of the 106 foster parents' files tested (3%), the files did not contain documentation that the background checks were performed. The prior audit finding disclosed that in 5 of 91 foster parents' files tested (5%), the file did not contain documentation that the background checks were performed as described in DCS policy. The federal questioned costs relating to these cases totaled $2,399 with an additional $1,321 in state matching funds.

In summary, the total foster care payments of $74,208 were made during periods when the children's expenditures were not Title IV-E reimbursable and are questioned costs. The federal questioned costs total $47,860, and the remaining $26,348 is state matching funds. Total Title IV-E payments to foster care parents for the year were $27,913,427.

During the period July 1, 2004, through September 20, 2004, management refunded $35,604 of the federal questioned costs above.

Recommendation

In accordance with departmental Policies 16.35 and 16.36, case managers should ensure that the eligibility and reimbursability of children for Title IV-E Foster Care are adequately documented in the case files and that prompt and accurate status changes are recorded in the department's computer systems. As part of the department's prepayment authorization process, case managers should review information in the eligibility database and ensure that the Title IV-E reimbursement status is correct prior to payment. Furthermore, the Deputy Commissioner for Protection and Permanency should ensure that criminal background checks are performed on all foster parents prior to a foster child being placed in the home.

Management's Comment

We concur. The department has, however, bolstered training, processes and procedures designed to adequately document reimbursement by Title IV-E. In July 2004, the department initiated annual training with child welfare benefits staff on the timely and accurate recording of a child's Title IV-E status in the ChiPFinS eligibility database. The department will continue to provide this training. In 2004, the department also began annual training by regional attorneys on Title IV-E eligibility legal requirements and court orders to child welfare benefits staff. This training will also be on going.

In March 2004, the department issued monthly reports of court orders that are absent the required Title IV-E language to Regional Administrators, deputy general counsels and regional supervising attorneys for review and follow-up. It is believed that these training and monitoring efforts will result in improved compliance.

Further, procedures have been put into place with the child welfare benefits counselors directing that they can only deem a child eligible for Title IV-E if a signed court order is documented. The child welfare benefits counselors are prohibited from deeming a child eligible for Title IV-E until there is proof of the signed court order.

The department will continue to work aggressively with judges to ensure that the judges and/or referees issue court orders at the annual permanency plan hearing or at other hearings, e.g., termination of parental rights hearings, and that the annual court orders include a judicial determination that reasonable efforts were made to finalize the permanency plan. In those instances where a judge or referee do not timely issue an annual reasonable efforts judicial determination, DCS regional program, eligibility staff, and central office Fiscal staff will coordinate procedures to ensure that prompt action is taken to designate the child's ChiPFinS Title IV-E status as non-reimbursable until the required judicial determination of reasonable efforts to finalize the child's permanency plan is obtained.

The supervising attorney will continue to contact the judge that issued the order to address the reasonable efforts language required by federal Title IV-E regulations. DCS attorneys will continue to offer to draft a revised order if the proof supports a finding of

reasonable efforts. The departments' attorneys will assure that all orders drafted by staff attorneys contain the required Title IV-E language.

In order to address the timeliness of permanency plan hearings, the department will continue to send notice or file motions to set permanency plan hearings sufficiently in advance of the 12 month date. This includes tracking due dates of the hearings, and working with the courts on assuring hearings are scheduled timely.

To further strengthen compliance of criminal background checks of foster homes, DCS policy 16.4 was reviewed and modifications were made January 2005 to insure that the State of Tennessee was in compliance with federal regulations. These modifications require that all homes be in full compliance with all of the provisions in Policy 16.4 for DCS foster home approval, including criminal background checks and PATH training prior to approval as a foster home.

The department is putting in place better procedures to ensure that foster homes not in compliance do not receive payment. At this writing, efforts are underway with a target date of April-May 2005 for payments in ChiPFinS to be validated via a programmatic interface against the Foster Home Application and Child Placement system (FHACP), a web-based application that tracks foster home certification and re-certification. This same functionality will be maintained when ChiPFinS is converted into the TnKids system in a later TNKids release. Contracts with private agencies that provide for foster home services for DCS were amended effective October 1, 2004 to allow DCS to assess a penalty for unapproved placement of a custody child in a home that does not meet minimum standards per DCS Policy 16.4.

Finally, the department has refunded the remaining $12,256 in questioned cost effective March 3, 2005.

Finding Number	04-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.	0201TN1401 through 0401TN1401
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	None

Children's case files did not contain adequate documentation of case manager compliance with departmental policies regarding contacts, timeliness of case recordings, and permanency plans for foster children

Finding

As noted in the prior five audits covering the period July 1, 1998, through June 30, 2003, the Department of Children's Services (DCS) did not have adequate documentation in the children's case files showing case manager contact with the child, family, or other individuals. DCS also did not maintain timely case note recordings or hold timely permanency plan hearings.

DCS Policy 16.38-BA (A) regarding face-to-face visits with children in foster homes or other DCS residential facilities states,

> If a child moves to a new DCS placement at any time following his/her initial placement, the child shall be visited as if he/she were just entering care and shall be visited and seen face-to-face: (a) Six (6) times during the first eight (8) weeks of the new placement, (b) Once every two weeks for the second eight (8) weeks, and (c) Not less than two (2) times per month thereafter. The Case Manager shall have face-to-face contacts with the foster parents or agency staff as often as necessary, but no less than once each month.

Problems were again noted involving time lapses between documented case manager contact with the child, family, or other individuals as evidenced by case note recordings. Twenty-six of 127 children's case files tested (21%) did not contain adequate documentation of case manager contact in accordance with DCS policy at the time the file was reviewed. In all 26 instances, there were gaps in dates between case manager contacts as documented in the case recordings, indicating noncompliance with applicable policies. Time lapses between documented contacts ranged from 35 to 248 days (averaging 65 days) in the 26 files. The prior audit finding disclosed inadequate documentation of case manager visits in 17 of 127 case files examined (13%), with gaps ranging from 34 to 81 days (averaging 47 days).

Policy 31.14 states, "Each contact (successful or unsuccessful) with or on behalf of clients will be documented in TN Kids case recordings within thirty (30) days from the date of

the contact." Policy 31.14 continues to state, "Case recordings serve as the official record of efforts made to serve DCS client children/youth and families. . . . Regardless of whether or not TN Kids case recordings are printed and placed in the child/youth's record, the official case recordings are those in TN Kids."

Management concurred with the prior finding and stated,

> To continue to improve the process, DCS began production of a TNKIDS report on contacts in December 2003. The report is based on case recordings that document case manager-child visits, parent-child visits, sibling visits, and case manager-parent visits. This is a live report on TNKIDS available to all TNKIDS users. Supervisors can use this report to easily identify case managers who may be struggling to comply with contact and visitation standards. Quality assurance will continue to review 120 cases each month for compliance with contact and visitation standards. Regional Administrators will be required to use available data to more closely monitor case manager and team performance, and to provide support and leadership in this area. Job Performance Plans will be revised for case managers and supervisors specifically listing contact and visitation standards. In occurrences of extended non-compliance progressive discipline can be exercised.

As previously mentioned, DCS Policy 31.14 requires that case recordings and all other documentation be added to the case file within 30 days of case work activity. The TN Kids system electronically records the date of each case recording entry to the file. Testwork comparing the date of entry with the date of activity disclosed several instances of untimely entries. Fifty-four of 127 children's case files tested (43%) contained instances of case notes being recorded in TN Kids more than 30 days after activity. Time lapses between the case activity and the date that the information was entered into TN Kids for the 54 files ranged from 7 to 367 days past the 30-day deadline (averaging 68 days past the deadline). The prior audit finding disclosed that time lapses between the case activity and the date that the information was entered into TN Kids for 39 of 127 case files tested (31%) ranged from 3 to 133 days past the 30-day deadline (averaging 30 days).

Policy 16.31-BA states, "All children/youth placed in the custody of the Department of Children's Services shall have a written permanency plan. The permanency plan shall establish realistic goals for the family, the child/youth, and the Department necessary to achieve permanency for the child/youth. The permanency plan shall identify the permanency goal or concurrent permanency goals for the child/youth. . . . The court of venue shall ratify or approve the permanency plan with the exception of youth placed in the Youth Development Centers. In addition, DCS Policy 16.33 states, "The court shall hold a permanency hearing within twelve (12) months of the date of a child's placement in foster care and every 12 months thereafter until permanency is achieved or until the child reaches the age of majority."

Twelve of 127 children's case files tested (9%) did not contain evidence that the permanency planning hearing was held within the 12-month criteria as described in DCS policy. The permanency planning hearings occurred from one to 12 months after the required hearing

date. The prior audit finding disclosed that 17 of 120 children's case files tested (14%) did not contain evidence that the permanency planning hearing was held within the 12-month criteria as described in DCS policy.

Recommendation

The Deputy Commissioner for Protection and Permanency should ensure that case managers are making the required contacts with children in state custody and documenting the contacts made. Proper documentation, as described in DCS policies, should be prepared within a reasonable time after the visit and entered into TN Kids within 30 days of the visit. All services provided to a child should be documented in the child's case file. In addition, quarterly monitoring of case files by field supervisors and case file reviews by central office staff from the Division of Program Operations should specifically address compliance with DCS policies and procedures. Permanency planning hearings should be conducted according to DCS policies and procedures, and documentation of the hearing should be included in the child's case record.

Management's Comment

The department began new efforts to ensure that case managers make the required contacts with children in state custody and document the contacts made. The department has recently embarked on a Continuous Quality Improvement (CQI) initiative, and also enhanced its reporting tools to better monitor case manager activities. Each region has identified and hired a CQI Coordinator and the coordinators are in the process of building CQI teams in each region. These teams will focus on improving core performance in areas such as contacts and adequate documentation.

The "Zero Contact Report" has been generated, tested and refined over the past several months. The report as of March 2005 is now fully operational and will assist Regional Administrators with holding staff accountable for making the required contact. Regional Administrators will use the report to monitor activities and provide timely intervention with team leaders and case managers regarding performance. Regional Administrators will incorporate the review of this monthly report with the CQI process.

Another report generated on a monthly basis for the Regional Administrators is the "Performance Improvement Tool (Case Recording Report)" that provides data on every case manager and their cases. This report includes the following categories: Date last event occurred, Days since last event, Date event was recorded in TNKIDS, #Days between event and recording. The last two columns were recently added in order to detect and address delays in proper documentation.

Regions will develop a plan to identify and assure scheduling of the permanency plan hearings within the 12-month requirement, and will work with the legal staff in each region to meet this requirement. To address timely permanency plans, a report titled "DCS Permanency Plans Over 12 Months Old" was developed, and is being sent monthly to the regional offices.

The Director of Permanency Planning identifies for each region the increase/decrease of those plans over 12 months old and the average number of months overdue for each region.

Finding Number	04-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.	0201TN1401 through 0401TN1401
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	None

The foster parents' files did not contain documentation of annual foster home reassessments and that foster parents completed PATH training

Finding

The Department of Children's Services (DCS) did not comply with its policies concerning foster parents' training and foster home reassessments. The foster parents' files did not contain documentation that DCS performed the foster home annual reassessments and that foster parents completed the required Parents As Tender Healers (PATH) training.

DCS Policy 16.16 states, "Each approved Department of Children's Services foster home must be re-assessed within twelve (12) months of the initial approval and at least annually thereafter until the home is closed."

Our testwork revealed that, in 11 of the 106 children's foster parents' files tested (10%), there was no documentation to show that DCS performed the foster home reassessment annually. At June 30, 2004, the last assessment or reassessment for 9 of these homes was performed in December 2001, January 2002, March 2002, June 2002, August 2002, December 2002, January 2003, January 2003, and May 2003. A reassessment for one home was performed in October 2002, and the next reassessment was not performed until March 2004. One child was placed with a foster family from May through July 2003; however, the parents' file did not contain any reassessment information. Their initial home study information was not dated, and the file indicated that the home had hosted children in 2001. In addition, one of these 11 foster parents' files did not contain documentation that the foster parents had completed PATH training.

DCS Policy 16.4(B)(1) states, "All foster parent applicants interested in foster care, kinship foster care, or adoption must complete the thirty (30) hours of PATH training." Policy 16.4(C)(5) states, "The foster home study must be completed within sixty (60) days of the completion of the PATH training." Policy 16.4(C)(6) states, "If approved, the Case Manager shall notify the foster parent applicants in writing, enter the foster family into the ChiPFinS data system, submit the new approval to the Field Systems Administrator for the Foster Home Registry for the region in TN KIDS, and add the new foster family to the regional foster home list." Policy 16.4(H)(3) states, "In situations where a child has been placed in an expedited

placement with a kinship care home, . . . all usual approval requirements including fingerprinting and foster parent training shall be completed within sixty (60) days of the initial placement."

Our review revealed that 5 of the 106 children's foster parents' files tested (5%) did not contain documentation showing that the foster parents completed PATH training. In all instances, the foster parents did not complete the PATH training prior to placing the children at their homes or within 60 days when the placement was expedited.

Recommendation

The Deputy Commissioner for Protection and Permanency, Regional Administrators, and Team Leaders should ensure that foster parents complete the PATH training and that foster home reassessments are performed annually.

Management's Comment

We concur. The department initiated case file reviews beginning in February 2004 to ensure that all foster care cases had the appropriate documentation of PATH dates and home reassessments. These reviews are continuing. To ensure that DCS staff complies with DCS policy 16.4, central office staff will conduct periodic case file reviews.

Finding Number	04-DCS-06
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.	0201TN1401 through 0401TN1401
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$29,968

The department did not obtain adequate approval for administrative leave with pay and inappropriately used federal funds

Finding

The Department of Children's Services (DCS) did not obtain adequate approval for administrative pay.

Department of Personnel Policy, Chapter 3 states:

> Discretionary leave may be for reasons or situations where an employee is removed from normal duties with approval of the appointing authority or other authorized supervisor for a period of (30) calendar days or less when considered necessary for proper operation of the agency or welfare of the employee. Periods of discretionary leave with pay that exceed thirty (30) calendar days must be approved by the Commissioner of the Department of Personnel. . . .

Testwork revealed that eight employees were on administrative leave from 32 to 111 business days with pay for disciplinary reasons. The department did not have the necessary authorization from the Department of Personnel to pay these individuals administrative pay for more than 30 calendar days.

Four of the employees were paid with Title IV-E federal funds. DCS Policy 4.26, "Administrative Leave With Pay," states, "To ensure salaries are not funded with federal funds during the period an employee is on administrative leave with pay, the DCS personnel and fiscal services divisions shall be notified immediately of any employee approved to take administrative leave with pay." Since these employees were not benefiting the program during the period they were on administrative leave, federal funds should not have been used to pay their salaries. The federal questioned costs for these payments totaled $29,968 with an additional $16,498 in state matching funds. The remaining four employees were paid a total of $25,524 with state funding while on administrative leave with pay.

Recommendation

The Deputy Commissioner of Administration and Training should ensure that the department's Office of Human Resource Development appropriately monitors and obtains approvals from the Department of Personnel for employees who are on administrative leave beyond 30 calendar days. In addition, the Deputy Commissioner should instruct the Office of Program Support to fund all salaries coded as administrative leave with state funds and not federal funds.

Management's Comment

We concur. The department recently took corrective action. The department corrected DCS Policy 4.6 pertaining to Administrative Leave in February 2005 and developed a standard letter for all field staff to request extensions for over 30 days subject to approval by the Department of Personnel. The policy should be available for distribution to all staff in March 2005.

Finding Number	04-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.	9501TN1407 through 0401TN1407
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	$51,093

Adoption Assistance files did not contain adequate documentation

Finding

As noted in the two previous audits covering the period July 1, 2001, through June 30, 2003, Adoption Assistance case files did not contain adequate documentation to support the Adoption Assistance subsidies paid to the adoptive parents. The total federal share of payments made for the Adoption Assistance Program was $15,395,278.

Management concurred with the prior audit finding and stated,

> The Department of Children's Services will implement more internal controls over adoption assistance case files by instituting the following procedures. Beginning February 2004, regional staff will perform a desk review of all current Adoption Assistance Agreements against a list of current payments made through fiscal services. Regional staff will be required to provide a report of the findings and suggest a corrective action plan for all discrepancies. To ensure the accuracy of payment rates, field staff will be required to submit copies of all new agreements and any renewals or revisions with the Subsidized Adoption Turnaround Document (Form 16) to fiscal services for payment and funding verification purposes.
>
> In addition to the above procedures, Adoption Services staff is reviewing all policies, procedures, and Adoption Assistance form instructions. These documents will be revised to clarify the requirements for review, approval, and signatures by supervisory staff. Also, Policy, "Contents of Adoption Assistance Case File" has been drafted. This policy addresses the requirement of the notarized affidavit and outlines all requirements for Adoption Assistance files. This policy will be finalized in March 2004. Beginning March 2004, training for all DCS staff and provider agency staff will be conducted. All training will be completed by December 2004.

As of October 12, 2004, management stated that the above-mentioned policy was still in the process of being drafted and gave no indication when the policy would be finalized.

Furthermore, as of October 12, 2004, management stated that no such training had taken place but was still being planned. Testwork indicated evidence of desk reviews, but reviewed files were still incomplete.

The Adoption Assistance Program contributes financially to assist families, otherwise lacking the financial resources, in adopting eligible children with special needs. According to Department of Children's Services Policy 15.11, families must renew assistance annually by completing an application, agreement, and a notarized affidavit. Federal regulations require the state to make reasonable efforts to place a child for adoption without a subsidy. According to departmental policy, the case manager must ask prospective adoptive parents if they are willing to adopt without Adoption Assistance payments. If the family says it cannot adopt without Adoption Assistance payments, the department considers the reasonable efforts requirement to have been met, and the process for obtaining Adoption Assistance begins. Title IV-E federally funded Adoption Assistance is available until the child reaches age 18 or up to age 21 if the child has a mental or physical handicapping condition as established in the initial Adoption Assistance Agreement. If the child does not meet handicapping conditions at age 18, the Title IV-E Adoption Assistance payments cease. However, the adoptive parents may receive state-funded adoption assistance if the child remains in high school and the original adoption assistance agreement was created after October 1997. The adoptive parents may also receive state-funded adoption assistance if the child is in any full-time school and the original adoption assistance agreement was created prior to October 1997. Department of Children's Services Policy 15.10, "Adoption Assistance Agreements Created Prior to October, 1997," states, "School attendance or handicapping condition must be verified and documented in the adoption assistance case file."

In the prior audit, management offered the following response for correcting deficiencies in documentation to support adoption assistance subsidies.

> To address payments made for children turning 18, 21, or 3 years of age, the department plans to implement better internal controls and more communication between the fiscal services staff and adoptions services staff located in the field. In April 2003 the department began distributing a monthly report of all children who will turn three, eighteen, or twenty-one within three months of the report date. Beginning March 2004, Adoption Services Team Coordinators are required to review the adoption assistance case file to ensure that payment adjustments are appropriate for children turning three years of age and that appropriate documentation is included for continuing eligibility for children turning eighteen years of age. The regional list of three and eighteen year olds and any supporting documentation must be submitted to Central Office Adoption Services staff. When all items are correct and have the proper documentation, the regional report and documentation will be submitted to Fiscal Services. All information must be submitted prior to the payment period. Fiscal Services will make no payments until the regional list of three and eighteen-year olds and any supporting documentation are submitted. Policy "Contents of Adoption Assistance Case File" will include the above process. In addition, the CHIPFINS system will be enhanced to automatically stop payments for children twenty-one years of age and for children turning three years old where there is no decrease in

the regular and special circumstances rate. This will begin in April 2004. Finally, revisions will be made to the Adoption Assistance Agreement. The current adoption assistance agreement will be revised to emphasize the parents' responsibilities in reporting changes within the family's circumstances that would impact the child's eligibility for adoption assistance. It will also state that failure to comply could result in personal liability and legal action.

Adoption Assistance files still did not contain adequate documentation related to the applications, agreements, and yearly renewal affidavits that must be completed by the adoptive parents, as required by the department's Adoption Services Procedures Manual. In addition, documentation supporting payments for children over 18 was missing. Based on a review of 130 Adoption Assistance case files, 17 case files (13%) did not have adequate documentation as mentioned below.

- Six files were for children over 18 and did not have documentation to indicate that the children continued to have physical or mental handicaps that warrant federal Adoption Assistance funding. In addition, one file contained a renewal affidavit that was notarized after the effective date of the agreement. The federal questioned costs for these payments totaled $30,011 with an additional $16,521 in state matching funds.

- Five files did not contain documentation that DCS had determined the special needs of the child during the initial adoption application for Title IV-E eligibility. The federal questioned costs for these payments totaled $20,773 with an additional $11,435 in state matching funds.

- Three files contained agreements that were signed by the case manager after the intended effective dates. Each agreement was to commence on the first day of the month. Section VII of the agreement states, "Payments will not be made prior to the 'effective date'. The effective date cannot be prior to the last signature date on this contract." The adoptive parents signed the agreements prior to the intended effective date; however, the agreements were not signed by the case managers until 10 to 13 days after the intended effective date. The federal questioned costs for these payments totaled $309 with an additional $170 in state matching funds.

The total federal questioned costs for these payments were $51,093 with an additional $28,126 in state matching funds. Based on the results of testwork, it is evident that management continued to issue payments even though documentation was not present in the files.

Recommendation

The Commissioner should finalize a formal policy to delineate the required contents of Adoption Assistance case files, similar to the current policy, "Administrative Policies and Procedures 31.5," which governs foster care case files. The Executive Director of the Office of

Child Permanency and the Director of Foster Care, Adoptions, & Kinship Care should develop procedures to ensure that Adoption Assistance case files are complete and that renewals and extensions of agreements are current and adequately supported, especially with regard to the conditions justifying agreements which extend past the child's 18th birthday. Any changes in eligibility for Adoption Assistance funding should be documented in the case file, and related adjustments in funding should be made immediately.

Management's Comment

We concur. Adoption policies have been revised to advise staff of required contents of Adoption Assistance case files and any changes in eligibility for Adoption Assistance funding should be documented in the case file, and related adjustments in funding should be made immediately.

In addition, the department's regional staff completed a desk review of all Adoption Assistance Agreements against a list of current payments made through fiscal services. As noted previously, field staff now submits copies of all new agreements and any renewals or revisions with the Form 16 to Fiscal Services for payment and funding verification.

Currently a monthly report is produced and distributed to Central Office and field staff for children turning 18, 21, or 3 years of age. Adoption Services Team Coordinators are required to review the adoption assistance case file to ensure that payment adjustments are appropriate for children turning three years of age and that appropriate documentation is included for continuing eligibility for children turning eighteen years of age.

The department refunded $19,016 of the federal questioned cost in August 2004, and refunded the other $32,077 in questioned cost in March 2005.

Finding Number	04-DOM-01
CFDA Number	83.544
Program Name	Public Assistance Grants
Federal Agency	Department of Homeland Security
State Agency	Military Department of Tennessee
Grant/Contract No.	Various
Finding Type	Reportable Condition
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	None

Controls related to federal subrecipient monitoring requirements are insufficient

Finding

The Military Department of Tennessee is the state administrator of the Public Assistance Grants program, a federal assistance program. Following a presidential declaration of a major disaster or an emergency, the Federal Emergency Management Agency, Department of Homeland Security, awards public assistance to states. The state may use the funds to restore its own disaster-damaged projects and to provide subgrants to local governments. The Department of the Military provides subgrants to county and municipal governments. As such, the Military Department of Tennessee is a pass-through entity. A pass-through entity is a non-federal entity that provides a federal award to a subrecipient to carry out a federal program. The county and municipal governments are considered subrecipients and, as such, are required to be monitored by the Department of the Military. Our procedures indicated that controls established by management to comply with federal subrecipient monitoring requirements are insufficient to ensure compliance with monitoring requirements.

Based on discussion with management and review of subrecipient audit reports maintained at the Military Department of Tennessee, it appears management has established procedures to obtain audit reports for subrecipient counties that were audited by the Division of County Audit. However, no controls were in place to obtain audit reports for counties that were not audited by the Division of County Audit. In addition, no controls were in place to obtain audit reports for any subrecipient municipalities. Without adequate controls and procedures, management will not be able to comply with federal requirements for pass-through entities.

Office of Management and Budget Circular A-133, Section 400(d)(4), requires pass-through entities such as the Military Department of Tennessee to ensure subrecipients that expend $500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period. In addition, OMB Circular A-133, Section 400(d)(5) requires pass-through entities to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and to ensure that subrecipients take timely and appropriate corrective action on all audit findings. In cases of

continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity is required to take appropriate action using sanctions.

Recommendation

Management should establish controls to ensure compliance with pass-through entity responsibilities. Management should consider coordinating with the Division of Municipal Audit or contacting all subrecipients by mail to determine if its subrecipients are required to submit audit reports to the Military Department of Tennessee. Upon receipt of required audit reports, management should perform the pass-through entity's responsibilities as required by OMB Circular A-133, Section 400(d).

Management's Comment

We concur. Controls are now in place to monitor all 95 counties audit reports. TEMA has coordinated with the Division of Municipal Audit for submittal of any audit findings on Military Department Grants.

Finding Number	04-UTS-01
CFDA Number	Various
Program Name	Research and Development Cluster
Federal Agency	Various
State Agency	University of Tennessee
Grant/Contract No.	Various
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	None

Failure to ensure that subrecipients of federal funds were properly audited

Finding

The University of Tennessee contracts with many subrecipients to accomplish the research described under its numerous federally funded research and development programs. The university therefore qualifies as a "pass-through entity" as described in Office of Management and Budget (OMB) Circular A-133.

According to OMB Circular A-133, pass-through entities are required to ensure that subrecipients expending more than $300,000 in federal awards have an audit performed in accordance with OMB Circular A-133. ($500,000 is the threshold for fiscal years ending after December 31, 2003.) The required audits are to be completed within 9 months of the end of the subrecipient's audit period. The pass-through entity is to review audit findings, if any, and issue a management decision within 6 months after receipt of the audit report. The pass-through entity should ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity should take appropriate action, including sanctions.

For 5 of 34 federal research and development subrecipients tested for the fiscal year ended June 30, 2003, (15%), controller's office personnel did not ensure that the subrecipient was properly audited in accordance with OMB Circular A-133. In these five cases, each subrecipient was sent a letter inquiring about the subrecipient's need for a Circular A-133 audit. In 4 of the cases, a letter was mailed, a follow-up letter was mailed, but a reply was never received. No additional follow-up action was taken. In the other case, an initial letter was sent in February 2004, a follow-up letter was sent in May 2004, but a reply was not received until September 2004 (15 months after the subrecipient's June 30, 2003 year-end).

Controller's office personnel maintain a list of audit inquiry letters sent to the subrecipients. Inquiry letters are normally sent in the February following the subrecipient's year-end, with follow-up letters sent the following May. A record is kept on this checklist describing letters sent and responses received. The procedures currently in place do not ensure the timely receipt of subrecipient audit information.

The failure to ensure that subrecipients of federal funds are properly audited in accordance with OMB Circular A-133 omits an integral part of the monitoring process. Audit reports could indicate on-going financial, compliance, or internal control problems at the subrecipient. In addition, the university must review subrecipient audit findings, if any, and ensure that the subrecipient takes appropriate corrective action.

Recommendation

Controller's office personnel should ensure that all of the university's federal subrecipients which are states, local governments, or non-profit entities receive audits in accordance with OMB Circular A-133 if they expend federal awards in excess of $500,000. The university should develop formal procedures to ensure that this information is obtained for each subrecipient in a timely manner. For subrecipient audits with findings, controller's office personnel should review the findings and perform any necessary follow-up procedures.

Management's Comment

We concur. The five subcontractors identified were five other universities. All of these universities had A-133 audits for this time period, however, they did not respond to our letters. Controller's office staff went to the university or state web sites and reviewed the 2003 audit reports. No instances of noncompliance related to the University of Tennessee subcontracts were noted in the audits. In the future, Controller's office staff will continue to send at least two letters to each subcontractor, and staff will review the audit reports of all subcontractors that do not return our letters prior to the state auditors coming on site.

Finding Number	04-UTK-01
CFDA Number	84.007, 84.032, 84.033, 84.038, 84.063
Program Name	Student Financial Aid Cluster
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	None
Finding Type	Reportable Condition
Compliance Requirement	Other
Questioned Costs	None

Security over the UT Knoxville financial aid system (Banner) needs improvement

Finding

Auditors observed that the University of Tennessee's Office of Information Technology has not implemented adequate security controls over the UT Knoxville financial aid system (BANNER). The University of Tennessee Information Technology Acceptable Use Policy purpose states, "The University of Tennessee seeks to protect the confidentiality of data and privacy of its users, . . . [and] to safeguard the integrity of UTK data and IT resources." Improvements are needed to comply with this policy. Failure to provide such controls increases the risk that unauthorized individuals could access confidential student financial aid information protected by federal privacy law.

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

Recommendation

UT management should improve security over the BANNER financial aid system.

Management's Comment

We concur. The university will take the necessary steps to comply with the recommendations to improve the security of the BANNER financial aid system.

Finding Number	04-APSU-01
CFDA Number	84.032
Program Name	Student Financial Aid Cluster
Federal Agency	Department of Education
State Agency	Austin Peay State University
Grant/Contract No.	N/A
Finding Type	Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

Student status changes were not reported within the required time frame

Finding

Student status changes were not reported to the U. S. Department of Education within the required time frame. For 5 of 25 Federal Family Education Loans (FFEL) student borrowers tested (20%), status changes were not reported within the required time frame. The status changes for the five students occurred on August 6, 2003; December 16, 2003; January 11, 2004; January 29, 2004; and February 21, 2004. As of February 2, 2005, these status changes had not been reported on the National Student Loan Data System (NSLDS). No costs were questioned as a result of the delay in reporting.

According to the *Student Financial Aid Handbook*, Volume 8, Chapter 7, page 67:

> Student enrollment information is extremely important, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the *out of school status effective date* determines when the grace period begins and how soon a student must begin repaying loan funds. . . .[The school is] required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half-time, graduated or withdrawn must be reported [to NSLDS] within 30 days. However, if a Roster file is expected within 60 days, [the school] may provide the data on that roster file.

The failure to report student status changes could result in inappropriate deferments or the failure to properly begin a student's grace period.

Recommendation

The registrar should ensure that all student status changes for FFEL loan recipients are reported in compliance with federal regulations. Documentation of reporting should be retained.

In addition, the registrar should establish controls to identify status changes that are not reported within the required time frame. Failure to comply with the federal regulations should result in appropriate administrative action.

Management's Comment

We concur with the finding and the recommendation. Effective Spring 2005 the Office of the Registrar will send the final semester/term Enrollment Certification report to the National Clearinghouse 3 days after final grades are reported instead of the last day of the semester/term to ensure complete data are available. In addition, a computer program has been developed that will force the reporting of status changes within the required time frame.

Finding Number	04-UTM-01
CFDA Number	84.032
Program Name	Student Financial Aid Cluster
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	None
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$4,128.50

Students were not eligible for federal financial aid

Finding

Two of 42 federal financial aid recipients tested for eligibility at the University of Tennessee at Martin (4.8%) did not meet the eligibility requirements for their assistance.

One of the students was not a regular student enrolled for the purpose of obtaining a degree.

According to the *Federal Student Aid Handbook*, volume 1, page 1:

> A person must be enrolled as a *regular student* in an eligible program in order to receive FSA funds…A regular student is someone who is enrolled or accepted for enrollment in an eligible institution for the purpose of obtaining a degree or certificate offered by the school.

This student was awarded a $2,750 unsubsidized Stafford Loan in the fall semester of 2003 after graduating in the spring semester of 2003. Financial aid personnel were not aware that the student was not seeking a degree.

Another student received financial assistance (a subsidized Stafford Loan) that exceeded the student's financial need. This resulted in an overaward of $1,378.50. The overaward occurred because other financial assistance received was not entered into the award calculation software in a timely manner.

According to the *Federal Student Aid Handbook*, volume 1, page 117:

> A student must have financial need to receive all FSA funds except for unsubsidized Stafford and PLUS loans under the Direct Loan and FFEL programs. Financial need is simply defined as the difference between the student's cost of attendance and the family's ability to pay these costs, the EFC [Expected Family Contribution]. Excepting the Pell Grant Program, other aid the student receives known as *resources* under the Campus-based programs or as *estimated financial assistance* under the Stafford programs, is also subtracted from the cost of attendance to determine financial need.

Since the two students described above were not eligible for this federal financial assistance, costs totaling $4,128.50 have been questioned. Stafford loans tested at Martin totaled $114,176.00, and Stafford loans awarded totaled $14,451,213.39.

Recommendation

Financial aid personnel at Martin should ensure that each financial aid recipient has met all eligibility criteria. Each recipient should be seeking a degree or certificate as offered by the institution. Controls should be implemented to monitor the awarding of aid to students who have already graduated. All sources of other financial assistance should be considered when calculating student awards.

Management's Comment

We concur. In the case of overawards, queries have been written and are run before the first disbursements of each term and on a weekly basis thereafter to catch any overawards. If an overaward occurs and cannot be resolved with a change in award or through other means, then aid is reduced and the student is notified. Loans are reduced first in resolving overawards. Consequently, a process is in place to monitor for overawards and care will be exercised to be in compliance with regulations.

In the case of eligibility, queries are now being run to check if changes are made in student status prior to disbursing aid. If a student's status has changed from an eligible to a non-eligible program, aid will be canceled. Our Academic Records Office is also placing holds on students once they graduate to keep them from registering for additional classes until they update their status to reflect either "senior seeking a second degree" or "post-baccalaureate".

Finding Number	04-UTM-02
CFDA Number	84.032
Program Name	Student Financial Aid Cluster
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	None
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

Student status changes were not properly reported

Finding

At the University of Tennessee at Martin, the university did not properly report student status changes for Federal Family Education Loan (FFEL) borrowers who dropped classes, withdrew, or graduated. According to the *Federal Student Aid Handbook*, volume 8, page 67:

> Student enrollment information is extremely important, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the *out of school status effective date* determines when the grace period begins and how soon a student must begin repaying loan funds.
>
> Changes in enrollment to less than half-time, graduated, or withdrawn must be reported [to the National Student Loan Data System] within 30 days. However, if a Roster file is expected within 60 days, [the school] may provide the data on that roster file.

Testwork at the University of Tennessee at Martin revealed that for 5 of 25 FFEL student borrowers tested (20%), enrollment status changes were not accurately reported. Three students who had officially withdrawn and two students identified as unofficially withdrawn were incorrectly reported as enrolled.

The status changes were incorrectly reported due to a computer programming error made during the Fall 2003 semester.

The failure to accurately report student status changes could result in the inappropriate granting of an in-school deferment or the failure to properly initiate the loan repayment process.

Recommendation

The director of academic records and registrar should ensure that all student status changes for FFEL loan recipients are reported in compliance with federal regulations. Any necessary computer programming changes should be made in order to ensure accurate reporting.

Management's Comment

We concur. An error in the program that reports to the Clearinghouse and NSLDS occurred with the Banner 6.1 upgrade. Once the problem was discovered, it was corrected. In the future, when system upgrades occur, there are procedures in place for testing the system to ensure that Clearinghouse reporting is working properly.

Finding Number	04-APSU-02
CFDA Number	84.063
Program Name	Federal Pell Grant Program
Federal Agency	Department of Education
State Agency	Austin Peay State University
Grant/Contract No.	P063P032217
Finding Type	Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

Pell Payment Data not reported in a timely manner

Finding

As noted in the prior audit, procedures related to Pell Payment Data Reporting need to be improved. Of 30 students tested to determine if all Pell payments were reported to the U. S. Department of Education within 30 days from the date of disbursement, payments to three students (10%) were not reported in a timely manner. No costs were questioned as a result of the delay in reporting.

According to the *Student Financial Aid Handbook*, Volume 3, Chapter 3 – Pell Reporting, Reporting Deadline:

> [The institution] must submit a disbursement record within 30 days of the date you become aware of a Pell Grant change (for example, a new recipient or an increased award). . . .The 30-day reporting requirement ensures that federal funds won't remain at a school when its students don't need the funds. . . .Schools that don't submit required records on time, and schools that submit incomplete records, will have their Pell allocations reduced and may be fined.

Management concurred with the prior finding and stated that "a master calendar has been established and computer programs are being developed that will insure Pell payment data is reported in a timely manner." It appears that a master calendar has benn established and computer programs were developed to ensure timely reporting of Pell payment data. Based on discussions with management, these payments failed to be reported due to staffing changes during the year at which time the Pell transmission duties were segregated. This personnel change occurred in January 2004 which resulted in no Pell transmissions during that month. However, the retirement of one employee and related personnel changes in January 2004 resulted in the delayed reporting of the Pell payment data.

Recommendation

The Financial Aid Director should regularly monitor the master calendar and computer programs to ensure that the system is working and that Pell Payment Data is reported within the required time frames.

Management's Comment

We concur with the finding and recommendation. The financial aid director and associate director will verify that Pell payment data is being processed and reported in a timely manner according to the office master calendar.

Finding Number	04-UTM-03
CFDA Number	84.063
Program Name	Student Financial Aid Cluster
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	P063P032551
Finding Type	Noncompliance
Compliance Requirement	Reporting
Questioned Costs	None

Federal Pell Payment Data was not reported in compliance with federal regulations

Finding

Federal Pell Payment Data is reported to the United States Department of Education through the Common Origination and Disbursement (COD) on-line system. Each Pell payment made to an eligible student is reported on a separate disbursement record. Disbursement records are submitted periodically via batch processing.

The *Code of Federal Regulations*, section 34, part 668.164 (a), states that a disbursement has occurred when an institution credits a student's account with institutional funds on behalf of Pell. The regulation also states that if the credit occurs more than 10 days before classes begin, the official disbursement date is 10 days before the first day of classes.

At the University of Tennessee at Martin, for the fall 2003 semester and the spring 2004 semester, the university credited student accounts with institutional funds more than 10 days before classes began. For these students, the reported disbursement date on the COD system was more than 10 days prior to the first day of classes. The reported disbursement date was therefore not in compliance with the *Code of Federal Regulations.*

The *2003-2004 Federal Student Aid Handbook*, volume 3, page 66, also states, "If your school uses Advance Funding, you can submit a disbursement record up to 30 days before the actual disbursement date."

Eight disbursement records in our sample were submitted more than 30 days before the disbursement date as properly determined by federal regulations.

The failure of the university to properly report Pell disbursements on the COD system limits the U.S. Department of Education's ability to properly monitor the university's cash needs.

Recommendation

Financial aid personnel should ensure proper reporting of Pell Payment Data. Pell disbursement dates reported should be no earlier than 10 days before the first day of classes. The submission of disbursement records should be done no earlier than 30 days before the disbursement date.

Management's Comment

We concur. The university was disbursing university funds on behalf of Pell, but because we were using university funds, it was believed not to be true Pell funds. According to the FSA handbook, university funds can be disbursed to student accounts earlier than 10 days prior to the start of classes as long as the university funds are not called Pell Grant funds. This has been corrected and funds are disbursed no earlier than 10 days prior to the first day of classes for enrolled students (34 CFR 668.165(a)(1)).

Finding Number	04-DHS-08
CFDA Number	10.559
Program Name	Child Nutrition Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	LOC 1235-4741
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

Security over computer systems needs improvement

Finding

The Department of Human Services (DHS) has not always exercised proper control over some of its computer systems. When the department does not follow applicable written policies and procedures or has not developed its own policies and procedures, the department does not have sufficient guidance to effectively direct, control, operate, and maintain its systems. Failure to provide such controls increases the risk that unauthorized individuals could access sensitive state systems and information.

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

This finding is a reportable condition for purposes of the State of Tennessee Single Audit of federal financial assistance. This wording will also appear in that report, which will be provided to the federal government pursuant to the procedures developed for reporting of Single Audit findings.

Recommendation

DHS management should improve security over its computer systems.

Management's Comment

We concur in part. The Department has developed an automated system, Security Administration Facility for Everyone (SAFE), to assist and enhance the security of its systems. Pursuant to Section 10-7-504, *Tennessee Code Annotated*, we are providing our detailed response under separate cover.

Finding Number	04-DHS-04
CFDA Number	10.561
Program Name	Food Stamp Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	3F3404, 3F4404
Finding Type	Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	$9,086.77

The Department of Human Services did not follow its approved cost allocation plan

Finding

The Department of Human Services did not follow its approved cost allocation plan when it charged the administrative cost of the department's Office of General Counsel (OGC) field staff to three federal programs. Administrative costs are allocated on a quarterly basis in accordance with methods outlined in the department's approved *Cost Allocation Plan* dated January 1, 2002. When the department calculated the allocation of OGC administrative costs for the quarter ended June 30, 2004, it used the allocation method approved for the Information Systems division rather than the one approved for the OGC field staff. As a result of this error, three federal programs were overcharged. Temporary Assistance for Needy Families was overcharged $17,936.12, State Administrative Matching Grants for Food Stamp Program was overcharged $9,068.77, and Child Support Enforcement was overcharged $13,635.75.

According to the *Code of Federal Regulations*, Title 45, Section 95.517(a), "A State must claim FFP [Federal Financial Participation] for costs associated with a program only in accordance with its approved cost allocation plan." Section 95.519 further states, "If costs under a Public Assistance program are not claimed in accordance with the approved cost allocation plan . . . the costs improperly claimed will be disallowed." When the department does not properly follow the approved cost allocation plan, it is in violation of federal regulations and makes itself liable for unallowable costs.

Recommendation

The Assistant Commissioner of Finance should ensure that the approved cost allocation plan is applied properly by reviewing supporting documentation and calculations of all quarterly cost allocations, while comparing these calculations to the approved plan. This review should be documented.

Management's Comment

We do not concur that the approved cost allocation plan was not followed. The proper allocation plan was used, but an error was made in the mathematical calculation of the cost. Further, we do not agree this single error rises to the level of a finding. The error has been corrected and procedures have been established to ensure the correct formulae are applied.

Auditor's Rebuttal

As stated in the finding, the department calculated the allocation of OGC administrative costs for the quarter ended June 30, 2004, using the allocation method approved for the Information Systems division rather than the one approved for the OGC field staff. This was not simply a mathematical error. As a result of this error, three federal programs were overcharged, which resulted in questioned costs averaging more than $10,000.

Finding Number	04-DHS-12
CFDA Number	10.561
Program Name	Food Stamp Cluster
Federal Agency	Department of Agriculture
State Agency	Department of Human Services
Grant/Contract No.	3F3404, 3F4404
Finding Type	Reportable Condition
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	None

Security over computer systems needs improvement

Finding

The Department of Human Services (DHS) has not always exercised proper control over some of its computer systems. When the department does not follow applicable written policies and procedures or has not developed its own policies and procedures, the department does not have sufficient guidance to effectively direct, control, operate, and maintain its systems. Failure to provide such controls increases the risk that unauthorized individuals could access sensitive state systems and information.

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

This finding is a reportable condition for purposes of the State of Tennessee Single Audit of federal financial assistance. This wording will also appear in that report, which will be provided to the federal government pursuant to the procedures developed for reporting of Single Audit findings.

Recommendation

DHS management should improve security over its computer systems.

Management's Comment

We concur in part. The Department has developed an automated system, Security Administration Facility for Everyone (SAFE), to assist and enhance the security of its systems. Pursuant to Section 10-7-504, *Tennessee Code Annotated*, we are providing our detailed response under separate cover.

Finding Number	04-THDA-01
CFDA Number	14.195, 14.856
Program Name	Section 8 Project-Based Cluster
Federal Agency	Department of Housing and Urban Development
State Agency	Tennessee Housing Development Agency
Grant/Contract No.	Various
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Reporting, Special Tests and Provisions
Questioned Costs	None

The Section 8 Contract Administration Division's policies and procedures for contract/funding renewals and rent adjustments are inadequate, resulting in noncompliance with the HUD contract and related guidelines

Finding

The Tennessee Housing Development Agency (THDA) contracts with the United States Department of Housing and Urban Development (HUD) to serve as the contract administrator for 384 Section 8 project-based Housing Assistance Payment (HAP) contracts. Project-based HAP contracts are associated with multi-family housing projects in which rent subsidies are paid to private, for-profit landlords and to nonprofit landlords. Under the terms of the contract, THDA assumed the duties of contract administrator from HUD in exchange for an administrative fee determined by the agency's attainment of applicable performance standards.

As contract administrator, THDA oversees HAP contracts for Section 8 projects by monitoring and enforcing the compliance of Section 8 owners with the terms of the HAP contract in accordance with HUD regulations and requirements based on the contract terms outlined in the Annual Contributions Contract. The agency accomplishes these objectives by conducting management and occupancy reviews; processing rental adjustments; processing renewal of expiring contracts (contract renewal); processing termination of HAP contracts; processing the annual funding of HAP contracts (funding renewal); verifying and certifying accuracy of monthly Section 8 vouchers; verifying and authorizing payment on valid Section 8 special claims; disbursing Section 8 payments to owners; responding to community/resident concerns; reporting contract administration activities to HUD; and following up on HUD's physical inspections. The Section 8 Contract Administration Division of the Tennessee Housing Development Agency has the responsibility for the administration of this program. This includes the establishment of policies and procedures for the day-to-day administration of the program.

The policies and procedures developed by the Section 8 Contract Administration Division do not contain detailed information explaining how to process contract/funding renewals and rent adjustments. Because the policies and procedures are general, the contract renewal specialists and contract renewal coordinator have made inconsistent interpretations of tasks to be performed and have developed varying procedures for accomplishing these tasks. The contract renewal specialist is the staff-level position that processes contract/funding

renewals and rent adjustments. The contract renewal coordinator supervises the contract renewal specialists. When questioning the contract renewal specialists and the contract renewal coordinator about procedures, auditors received conflicting information on processes for contract renewals, funding renewals, and rent adjustments. In some cases, it appeared the employees were unaware of the proper procedures that should have been performed. As a result, the auditors requested from management a written description of the proper procedures that should be used so that the auditors could evaluate the agency's procedures. Instead, the agency prepared flowcharts for various procedures required for contract/funding renewals and rent adjustments.

The lack of detailed policies and procedures and the inconsistencies in procedures among THDA employees appear consistent with a finding related to training in the last two Annual Compliance and Reviews Reports prepared by HUD. HUD's finding stated that the Section 8 Contract Administration Division does not have an ongoing training program or plan for new or incumbent staff.

The absence of adequately detailed policies and procedures and the lack of formal training contributed to the following deficiencies noted in a sample of 50 property files tested for contract/funding renewals and/or rent adjustments.

- For eight files tested (16%), the dates of events such as renewal completions, funding requests, or package receipt in THDA's tracking log did not agree with the applicable dates in the property files. It was also noted during testwork that two files were incorrectly listed on the tracking log as pre-MAHRA (Multifamily Assisted Housing Reform and Affordability Act of 1997) contracts; they should have been listed as post-MAHRA contracts. Also, the contract expiration dates on the tracking log for two properties were incorrect. It appears the tracking log was not updated when these contracts were renewed. THDA's *Section 8 Contract Administration Policies and Procedures* requires that the appropriate tracking system entries be made during the processing of the contract or funding renewal and rent adjustment. The tracking log is the main internal control THDA appears to use to ensure compliance with the terms of its contract with HUD. In addition, it is the basis for the preparation of THDA's monthly, quarterly, and annual performance reports to HUD. These reports and the supporting tracking log are also the basis for the monthly invoices to HUD which detail the percentage of completion of the performance-based standards as outlined in the Annual Contributions Contract between THDA and HUD. Although THDA has a policy to make the appropriate entries, there are no policies or procedures to verify the information on the log is correct.

- For eight files tested (16%), the contract renewal specialists did not adequately document that they had verified with HUD that the property owner had not been debarred or suspended from contracting with HUD. THDA's *Section 8 Contract Administration Policies and Procedures*, Policy #245, Section VI.A.2., states, "The assigned staff member shall…check the HUD system for debarment/suspension of the owner or management agent. . . . The appropriate tracking system entry shall be made."

- For 38 of the 50 files tested, THDA was required to send written notification to the property owner of the expiration date of the contract or funding. Three of those 38 files (8%) did not contain documentation of this notification. Per THDA's *Section 8 Contract Administration Policies and Procedures*, Policy #245, Section VI.A.1., "THDA shall monitor contract expiration dates and notify owners in writing of pending contract renewals and submission requirements." Also, it was noted in the review of one property file that funding expired July 31, 2004. The Contract Renewal Request Form should have been received by April 2, 2004, 120 days prior to the expiration date. As of August 10, 2004, no paperwork has been received from the property owner, nor is there any indication that the contract renewal specialist has prepared the paperwork to start the funding renewal process. Although THDA has a policy to notify the owners of contract expiration, the policy does not detail when or for what type of contract this notification is required. During our audit, we received conflicting answers as to whether the policy required a notification 12 or 13 months before the renewal, or at some other point in time. Also, there appeared to be confusion by THDA staff as to whether the policy applies to both contract renewals and funding renewals. Finally, THDA has some contracts that are required to be renewed annually, but there were differing views by THDA staff as to whether this policy was required for that type of contract.

- For 25 of the 50 files tested, THDA should have obtained documentation of the one-year notification letters sent to the residents from the property owners stating their intent to renew or opt out of their Section 8 contract. Seven of those 25 files (28%) did not contain a one-year notification letter. The Annual Compliance and Reviews Reports for the past two years prepared by HUD also noted files missing this notice. HUD's *Section 8 Renewal Policy Guidebook*, Section 11-4, paragraph A, states, "Section 8(c)(8) of the United States Housing Act requires that Owners give a one-year written notice to tenants and HUD of the contract's termination or expiration. The one-year notification must state the owner's intentions (i.e., to renew or not renew) at the time of the contract's expiration." This is also a requirement of the Annual Contributions Contract between THDA and HUD. However, there was some uncertainty by some THDA staff as to whether this policy was required for contracts that renew annually.

- For 31 of the 50 files tested, THDA was required to calculate the increase in the monthly deposit to the reserve for replacement account for an Operating Cost Adjustment Factor (OCAF) rent adjustment. In 6 of those 31 files (19%), the increase in the monthly deposit to the reserve for replacement account was incorrectly calculated. This could result in the reserve being underfunded for future maintenance and repair projects. However, it does not change the amount paid by HUD for the property; it only changes the allocation between the amount sent to the property owner and the amount placed in the reserve. Per the HUD *Section 8 Renewal Policy Guidebook*, Section 4-3, paragraph A.2., "if a contract receives an OCAF rent adjustment, a proportionate amount of any OCAF-adjustment to the rent must be applied to the project's reserve for replacement account." It appears that some of the

calculation errors were the result of various opinions among THDA staff on how or when the calculation of the reserve was to occur.

- For 39 of the 50 files tested, THDA was required to have a Rental Schedule (Form HUD 92458) completed, which documents the approved rents for the various types of units at the property. For one of those 39 files (3%), a Rental Schedule was not in the property file, and there was an increase to the rents. It was also noted in a preliminary review that one file contained a Rental Schedule that was not signed by THDA. HUD's *Guidebook for Section 8 Contract Administration Initiative*, Section 3-5, states, "Upon receipt of the owner's signed Rental Schedule, the CA executes it and returns the original to the owner. . . ." THDA has no written policy or procedure to follow up on incomplete information in the property files.

- For five files tested (10%), the renewal start, renewal completion, or funding approval dates entered in the Real Estate Management System (REMS) did not agree with the dates in the property files. REMS is the computer system developed and maintained by HUD for THDA to report information to HUD. This resulted in incorrect information being provided to HUD through its electronic reporting system.

- For eight files tested (16%), the dates of events such as renewal completions, funding requests, or package receipt in the Monthly Report sent to HUD did not agree with the dates in the property files. THDA's *Section 8 Contract Administration Policies and Procedures*, Policy #260, Section VI.B.1., states, "The Reports Coordinator shall be responsible for processing all reports. The Reports Coordinator shall . . . review all reports and supporting documentation for accuracy and completeness prior to submission of any report to HUD." The submission of the monthly report to HUD is a requirement in the Annual Contributions Contract so that HUD can monitor and evaluate the program and agency performance.

- For 4 of 40 rent adjustment files tested (10%), some amounts on the rent adjustment worksheets were calculated incorrectly. The Annual Contributions Contract required THDA to approve the rent adjustment; therefore, verifying the accuracy of the calculation would be part of this approval. It appears that some of the calculation errors were the result of various opinions among THDA staff on the proper source to obtain the amounts used in the calculation. There appears to be no written THDA policy or procedure on how to perform this calculation.

Most of these deficiencies could have been eliminated through a system of management review and follow-up. However, the current written policies and procedures and the flowcharts developed for the auditors have no provisions for management review and follow-up.

Detailed written policies and procedures, essential to an effective system of internal control, are necessary to ensure the agency meets its duties as contract administrator. Without detailed written policies and procedures for all areas of operations, communication among management and other personnel may be impaired, and tasks may not be carried out consistently in accordance with management's goals and relevant requirements.

Recommendation

The Director of Contract Administration should strengthen internal control by developing detailed written policies and procedures for all internal operations and providing adequate training to employees. The director should then ensure that all policies and procedures, including updates, are communicated to employees. The director and contract renewal coordinator should also monitor employees' compliance with established policies and procedures and take appropriate corrective actions, as necessary, to improve compliance.

Management's Comment

Management has reviewed the finding related to the Section 8 Contract Administration (S8CA) Division's policies and procedures for contract/funding renewals and rent adjustments. We concur with the finding and the overall recommendation from State Audit. During this audit period, S8CA had policies and procedures in place addressing the general processing requirements for contract/funding renewals and rent adjustments. THDA has always adhered to a combination of its internally developed policies and HUD provided policies, statutes, regulations, notices, memos, and guidebooks in the processing of contract/funding renewals and rent adjustments. We recognize, as a result of this audit, that our current policies and procedures are not adequately detailed to support many of the processing actions required in performing these activities. This contributed to our contract renewal specialists making inconsistent interpretations of processing tasks at various stages. As the State Audit team conveyed during the exit conference, the contract/funding renewal and rent adjustment process encompasses a variety of complex and interrelated actions that are compressed into a pre-defined, HUD required timeframe. THDA is required to work jointly with property owners, management agents, and HUD staff (two Tennessee Field Offices) in order to successfully complete transactions and meet timeframes.

Strict and immediate attention to correct State Audit's concerns began in November 2004, with the following three-tiered approach:

Tier One involves S8CA rewriting all policies and procedures specific to the contract/funding and rent adjustment process. During State Audit's fieldwork, S8CA provided a series of flowcharts detailing all steps involved with each type of renewal and rent adjustment transaction. We fully understood that this was not a replacement for existing policies and procedures but instead was to be used as a tool for State Audit and staff to better identify the key steps in each process. Our revised policies and procedures will not only identify the key steps, but also the documentation, notification, dates, tracking systems, and monitoring systems that are essential to ensuring that contract/funding renewal and rent adjustment processing is timely, accurate, and compliant with HUD guidelines and expectations. THDA plans to complete and implement these revised policies and procedures by early Spring, 2005. We will include all appropriate S8CA staff, S8CA and THDA management, and HUD officials in the review and approval or acceptance of the revisions.

Tier Two involves the development and implementation of a more comprehensive training program for S8CA staff associated with contract/funding renewals and rent adjustments. New and existing staff will be consistently trained on the newly revised policies and procedures and, in addition, will thoroughly review and correct any weaknesses identified through our internal quality control processes. Staff will be able to utilize the revised policies and procedures as the primary resource document for performing their day to day work. All other HUD resource documents will continue to be used as necessary. Our division training coordinator and contract renewal coordinator will incorporate consistent delivery of in-service training on both contract/funding renewals and rent adjustments, as well as policy and procedure revisions, into the division training plan.

Tier Three involves improving the documentation process and organization within S8CA. THDA has always operated within HUD guidelines as the basis for processing contract/funding renewals and rent adjustments. HUD has provided guidance and/or direction in the form of verbal instruction on numerous occasions specific to various components of our processing. THDA recognizes that documentation of verbal instruction should be obtained either in the form of written instruction or THDA should follow up with a written confirmation to HUD. In addition, any HUD recommendations should be incorporated into formal policies and procedures as soon as practical. All HUD direction addressed in this manner will be immediately brought to the attention of staff by the contract renewal coordinator via in-service training and/or staff meetings.

The contract renewal section has already initiated bi-monthly staff meetings to discuss processing and any transactions that differ from routine as outlined in the policies and procedures. This will significantly enhance the level of consistent interpretation between the contract renewal coordinator and contract renewal staff. Internal review processes are being developed that directly focus on the accuracy of tracking logs, file data, calculations, and Real Estate Management System (REMS) entries. These processes are completed through a combination of internal quality control, external quality control, and supervisory review via checklists and file inspections.

Finding Number	04-LWD-01
CFDA Number	17.258, 17.259, 17.260
Program Name	Workforce Investment Act Cluster
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	Various
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	None

The Department of Labor and Workforce Development did not monitor all of its Workforce Investment Act subrecipient contracts

The Department of Labor and Workforce Development did not monitor all if its Workforce Investment Act (WIA) subrecipient contracts as required by the *Code of Federal Regulations* and the Department of Finance and Administration's (F&A) Policy 22, *Subrecipient Contract Monitoring*.

Testwork performed on a sample of subrecipient contracts revealed that 10 of 21 high-risk WIA subrecipient contracts, identified by the department as requiring monitoring (48%), were not monitored during the fiscal year. The *Code of Federal Regulations*, Title 20, Section 667.400, requires the department monitor its subrecipients to determine compliance with the Workforce Investment Act. Policy 22 establishes guidelines for the uniform monitoring of subrecipients that receive state and/or federal funds from state departments, agencies, and commissions. The policy requires the Department of Labor and Workforce Development to submit an annual monitoring plan to F&A for review, comment, and approval by September 30 each year. This plan should identify all subrecipients, state which subrecipients' contracts require monitoring, describe the risk criteria utilized to select subrecipients for monitoring purposes, and assign a level of risk to each subrecipient. The department prepared and submitted the annual monitoring plan as required.

The monitoring program is a key internal control for the Workforce Investment Act program. It should be a priority for upper management. Failure to monitor subrecipient contracts increases the probability that the program could be charged for unallowable costs and activities and that fraud could occur and go undetected. The department has also not complied with the *Code of Federal Regulations* and the Department of Finance and Administration's Policy 22.

Recommendation

The Commissioner should ensure that all subrecipients who have been identified as high-risk in the department's annual monitoring plan submitted to the Department of Finance and Administration are monitored. Monitoring should be conducted in accordance with the *Code of*

Federal Regulations and the Department of Finance and Administration's Policy 22, *Subrecipient Contract Monitoring*.

Management's Comment

We concur. Prior to February 2004, the Department of Finance and Administration was responsible for monitoring the department's contracts in accordance with the Office of Management and Budget (OMB) Circular A-133 and the Department of Finance and Administration's Policy 22. In February 2004, Finance and Administration decentralized this function and shifted the responsibility for monitoring Department of Labor and Workforce Development (DOLWD) contracts to the department. However, the number of staff members transferred was not sufficient to conduct the required monitoring

Currently the DOLWD monitoring unit is fully staffed, and we have developed a monitoring tracking system to ensure that the department meets its monitoring obligations as outlined in the monitoring plan for the program year ending September 30, 2005.

Finding Number	04-DOT-01
CFDA Number	20.205
Program Name	Highway Planning and Construction Cluster
Federal Agency	Department of Transportation
State Agency	Department of Transportation
Grant/Contract No.	N/A
Finding Type	Reportable Condition
Compliance Requirement	Other
Questioned Costs	None

System administrative and security controls need improvement

Finding

The Department of Transportation needs to improve its controls over the authorization and approval of computer user access as well as improving controls over the elimination of user access for terminating employees. The following exceptions were noted:

a. The process for authorizing users in the Department of Transportation State Transportation Accounting and Reporting System (DOT STARS) is not sufficiently documented. For 20 of 25 users tested (80%), there was no supporting documentation authorizing their access to the system.

b. Access was not appropriately terminated for 9 of 25 users tested (36%). These nine individuals were not employees during the audit period but still had access to the DOT STARS system.

Strong computer security controls will help prevent the unauthorized access, deletion, or alteration of data. Security controls will also limit a user's system access so that access is granted on a "need-to-know, need-to-do" basis. The proper administrative controls will assist management in maintaining the appropriate level of computer security.

Recommendation

Management should implement the proper computer administrative and security controls over the authorization and approval of user access as well as improving controls over the termination of user access. Authorization and approval should be maintained on file for all users of the department's significant information system. The authorization should specify the system capabilities required by the user and should be approved by appropriate management. User access should be reviewed regularly to determine whether it is still appropriate, based on the employee's current job responsibilities.

Controls should be implemented to ensure that user access is revoked immediately after employment ends or when the user no longer requires access.

Management's Comment

We concur. Rather than indefinitely keep on file individual requests for user authorization, annually all authorized users will be verified. Users with more than "inquiry only" security level will be verified by the unit or division director. Individual authorization requests received after the most recent verified list of users will be maintained on file. All other requests will be destroyed.

RACF security controls user access to all mainframe applications, including STARS. Therefore when a user's RACF ID is removed, access to STARS is effectively removed. In addition to the current process, all authorized STARS users will be verified against a list of active TDOT employees and user records not on the active TDOT employee list will be deleted.

Finding Number	04-DHS-09
CFDA Number	93.575, 93.596
Program Name	Child Care and Development Fund Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0101TNCCD2, G0201TNCCD2, G0301TNCCD2, G0401TNCCD2, G0201TNCCDF, G0301TNCCDF, G0401TNCCDF
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility
Questioned Costs	None

Security over computer systems needs improvement

Finding

The Department of Human Services (DHS) has not always exercised proper control over some of its computer systems. When the department does not follow applicable written policies and procedures or has not developed its own policies and procedures, the department does not have sufficient guidance to effectively direct, control, operate, and maintain its systems. Failure to provide such controls increases the risk that unauthorized individuals could access sensitive state systems and information.

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

This finding is a reportable condition for purposes of the State of Tennessee Single Audit of federal financial assistance. This wording will also appear in that report, which will be provided to the federal government pursuant to the procedures developed for reporting of Single Audit findings.

Recommendation

DHS management should improve security over its computer systems.

Management's Comment

We concur in part. The Department has developed an automated system, Security Administration Facility for Everyone (SAFE), to assist and enhance the security of its systems. Pursuant to Section 10-7-504, *Tennessee Code Annotated*, we are providing our detailed response under separate cover.

Finding Number	04-DHS-16
CFDA Number	93.575, 93.596
Program Name	Child Care and Development Fund Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0101TNCCD2, G0201TNCCD2, G0301TNCCD2, G0401TNCCD2, G0301TNCCDF, G0401TNCCDF
Finding Type	Reportable Condition
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

For the fiscal year ended June 30, 2004, the department failed to monitor organizations that received over $16 million to provide services for the Child Care program, and the results of monitoring visits did not always agree with conclusions in the monitoring reports

Finding

The Department of Human Services has not always monitored certain child care contractors. Also, results of monitoring visits as documented in the working papers did not always agree with the monitoring report and questioned costs noted in the monitoring reports have not been repaid.

A listing of the 25 contractors that received the most program funds during the fiscal year ended June 30, 2004, was compared to a listing of contractors that were monitored by the Program Assessment or the Internal Audit Division. Eleven (44%) had not been monitored. The total amount of program funds paid to these 11 contractors during the fiscal year was $16,219,998.

Testwork on a sample of program expenditures included 16 contractors and 23 contracts. Program expenditures of 15 of the contractors (94%) which represent 22 of the contracts (95%) were supported only by either an invoice for reimbursement or an Enrollment Attendance Verification Form and these contractors had not been monitored during the fiscal year. Four of these 15 which were not monitored were among the 25 highest paid contractors.

During the fiscal year ended June 30, 2004, 35 child care contractors were monitored by the Internal Audit Division. In a review of 25 reports and related working papers, six (24%) did not have documentation to show that all audit steps had been performed. Eleven (44%) had findings in the report that appeared to result in questioned costs. However, the report did not contain questioned costs related to these findings, nor did the working papers indicate that the conditions noted did not warrant the calculation of questioned cost. Five (20%) appeared to have problems noted in the working papers that should have been mentioned in the report but were not. Thirteen reports contained questioned costs; however, as of December 1, 2004, none of the questioned costs had been repaid. The amounts ranged from $19.20 to $21,995.20. The length of time since the reports had been issued ranged from 5 to 13 months.

This monitoring program is a key internal control. It should be a priority for upper management. Failure to properly monitor contractors increases the probability that the program could be charged for unallowable costs or activities and that fraud could occur and go undetected.

Recommendation

The Commissioner should instruct the Inspector General, in consultation with the Director of Internal Audit and the Director of Program Assessment, to develop procedures which ensure that contractors providing services to the Child Care program are monitored and that they are monitored properly. These procedures should include a formalized risk assessment of the contractors to ensure that, at a minimum, all high-risk contractors are monitored each year. The rest of the contractors should be monitored not less than once every two years to three years. The Inspector General should be instructed to ensure that all required testwork is performed, conclusions expressed in monitoring reports agree with the testwork in the working papers, and questioned costs are calculated and included in the monitoring report where applicable. Also, all questioned costs reported in monitoring reports should be pursued on by the department to ensure that they are repaid by the contractor in a timely manner.

Management's Comment

We do not concur. It would be impossible to monitor all the providers participating in the Child Care Certificate Program each year. Furthermore, it has never been the intent to audit the largest 25 providers. It is not known until the end of the fiscal year which providers received the most money. There are about 300 providers participating in the program and our goal is to review at least 25 providers every year based on current resources. During the first quarter of each fiscal year, a sample of providers is randomly selected for review. Internal audit reviews payments to providers for the three months prior to the scheduled review of the provider. Test work may be expanded up to a twelve-month period as deemed necessary. Additionally, any contractor receiving $500,000 or more in public monies is subject to yearly audits by an independent Certified Public Accountant as required by state law.

The audit step that had been signed as completed was a four-part step. Three parts of the step were completed and documented as required in the working papers. The part in question is for the auditor to obtain copies of a child's certificate from the provider as a reference when necessary. This step does not require the auditor to exhibit the certificates in the working papers. The certificate is available online in TCCMS.

Three of the 11 reports should have included questioned costs. The providers were paid for absences beyond the 10-day limit. The total amount overpaid to the 3 providers was $640.00. For the other eight providers, the department did not pay for absences beyond the 10-day limit; therefore, there were no questioned costs to calculate or note in the work papers.

The five noted are a program policy violation, but do not result in questioned costs. According to the program policy, discount rates offered to the center's employees, members of certain groups/organizations as well as children receiving scholarships are not considered lower rate than the state rate. These type discount rates and scholarships are the exceptions to the policy regarding public rate.

We concur that some questioned costs have not been timely collected. Procedures have been developed to ensure questioned costs are collected in a timely manner.

Auditor's Rebuttal

Nowhere in the finding have we stated that the department should "monitor all the providers participating in the Child Care Certificate Program each year," or have we stated that the department should "audit the largest 25 providers." We have stated that there should be a "formalized risk assessment of the contractors to ensure that, at a minimum, all high risk contractors are monitored each year. The rest of the contractors should be monitored not less than once every two to three years." In performing the risk assessment, one of the risk factors considered should be the amount of funds paid to the center during the previous fiscal year. The more funds received by the center, the greater the potential for fraud. For the four-part audit step mentioned in the finding, the working papers did not indicate that all parts had been completed. If non-compliance with a particular rule could result in questioned costs, there should be an explanation in the working papers explaining why there were none.

Finding Number	04-DFA-03
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$4,926,245

For the second year, TennCare chose to improperly record administrative payments to Premier Behavioral Systems of Tennessee, and TennCare overpaid the administrative payments to behavioral health organizations; these conditions have resulted in federal questioned costs of $4,926,245 and state questioned costs of $15,260

Finding

For the second year, TennCare chose to improperly record administrative payments to Premier Behavioral Systems of Tennessee as medical assistance payments. In addition, the current audit also revealed that the total amount of administrative payments to both Premier and Tennessee Behavioral Health (TBH) exceeded the amount of funding allowed to the TennCare Partners Program.

Prior to February 2003, TennCare paid Premier a monthly capitation payment to provide services to TennCare enrollees. Beginning in February 2003, TennCare started reimbursing Premier for all behavioral health services provided to enrollees and paid an administrative fee for these enrollees. According to the approval letter from the Centers for Medicare and Medicaid Services (CMS) for Premier's contract amendment, the state will be allowed to claim federal financial participation (FFP) for earned administrative fees at the 50% federal matching rate, not at the higher 67.54% medical assistance rate. Management did not concur with the prior audit finding and stated:

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

In our rebuttal, we noted that the approval letter to the Director of TennCare from the Centers for Medicare and Medicaid Services for Premier's contract amendment states:

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

We also noted that the approval letter further states that because Premier BHO is operating as a non-risk contractor, the state will be allowed to claim federal participation for earned administrative fees at the 50% federal matching rate. Although management contends that the amendment with Premier was designed to be a partial risk agreement, it appears to be a non-risk agreement. In addition, we also reported that TennCare coded administrative fee payments to Premier as "administrative" for the months of May and June 2003.

During current fieldwork, we discussed this matter with a federal CMS official. That official indicated to us that the position of the CMS in the letter had not changed and that TennCare should not claim the higher medical assistance rate for these administrative payments.

Testwork revealed that TennCare claimed the medical assistance rate of 67.54% for administrative payments totaling $27,904,762 to Premier. It should be noted that from July 2003 through January 2004, all BHO administrative payments were initially charged to the 50% Federal Financial Participation (FFP) rate. However, according to TennCare fiscal staff, the former TennCare Director instructed staff to retroactively apply the 67.54% FFP rate to all administrative payments. This resulted in $4,894,492 in federal questioned costs. Because no additional funds were paid for this condition, there were no state questioned costs.

Additionally, testwork revealed that TennCare overpaid $47,013 to Premier and TBH in administrative fees for the year ended June 30, 2004. The error occurred because of a calculation error. The total overpayment resulted in $31,753 of federal questioned costs with the remaining $15,260 in state questioned costs.

These conditions resulted in total federal questioned costs of $4,926,245 and state questioned costs of $15,260.

Recommendation

The Chief Financial Officer (CFO) should ensure administrative payments to Premier are recorded appropriately so that the appropriate federal financial participation is claimed. Otherwise, the CFO should obtain, and provide to us, documentation of concurrence by CMS that TennCare's claiming of administrative payments at that higher matching rate is allowable. The CFO should also ensure that the Bureau of TennCare pays the correct amount for administrative payments and recovers the overpayments.

Management's Comment

We concur in part. Regarding the federal percentage claimed for Premier administrative costs, we will continue to discuss our position with CMS and pursue a resolution.

Fiscal Services personnel determined that calculation errors occurred in three months of the audit period (July, August, and September 2003) that resulted in the overpayment of administrative fees to the behavioral health organization, Tennessee Behavioral Health. However, the total of these overpayments as calculated by Fiscal Services is $43,621.82, rather than $47,013 as calculated by the auditors. The difference of $3,391 appears to be rounding errors and the difference in the calculating methodology utilized by TennCare's Fiscal Services Division and the auditors.

A Financial Change Request was initiated on March 24, 2005, to recover the overpayment of $43,621.82 from Tennessee Behavioral Health.

Finding Number	04-DFA-04
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

TennCare's monitoring of payments to the Managed Care Contractors needs improvement

Finding

As noted in two prior audits, TennCare's monitoring of payments to the Managed Care Contractors (MCCs) needs improvement. During the audit period, TennCare's MCCs included the Behavioral Health Organizations (BHOs), the Managed Care Organizations (MCOs), Doral Dental of Tennessee, Consultec LLC (Consultec), and First Health Services Corporation (First Health).

For the year ended June 30, 2004, TennCare reimbursed the MCCs as follows:

- TennCare paid approximately $403 million to the BHOs for behavioral health claims and administration payments.
- TennCare paid over $2.4 billion to the MCOs for actual medical claims of enrollees.
- TennCare paid over $126 million to Doral Dental, the dental benefits manager, for dental claims.
- TennCare paid over $2.1 billion to Consultec and First Health, the pharmacy benefits managers, for pharmacy claims.

We reviewed procedures to determine if TennCare had monitored the MCCs for the same five critical control areas mentioned in the prior audit findings. Our objectives were

- to determine if third-party liabilities (TPL) were appropriately deducted from the amount paid,
- to determine if TennCare adequately monitored to ensure that individual provider claims were not reimbursed more than once,
- to determine if TennCare adequately monitored reimbursements to ensure that the MCCs paid for valid and eligible TennCare enrollees,

- to determine if TennCare adequately monitored transactions to ensure that the MCCs paid the providers the same amounts billed to TennCare, and
- to determine if TennCare reconciled the amounts TennCare reimbursed to the MCCs to the claim encounter data received by the Division of Information Systems.

Third Party Liability

Testwork revealed that TennCare had not taken the necessary steps to ensure that third-party liability was collected before payments to the providers were made. According to the *Code of Federal Regulations*, Title 42, Part 433, Section 138, "The agency must take reasonable measures to determine the legal liability of the third parties who are liable to pay for services furnished under the plan. . . ." However, audit inquiry revealed that TennCare had not made reasonable efforts to ensure that the BHOs, Doral Dental, and First Health appropriately deducted third-party liabilities from the amount paid to the providers. According to the Deputy Chief Financial Officer, given the nature of behavioral health services provided to the enrollees, the BHOs would not have much TPL to recover. However, management could not provide us with the total TPL related to the BHO services, or with evidence that the cost of recovering TPL would exceed the amount recoverable.

To address pharmacy claims, TennCare contracted with the Public Consulting Group (PCG) to perform retroactive third-party liability and duplicate payment recovery for pharmacy claims until December 31, 2003. However, the contract with PCG was not extended. In addition, TennCare has not assumed the responsibilities of PCG since its contract termination. According to the Chief Financial Officer, an additional unit dedicated to TPL is still being considered by TennCare management to assist in the monitoring of TPL.

Duplicate Reimbursements

Testwork was performed to determine whether TennCare had adequate monitoring procedures in place to ensure that provider claims were not reimbursed more than once. Based on discussions with TennCare Information Systems (IS) staff, TennCare generated duplicate reimbursement edit reports each month since January 2004 for the BHOs and the MCOs. However, IS staff have no procedures to address the exceptions that are identified by the edit reports. In addition, according to the TennCare IS staff, reports for the months prior to January 2004 were not created because there were problems with the reports prior to refinement.

Additionally, based on discussions with the Deputy Chief Financial Officer, TennCare had no procedures in place to prevent duplicate claims payments to dental and pharmacy providers. As noted above, Public Consulting Group (PCG) was contracted to perform retroactive third-party liability and duplicate payment recovery for pharmacy claims only until December 31, 2003, and TennCare has not assumed the responsibilities.

Eligibility

TennCare did not adequately monitor payments to the BHOs to ensure that payments to providers were for services performed for eligible TennCare enrollees. Although TennCare has

taken steps to establish an effective monitoring process, TennCare has not yet ensured that payments to providers were for services performed for eligible enrollees. TennCare's Fiscal Budget Unit receives reports from the TennCare IS Division that list claims paid for ineligible and dead recipients. During fieldwork, management indicated that their plan was to send the reports to the respective BHOs for response and explanation of the discrepancies. In addition, TennCare fiscal staff plans to maintain and document all of the error reports, the responses from the BHOs, and status of all the responses sent out. However, as of September 24, 2004, reports for only the months of May 2004 and June 2004 had been sent out to the BHOs. Fiscal staff noted the reports for the other 10 months have been generated but were provided along with data from prior fiscal years and therefore are not easily reviewed. Fiscal staff also stated that they have asked TennCare IS staff to break down the reports by month so that the information is more manageable. However, the reports have not been provided to the BHOs as of December 15, 2004.

Reimbursement to MCCs and Providers

Based on discussions with fiscal staff, TennCare did not have adequate procedures in place to ensure that the MCOs were actually paying the providers the same amount that the MCOs bill TennCare. Each week, TennCare receives invoices from each MCO for reimbursement of actual medical expenditures. Some of the check registers of the MCOs are sent electronically; some are faxed, or in the case of John Deere Health Plan, not sent at all. The check registers for Victory Health Plan and Preferred Health Plan are not sent at the same time as their respective invoices. As a result, TennCare could not compare the MCOs' check register totals to the billing invoices for these MCOs. Also, we noted examples of invoices that did not reconcile to the claims data, and that TennCare had no procedures in place to handle discrepancies between claims data and invoices.

In addition, TennCare's procedures for determining if Doral paid the dental providers the same amount that was billed to TennCare were ineffective. Based on discussions with TennCare staff, TennCare made comparisons between the claims data, the check registers, and the invoices monthly, but corrective action for any exceptions found was not documented. Furthermore, TennCare could not provide evidence that the appropriate party (i.e., the Fiscal Director, Dental Director, etc.) was aware of any differences between these three items. In addition, although TennCare staff indicated that the check-register-to-invoice reconciliation was done for July 2003 through September 2003, we were unable to confirm that the reconciliation was performed because it was not documented.

Encounter Reconciliation

Current testwork revealed that as of October 21, 2004, TennCare had not successfully reconciled the amount reimbursed to the MCOs to the claims encounter data for the year ended June 30, 2004. According to the Director of Managed Care Analytics, the report has not been generated for the year ended June 30, 2004, due to lack of system space. When the system space becomes available, it will take approximately one month to run the report so that the reconciliation process can begin. Based on discussions with the Director of Managed Care Analytics, TennCare has generated reports and attempted to reconcile the encounter data sent by

the MCOs with their invoices for the year ended June 30, 2003. We found that the Director of Managed Care Analytics sent a memo dated July 1, 2004, to each MCO with a report showing differences for encounter data and invoices for the year ended June 30, 2003, and requested the MCOs provide explanations and a reconciliation. As of October 28, 2004, the responses have been received from the MCOs, and TennCare is reviewing the responses to determine the appropriate action.

In addition, TennCare's procedures for reconciling the amounts TennCare reimbursed to Doral for dental claims to the claims encounter data received by the TennCare Division of IS were also ineffective. Testwork revealed that TennCare reconciled the amount TennCare reimbursed to Doral to the claims data sent with the respective invoice. However, the claims data were not, in turn, reconciled with the encounter data. TennCare staff compared the total amount of claims from the encounter data to the claims data total for the 17 payments made between October 23, 2003, and June 18, 2004. However, at no time during the audit period did the two amounts match, and TennCare staff were unable to explain the differences. For 14 of these payments, the encounter data totals were higher than the claims data totals by a total of $1,191,218. For 3 payments, the claims data totals were higher than the encounter data totals by a total of $3,799. Management stated that no comparisons were made before October 23, 2003.

Additional discussions with fiscal staff revealed there were no procedures in place to reconcile the amounts TennCare reimbursed to Consultec/First Health to the claim encounter data received by the TennCare Division of IS. The amount reimbursed to Consultec/First Health was reconciled with the claims data sent with the respective invoice, but the claims data were not, in turn, reconciled with the encounter data.

Inadequate monitoring of the MCCs could result in TennCare paying duplicate claims, paying claims on behalf of ineligible recipients, and paying the MCCs more than the MCCs paid out to the providers.

Recommendation

The Director of TennCare should ensure that adequate monitoring of the MCCs is performed and that it specifically addresses the five critical control areas.

The Director should ensure that

- procedures are developed to monitor TPL collection for BHO, MCO, dental, and pharmacy claims in accordance with the *Code of Federal Regulations*;
- procedures are implemented to prevent BHO, MCO, Doral Dental, and First Health providers from being reimbursed more than once;
- reports of all months of potentially ineligible enrollees are sent to the BHOs for follow-up and review and that reports are returned from the BHOs timely;
- check registers are received and compared to the invoices for all MCOs;

- the MCO invoices are reconciled to the claims data;
- reconciliations of MCO and Doral invoices to claims data are documented for all months and necessary corrective action is taken and documented for any discrepancies discovered;
- the current-year amounts reimbursed to the MCOs and the encounter data received by the TennCare Division of IS are reconciled; and
- procedures are developed to reconcile dental and pharmacy claims data to encounter data obtained by the TennCare Division of IS.

In the future, when TennCare management decides that other areas will be paid on a fee-for-service basis, it should ensure that all critical areas are identified and subsequently monitored, and that action is taken on the monitoring results.

Management's Comment

We concur. TennCare has made and will continue to make improvements in the monitoring of payments to Managed Care Contractors (MCC). The most notable improvement in this area will be the identification and handlings of questioned costs associated with MCC encounter data. During this audit, a request was submitted by the Fiscal Services Division to Information Systems for a report identifying potential questioned costs made by the MCCs such as duplicate payments and dead or ineligible enrollees. Although a preliminary report was produced and sent to some MCCs, we have found that the information in the report should be refined. Once the refined report is received by Fiscal Services, it will once again be forwarded to the appropriate MCC for evaluation. MCCs will be provided 30 days to respond with comments and what appropriate corrective actions were taken. Once returned by the MCC, the returned file will be reviewed by Fiscal Services staff to ensure that adequate justification is provided for those payments that are found to be appropriate, and necessary action is taken for other payments.

As noted in the finding, TennCare initiated the process of establishing a Third Party Liability (TPL) Unit within the Fiscal Services Division. This unit's primary responsibility will be to maximize TennCare's TPL recoveries. Once established, this unit will be able to look retrospectively against TennCare claims for additional TPL recoveries. We will continue to improve monitoring of TPL activities used by the BHO and maximize TPL in this area. The MCCs have various TPL activities today, and additional efforts around TPL collections will be pursued retroactively to the earliest legally allowable date. More specifically, contract language between TennCare and each MCO not only requires that each MCO perform TPL activities, but TennCare also encourages MCO's to have a robust TPL program by allowing the MCOs to recover some administrative costs of an approved MCO's TPL program. See contract excerpts below:

<u>Third Party Resources</u>
"The CONTRACTOR shall exercise, full assigned benefit rights and/or subrogation rights as applicable and shall be responsible for making every reasonable effort to

determine the legal liability of third parties to pay for services rendered to enrollees under this Agreement and recover any such liability from the third party".

"Failure to seek, make reasonable effort to collect and report third party recoveries shall result in liquidated damages".

Medical Expenses (Amendment 6)
"If approved by TennCare, the TPL or subrogation recoveries may be the net of administrative expenses incurred that are related to recovery activities".

The Fiscal Services Division has also made noticeable improvements in documenting the results from internal control procedures. Specifically, more detailed explanations are maintained for the variances between claims data, the check registers, and the invoices for both the PBM and DBM. When unexplained differences do occur, payment will be made on the lesser of the amounts reported and notice will be forwarded to management. These same procedures will be integrated into the MCO payment process as well. The CFO has directed Fiscal Services to assign responsibilities to all necessary reviews and document completion of the reviews and results.

We have also entered into an agreement with the Comptroller's TennCare Division to perform procedures to review the claims processing accuracy and reporting accuracy of data to TennCare by the MCOs, DBM, and BHO. This work will supplement the audit schedule of the Department of Commerce and Insurance, TennCare Oversight Division, the goal being to increase the number of reviews performed each year.

The Office of HealthCare Informatics has assigned dedicated resources working on (1) the fiscal year 2004 high-level MCO invoice/encounter reconciliation, and (2) the fiscal year 2005 monthly on-going MCO and pharmacy invoice and encounter reconciliations concurrently.

The final MCO reconciliation summary for fiscal year 2004 will be provided to the CFO for review by June 2005. In February 2005, the Bureau began conducting monthly (on-going) invoice/encounter reconciliations for July 2004 MCO and PBM invoice submissions. During this process, systems related issues occurred, requiring further modification to the reconciliation methodology. Staff are continuing to develop alternative plans of action to resume monthly reconciliation.

The progress made to date was done despite losing three analysts in the last 18 months. The Bureau will continue to implement and revise its reconciliation process of all MCOs, PBM, and Dental invoices to encounter files.

Finding Number	04-DFA-05
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

TennCare incorrectly issued an $8,000,000 check to a provider

Finding

TennCare failed to follow established financial policy and procedure, and as a result, incorrectly issued an $8,000,000 check to an institutional Medicare cross-over provider on August 15, 2003.

Medicare cross-over recipients are eligible for both Medicare and Medicaid, and are required by Medicare to pay coinsurance and a deductible to the provider for services received. Because the recipient is eligible for Medicaid, Medicare cross-over providers bill TennCare instead of the patient for the coinsurance or deductible amounts. In July 2003, a county hospital contacted TennCare and requested an increase from $50.75 to $97.50 in the Medicare coinsurance amount for a claim previously submitted for a cross-over recipient. Staff of Electronic Data Systems (EDS), the contractor hired to maintain and operate the system, manually enter adjustments of this type. However, because EDS made a data entry error, the claims data relating to the amount billed and the deductible for the claim in question were incorrectly increased to $8,000,097.50 and $8,000,000, respectively. This error resulted in TennCare generating an $8,000,000 check to the hospital. The provider received and endorsed the check; however, the provider immediately returned the check to TennCare when it realized the error. We examined the voided check.

According to TennCare management, there were procedures in place to review and verify the accuracy of all manual adjustments. These procedures, dated January 2003, are included in EDS's *Financial Procedures Manual*. The procedures require all manual adjustments to be verified accurate by a person other than the individual performing the initial update. Had these procedures been followed, the keying error would have been detected and corrected in a timely manner prior to the check being issued. In addition, TennCare indicated that system edits were established to suspend any institutional cross-over claim over $10,000. However, according to EDS staff, the edit was never operational.

According to TennCare and EDS management, system modifications to the new TennCare Management Information System (interChange) are being put in place that will identify payment anomalies and suspend the payment for manual review. According to EDS

management, until these edits are in place, EDS will run a weekly series of queries and reports to identify claims that exceed defined monetary thresholds. All claims identified will be manually reviewed and compared to supporting documentation by EDS staff.

Following prescribed procedures and having working system edits in place are essential in preventing erroneous payments to providers, which could remain undetected.

Recommendation

The Director of TennCare should ensure that policies and procedures regarding the review of manually adjusted claims are adequate and that EDS staff responsible for this review follow the policy. We also recommend that the Director ensures that the new TennCare Management Information System (interChange) has appropriate system edits in place to identify checks over a certain amount in order to facilitate a review by management prior to issuance.

Management's Comment

We concur. TennCare's investigation determined that although the contractor does have the previously described process to verify manual adjustments, it failed to identify this keying error. Again as stated, the contractor's documentation for the legacy TCMIS identified an edit to suspend any institutional crossover adjustment in excess of $10,000 for additional review and approval. This edit, however, was never implemented and thus failed to suspend the claim. Additionally, TennCare staff review a sample of the remittance advices for each payment cycle generated by EDS to determine the accuracy of the payments prior to authorizing their release. Unfortunately, this claim was not part of the sample selection and thus not reviewed.

TennCare's Informatics' staff also analyzed all payments made by EDS in the fiscal year ended June 30, 2004 to determine if any other aberrant payments were issued. That search identified no payments other than the one discussed in this finding. This analysis is now routinely performed on a quarterly basis. In response to this finding, TennCare also verified that a maximum payment edit to preclude errors of this type was installed and operational in the new interChange system.

It should be noted, that this error **did not** result in the loss of state or federal funding as the check was returned by the provider. Additionally, the TCMIS contract language provided that "The Contractor shall be liable for overpayments and duplicate payments if adequate documentation to determine accuracy of processing is not maintained by the Contractor or if the Contractor fails to utilize available information or fails to process correctly." Therefore, had the check not been returned, EDS would have been liable for the overpayment. Additionally, TennCare assessed EDS the maximum allowable liquidated damage for making this error.

Finding Number	04-DFA-06
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028, 05-0405TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	None

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

Finding

As noted in the prior five audits, TennCare has contracted with and paid Medicaid providers in violation of the terms of the Medicaid Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (HCBS MR/DD waiver). The *Code of Federal Regulations* (CFR), Title 42, Part 431, Section 10(e)(3), allows other state and local agencies or offices to perform services for the Medicaid agency. As a result, the Bureau of TennCare has contracted with the Division of Mental Retardation Services (DMRS) (both the Bureau and DMRS are within the Department of Finance and Administration) to oversee the HCBS MR/DD waiver program. However, after five years of repeated findings, TennCare continues not to comply with HCBS MR/DD waiver requirements regarding claims for services.

The prior audit finding noted the following:

- TennCare did not make direct payments to providers of services covered by the waiver and allowed claims to be processed on a system not approved as a Medicaid Management Information System.
- TennCare is not paying DMRS the same amount DMRS pays providers.
- TennCare allowed DMRS to combine services without waiver approval.

These issues continue to be problems. Even though management concurred or concurred in part with these prior audit findings the first four years, management decided not to concur last year.

Testwork revealed that TennCare has continued to inappropriately pay DMRS as a Medicaid provider. DMRS in turn has continued to treat the actual Medicaid service providers as DMRS vendors. According to Medicaid principles, as described in the *Provider Reimbursement Manual*, Part I, Section 2402.1, DMRS is not a Medicaid provider because it does not perform actual Medicaid services.

Failure to Process and Pay Claims on Approved MMIS

Furthermore, the waiver agreement also requires provider claims to be processed on an approved Medicaid Management Information System (MMIS) and provider payments to be issued by TennCare. Under Appendix F of the HCBS MR/DD waiver, TennCare has selected the payment option which states, "All claims are processed through an approved MMIS." However, under the current arrangement, TennCare has allowed DMRS to process claims on its own system and make payments to providers through the State of Tennessee Accounting and Reporting System (STARS).

In response to the previous audit finding for year ended June 30, 2003, management stated:

> We do not concur. We do not agree with the Centers for Medicare and Medicaid Services on this issue and will work with them on a resolution. Payments made by the Division of Mental Retardation Services (DMRS) for services provided through the Home and Community Based Services (HCBS) waivers were not made directly to individual providers or via an approved Medicaid Management Information System during the audit period; however, payments made by TennCare to DMRS for services provided through the HCBS waivers were made through the approved TennCare Medicaid Management Information System. We believe this arrangement is in compliance with federal regulations. . . .

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

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

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

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

> Federal regulations allow providers to reassign payment to DMRS. Signed provider agreements include reassignment of payment of DMRS. However, we concur that the payments made by DMRS were not made via an approved MMIS system. TDLTC has had meetings with TennCare Information Systems staff, Fiscal staff and Provider Services staff to begin developing mechanisms for direct provider payment. . . .

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

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

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

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

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

> Section 1902(a)(32) requires that providers have the option of receiving payments directly from the State Medicaid Agency. The state should modify its payment system to comply with this requirement.

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

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

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

Testwork revealed as it has been reported in the previous five audits that TennCare is not paying DMRS the same amount DMRS pays providers because DMRS has paid waiver claims outside the prescribed waiver arrangements. The waiver is designed to afford individuals who are eligible access to home and community-based services as authorized by Section 1915(c) of the Social Security Act. Regulations require any claims submitted by providers for services performed for waiver recipients to be processed in accordance with all applicable federal regulations and waiver requirements, and the state to receive the federal match funded at the appropriate federal financial rate.

The billing and payment process used by TennCare and DMRS is as follows:

1. Medicaid service providers perform services for waiver recipients.

2. Providers bill DMRS for services at rates agreed upon by DMRS and its providers.

3. DMRS pays providers based on rates established by DMRS, not the rates in the waiver. The DMRS rates are sometimes higher and sometimes lower than the waiver rates.

4. DMRS bills TennCare based on the waiver rates.

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

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

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

In management's six-month follow-up report to the Division of State Audit regarding the 2003 finding, management stated:

> TennCare submitted HCBS-MR waiver renewal applications for the statewide and Arlington waivers with revised rate structures to CMS on February 23, 2004. The waiver renewal would revise the HCBS rate structure so that TennCare will pay the Division of Mental Retardation Services (DMRS) the lesser of the TennCare waiver service rate (not the average rate payment specified in the waiver) or the amount paid by DMRS to the waiver service provider. The waiver services definitions were also revised to eliminate combined services. However, on May 10, 2004, TennCare requested CMS to stop the 90-day review clock to allow for submission of additional information and to request a 90-day extension of the current approved waivers. CMS approved the requests to extend the waivers for 90 days and to stop the 90-day review clock. New waiver applications and 90-day extensions of the current waivers were submitted to the Centers for Medicaid Services on September 15, 2004.
>
> Proposed changes to the TennCare Management Information System, in order to correct the way that claims are being processed and paid, would ensure that the rate DMRS is paying to HCBS providers is the exact amount TennCare is reimbursing DMRS. The Comptroller's Office, Medicaid Division, has reviewed cost settlement data prepared by the Department of Mental Health and Developmental Disabilities (DMHDD). However, denied claims data has not yet been verified so the settlement has not been completed. The anticipated completion date is not yet known.

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

> . . . TennCare is paying DMRS the rates established in the waiver and approved by CMS. These payments are paid on an interim basis and are being cost settled to ensure that no amounts greater than the waiver rates are paid. . . .

In our rebuttal, we noted:

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

In the audit for year ended June 30, 2002, management also concurred with this issue in the prior-year audit finding and stated:

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

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

> We concur that DMRS has been paid in accordance with the rates in the waiver and that, in most cases, the rates paid to providers by DMRS have been different. The rates in the approved waiver document are estimated average rates. It is common for states to contract with providers for rates that are different than the average rates in the waiver to accommodate for differences in regional cost of living and staffing costs. The goal is for the rates paid to average what has been approved in the waiver application for FFP. The amount paid to DMRS in excess of what was paid providers was intended to provide reimbursement to DMRS for administrative cost of daily operations for the waiver program. The amounts realized via this mechanism do not, in fact, cover all the administrative costs incurred by DMRS; therefore, DMRS is not "profiting" from this arrangement. However, we intend to include in TennCare's contract with DMRS a description of payment for administrative services in accordance with the cost allocation plan approved by CMS (verbal notification has been received approving the cost allocation plan and official notification is expected soon). The cost allocation plan includes a process to perform a year-end cost settlement.

This response was similar to the response for the year ended June 30, 2000. TennCare included in its contract a section entitled "payment methodology" and described the payment of administrative costs through the cost allocation plan.

While DMRS may not be recovering enough money through the claims reimbursement process to pay its providers and fund all administrative costs, it should be noted that administrative costs should be claimed using a cost allocation plan. Under the current arrangement with the Bureau, any profit (the excess of TennCare's reimbursements to DMRS over DMRS' payments to providers) from the reimbursement of treatment costs would be inappropriately used to pay administrative costs.

The federal government has also noted this inappropriate practice of using claims reimbursement to partially fund administrative costs in the CMS compliance review report dated July 27, 2001, in which CMS stated:

> The State Medicaid Agency reimburses the DMRS for the services and DMRS reimburses the providers. It appears that, in some cases, the DMRS reimburses providers less than the payment received from the Bureau of TennCare. Governmental agencies may not profit by reassignment in any way, which is related to the amount of compensation furnished to the provider (e.g., the agencies may not deduct 10 percent of the payment to cover their administrative costs). To do so places the agency in the position of "factor" as defined in 42 CFR 447.10(b). Payment to "factors" is prohibited under 42 CFR 447.10(h).

Testwork specifically revealed that because TennCare has not ensured that DMRS complied with the waiver and federal regulations, TennCare paid DMRS more than DMRS had paid the providers in 4 of 5 claims (80%). TennCare paid DMRS less than DMRS paid the providers on the other claim. In total for the 5 claims examined, TennCare paid $14,719 to DMRS, and DMRS paid the providers only $12,095.

As noted in finding 04-DFA-07, testwork on the sample of five also revealed that some of these claims were not adequately approved and/or documented. As a result, the questioned costs relating to the inadequate approval and/or documentation have been reported in finding 04-DFA-07. Hence, no additional questioned costs relating to the differences in payments will be reported in this finding.

Combined Services Without Approval

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

In response to the prior-year audit finding, management stated:

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

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

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

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

> CMS has indicated that it is permissible to allow a combination of day services, as long as the provider is not paid for two day services that are billed during the same period of time. TDLTC will have further discussions with CMS and DMRS pertaining to the way DMRS has elected to pay for combination services. The system will be revised as necessary to comply with federal regulations and ensure

> appropriate payment for services rendered. TDLTC will monitor for overpayment via survey and post payment review.

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

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

During fieldwork, we asked long-term care staff for documentation that CMS has approved this type of combo service. Management stated that on February 23, 2004, TennCare submitted a waiver renewal application to CMS to include changes in the waiver service definitions. However, TennCare has stopped this process to make additional changes, and the new application was submitted on September 15, 2004.

Recommendation

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

Failure to Process and Pay Claims on Approved MMIS

The Director of TennCare should take immediate action to comply with all federal requirements, including those in the waiver. The Director should also ensure that TennCare pays providers in accordance with the waiver.

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

TennCare management should discontinue its practice of paying lip service to the finding by continuing to refer to pending requests for exceptions as excuses for noncompliance with clear requirements. By annually repeating this strategy, management has circumvented the clear rules for reimbursements while responding in a way to try to make it appear that they are meeting the spirit of the rules while only seeking continuing clarification of the letter of the rules. After six years, it is time for management to stop posturing and to comply with the rules. Circumvention of rules as a management policy reflects a control environment that prioritizes form over substance and rewards attempts to justify noncompliance through stalling maneuvers rather than a good-faith commitment to compliance with the spirit and the letter of rules even when that compliance requires departure from the status quo and effort to make needed changes in policy and procedure.

For providers paid through the DMRS system, the Director should ensure that TennCare pays DMRS the lesser of the approved TennCare waiver rate or the amount paid by DMRS to the providers.

Combined Services Without Approval

The Director should ensure that TennCare has CMS approval for all bundled services.

Management's Comment

Management concurs that this finding has been repeated in the last five audits and that it has taken an excessive time to resolve. Management, however, does not concur that it has attempted to circumvent the rules, nor is that our management policy. Management takes this audit finding, as well as all of our findings, very seriously and has devoted extensive resources to resolving the findings. It should be noted that of the 48 findings in the 2002 audit, 35 have been resolved with only 13 of those findings repeated in this audit, as well as an additional two new findings for a total of 15. Additionally, the narrative of seven of the 13 repeat findings states that although the issue is not fully resolved, that the finding in 2003 documents that substantial progress has been made. We believe that these statistics speak for themselves to support the level of commitment by TennCare management to resolving these findings.

Although this finding was not resolved by the end of the audit period on June 30, 2004, TennCare was working closely with the Centers for Medicare and Medicaid Services (CMS) to resolve the disagreement involving the requirement that TennCare make direct payments to providers of services through an approved MMIS, as well as, to get approval for reimbursing DMRS providers for bundled services. Both of these issues have now been resolved in the new TennCare waivers. TennCare, with the assistance of the Comptroller's Office and the Department of Finance and Administration, is also well on the way to finally completing a reconciliation of payments to DMRS for services and administrative costs for the period July 1, 1996 to June 30, 2003 in accordance with the CMS approved Cost Allocation Plan. After completion of that time period, we will complete fiscal years 2004 and 2005 reconciliations. TennCare also worked with DMRS and the Comptroller's staff to develop a new reimbursement methodology that would assure that all DMRS providers would be paid consistent rates and that the amounts paid by TennCare to DMRS would be the same amount that DMRS paid to its providers.

Failure to Process and Pay Claims on Approved MMIS

The renewals of the waivers effective on January 1, 2005, admittedly after the end audit period, include approvals of TennCare to reimburse DMRS for payments made by them to providers. This documentation has been provided to management of the Division of State Audit.

TennCare Is Not Paying DMRS the Same Amount DMRS Pays Providers

We concur. As stated earlier, we are in the process of cost settling the prior periods to address payment differences in accordance with the CMS approved cost allocation plan. DMRS is putting procedures in place to bill TennCare the amount DMRS paid the provider beginning with dates of service January 1, 2005, as well as to place frequency limitations on a number of

the services. DMRS' computer system is not currently capable of billing TennCare using specific dates of service for procedures with frequency limitations, but they are working to correct this situation. Their current computer software is antiquated and no longer supported by the software vendor, making it impractical to upgrade the current software to this new requirement. DMRS will be manually applying the frequency limitations prior to billing TennCare concurrent with implementing new computer software that complies with the date of service requirements. It is anticipated that DMRS will have their new computer software in place in early 2006, after which the manual intervention will no longer be required.

Combined Services Without Approval

We concur. Effective January 1, 2005, CMS approved the waiver application renewals for the HCBS waivers #0357.90 and #0128.90.R2A. The waiver renewals contained revised definitions which were approved by CMS, including those which had bundled services.

Finding Number	04-DFA-07
CFDA Number	93.778
Program Name	Medical Assistance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$10,362

Since 1999, some of TennCare's providers could not provide documentation to substantiate services associated with fee-for-service claims under the Medicaid Home and Community Based Services Waivers

Finding

As noted in the previous five audits, some of TennCare's providers did not have documentation to substantiate services associated with fee-for-service claims under the Medicaid Home and Community Based Services (HCBS) Waivers. Although the state is operating under a waiver from the federal Centers for Medicare and Medicaid Services (CMS) to implement a managed care demonstration project, more and more services are being paid on a fee-for-service basis.

We tested a sample of 100 claims (which included all areas of TennCare that operated on a fee-for-service basis during the audit period) to determine the adequacy of documentation supporting the medical costs associated with these claims for services. This review consisted of obtaining support for the sample of claims such as medical records, pre-admission evaluations, and service plans for HCBS Waiver recipients. Testwork revealed problems with 4 of 100 claims (4%) paid by TennCare. Specifically, the following issues were noted:

- For three HCBS Mentally Retarded/Developmentally Disabled (MR/DD) Waiver claims, service plans associated with these claims either could not be located or were not signed prior to services being provided. According to the *Operations Manual for Community Providers*, Chapter 2, billing cannot be claimed for services prior to the development and authorization of the service plan.
- For one HCBS MR/DD Waiver claim, the documentation provided did not support the service billed and was not adequately documented. Therefore, we could not determine that the service was medically necessary. Also, the service plan associated with the claim could not be located.

The total amount of questioned costs for the four claims noted above was $14,477 out of a total of $159,654 tested. Federal questioned costs totaled $9,778. The remaining $4,699 was state matching funds. The total amount of the population sampled was $5,891,280,941. We believe likely questioned costs exceed $10,000 for this condition. In addition the amount

TennCare paid the Division of Mental Retardation Services (DMRS) for these four claims was not the same amount DMRS paid to the actual provider. (See finding 04-DFA-06 for more information on this issue.)

Management concurred with the prior audit finding regarding missing or unsigned service plans and supporting documentation and stated:

> DMRS [the Division of Mental Retardation Services] will be required to submit a corrective action plan within 30 days of receipt of the audit findings. The TennCare Division of Developmental Disability Services will review and approve the plan and monitor to ensure the implementation of corrective actions.

We noted that TennCare submitted on May 12, 2004, a request to DMRS to notify TennCare within 30 days of the corrective action taken by DMRS to resolve the finding. However, according to TennCare management, DMRS did not submit the corrective action until September 2004.

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

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

Additional Questioned Costs

In compliance with Office of Management and Budget Circular A-133, we are required to report all known questioned costs if likely questioned costs exceed $10,000 for a compliance requirement. The compliance requirement "Allowable Costs/Cost Principles" has total questioned costs exceeding $10,000. Therefore, we are required to report known questioned costs as follows:

- TennCare did not recover $782 of patient liabilities for enrollees in the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled, causing TennCare to pay more for services than necessary. Of this amount, $528 was federal questioned costs. The remaining $254 was state matching funds.
- For one pharmacy claim, the claim was not net of all applicable credits. According to the TennCare Management Information System, the individual had third-party liability; however, no third-party liability was deducted. Federal questioned costs totaled $56. The remaining $27 was state matching funds. The Office of Management and Budget A-133 Compliance Supplement, which references the *Code of Federal Regulations*, Title 42, parts 135 through 154, requires that:

> States must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third party resources should be exhausted prior to paying claims with program funds. Where a third party liability is established after the claim is paid, reimbursement from the third party should be sought.

Recommendation

The Director of TennCare should ensure that providers maintain the required documentation to support costs charged to the program. The Director of TennCare should consider expending additional resources to conduct reviews of medical records. The Director of TennCare should assign specific responsibility to a member of management to ensure that the scope of work is expanded in regard to verifying medical necessity and that adequate documentation exists to support services billed. The Director of TennCare should ensure that all service plans are maintained and signed before services are provided.

The Director and all staff should recognize the possibility that undocumented charges could represent fraudulent charges and should take appropriate actions.

Management's Comment

We concur. After review by TennCare, a revised DMRS Provider Manual was promulgated by DMRS in March of 2005. The Provider Manual clearly outlines provider responsibilities, including the need for providers to adequately document all services provided and to have appropriately completed and signed service plans.

However, we do not concur that the improper documentation noted in the second bullet in the finding should be considered questionable simply because it could not be located. TennCare and DMRS made significant efforts to recover a copy of the documentation supporting the claim, including utilizing the resources of the Office of the Inspector General. However, the provider has filed bankruptcy and would not produce the documentation. In addition, the *Code of Federal Regulations*, Title 42, Section 433.318, "Overpayments involving providers, who are bankrupt or out of business," provides that the agency is not required to refund the federal share of the overpayment due from a bankrupt provider. Therefore, despite TennCare's concern that the claim documentation could not be recovered, there is no federal overpayment amount.

Effective February 1, 2005, TennCare established a separate Utilization Review Unit in the Division of Developmental Disability Services to perform postpayment claims review and medical necessity reviews of fee-for-service claims. The Utilization Review Unit manager and one nurse reviewer were hired for this unit in February of 2005, and efforts are underway to hire a third nurse. Instances of inappropriate billing that are identified during utilization review activities will be referred for recoupment or fraud investigation, as appropriate. As part of the

Annual State Assessment, TennCare continues to review service plans to ensure that plans are completed appropriately and signed before services are reimbursed.

Finally, we have implemented edits in the TCMIS to detect claims from DMRS that have patient liability and possible third party resources.

Finding Number	04-DFA-08
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028, 05-0405TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$93,992

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

Finding

The prior nine audits of the Bureau of TennCare have noted internal control weaknesses over TennCare eligibility. Management concurred in part with the prior audit findings, as discussed throughout this finding. The issues noted regarding invalid social security numbers, and enrollees' eligibility reverification remain uncorrected. Additionally, although improvements have been made, we noted one ineligible enrollee in a sample of 60 enrollees.

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

Invalid and Pseudo Social Security Numbers Again Discovered

This issue was first reported in the audit for the year ended June 30, 1997. In that audit, we discovered that some TennCare participants had fictitious or "pseudo" social security numbers. For purposes of this finding, pseudo social security numbers are those numbers beginning with 888 that are assigned by TennCare to individuals who enroll without social security numbers. Invalid social security numbers include all other numbers where the first five digits indicate a range of numbers that have not been assigned by the Social Security Administration. In response to the 1997 finding, management stated that the reverification project would help to ensure that valid numbers are obtained from enrollees. The audit report for the year ended June 30, 1998, reported that there were still some enrollees on TennCare's system with uncorrected "pseudo" social security numbers. In response to that finding, management stated that "Health Departments included information in their training that addressed validation of Social Security Numbers and obtaining a valid number for enrollees with pseudo numbers." In the audit report for year ended June 30, 1999, we reported that there were still some enrollees on TennCare's system with uncorrected "pseudo" social security numbers. The response to that

finding ignored the "pseudo" social security numbers issue. In the audit report for the year ended June 30, 2000, we again reported that TennCare had some enrollees with uncorrected "pseudo" social security numbers. In response to that finding, management stated "it is our intent to address this issue as a part of our planning for the new TCMIS." In the audit report for year ended June 30, 2001, we again reported that some individuals had uncorrected "pseudo" social security numbers in TennCare's system. In response to that finding, management stated, "There are pseudo social security numbers in the TCMIS and the Bureau is working on a means of validating and correcting them through the Social Security Administration (SSA)." In the audit report for year ended June 30, 2002, we reported that there were enrollees on TennCare's system with uncorrected invalid and "pseudo" social security numbers. In response to that finding, management stated, "the TCMIS assignment of pseudo social security numbers occurs for newborns to the system. Benefits for illegal/undocumented aliens are issued with pseudo numbers, since they cannot get a SSN legally. These are the only cases that will never have a 'real' SSN." In the audit report for the year ended June 30, 2003, we once again reported that there were enrollees other than newborns and illegal aliens on TennCare's system with uncorrected invalid and "pseudo" social security numbers.

TennCare Management concurred in part with that portion of the 2003 audit finding and stated,

> . . . To further assure that invalid and pseudo SSNs are corrected and/or updated appropriately and timely, TennCare Information Systems and Member Services have developed additional procedures. Monthly reports are generated of recipients in the TCMIS with current eligibility who have invalid and/or pseudo social security numbers. Reports on invalid social security numbers are based on Social Security Administration (SSA) web-site criteria. Reports on pseudo social security numbers provide information based on whether an enrollee is an alien or a non-alien and also based on whether the enrollee is under 1 year old or 1 year and older. The TennCare Information Systems staff quality check the reports and send the invalid social security numbers to the TennCare Member Services Troubleshooting Unit.
>
> Member Services validates and performs outreach to assure that the incorrect social security number is corrected through the social security number on SOLQ (the Social Security Administration's database) or the DHS ACCENT system. If the social security number is verified, then no additional action is taken. If ACCENT indicates another social security number, the staff person again goes to SOLQ for verification. If verification is still not possible, outreach is made to the individual to verify the social security number.
>
> Once a number is verified through SOLQ, TCMIS may then be updated with the correct number. Social security numbers that are active DHS or SSI (Supplemental Security Income) cases must be corrected by the appropriate agency. For any records that Member Services cannot validate, the record is referred back to the source agency for validation. This follow-up process was implemented after our previous audit findings and we will continually work to

improve the process to gain and maintain acceptable results in an appropriate and timely manner.

We determined that procedures have been implemented to identify individuals with invalid social security numbers. Based on discussion with TennCare staff, we determined that the reports for the pseudo social security numbers mentioned in management's comments were not generated until March 2004. Management's plan was to submit these reports to the various intake agencies (DHS, Children's Services, and the Department of Mental Health and Developmental Disabilities) for follow-up and correction. Based on discussion with TennCare staff, problems with the DHS reports caused delays. In addition, TennCare management stated that reports were sent to Children's Services beginning March 2004. However, no action had been taken by Children's Services with regard to working the reports.

We used computer-assisted audit techniques (CAATs) to search TCMIS. Our search revealed that 7,437 TennCare participants had invalid or pseudo social security numbers as of July 2004. We had eliminated participants that appeared to be newborns (less than one year old) or illegal/undocumented aliens eligible for emergency services (using criteria provided by TennCare). We analyzed this file and determined that 3,041 of the participants had been identified in the prior year as having invalid or pseudo social security numbers and were still on TennCare as of June 2004. From this population, a sample of 30 participants was selected for testwork. Results indicated that of the 30 participants, TennCare or its contractors had correctly updated TCMIS or ACCENT subsequent to July 2004 to reflect valid social security numbers for eight participants. Two additional participants had been terminated in July 2004. However, for 20 of the 30 participants (67%), we noted that neither TennCare nor its contractors had updated TCMIS or ACCENT to reflect valid social security numbers as of September 30, 2004. All of these 20 enrollees had been on TennCare continuously since March 2003 or earlier.

The total amount paid during the audit period for the 20 individuals with uncorrected pseudo social security numbers was $20,563. Federal questioned costs totaled $13,416. The remaining $7,147 was state matching funds. The amount of questioned costs could not be determined for the remaining 3,011 enrollees not examined.

According to the *Code of Federal Regulations*, Title 42, Part 435, Section 910(a), "The agency must require, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish each of his or her social security numbers (SSNs)." In addition, according to the *Code of Federal Regulations*, Title 42, Part 435, Section 910(g), "The agency must verify each SSN of each applicant and recipient with SSA [Social Security Administration], as prescribed by the Commissioner, to insure that each SSN furnished was issued to that individual, and to determine whether any others were issued." TennCare is also required to follow *Rules of the Department of Finance and Administration, Bureau of TennCare*, Chapter 1200-13-14-.02(2)(a), which states, "To be eligible for TennCare Standard, each individual must: . . . 5. Present a Social Security number or proof of having applied for one, or assist the TDHS [Tennessee Department of Human Services] caseworker in applying for a Social Security number, for each person applying for TennCare Standard." Also, according to *Rules of the Tennessee Department of Human Services, Division of Medical Services,* Chapter 1240-3-3-.02(10), "As a condition of receiving medical assistance through the Medicaid program, each

applicant or recipient must furnish his or her Social Security Number (or numbers, if he/she has more than one) during the application process. If the applicant/recipient has not been issued a number, he/she must assist the eligibility worker in making application for a number or provide verification that he/she has applied for a number and is awaiting its issuance."

Enrollees Not Reverified

This issue was first reported in the audit for the prior fiscal year ended June 30, 2003. In that audit, we reported that one enrollee was not reverified the required number of times during the period. Management concurred with that finding and stated, "Supervisory reports are now generated indicating overdue reviews. This should ensure that Medicaid cases are reviewed on a timely basis. . . ."

Although we determined that there are procedures in place to ensure that Medicaid cases are reviewed on a timely basis, problems exist with reverification of TennCare Standard enrollees. During the year ended June 30, 2004, reverifications for TennCare Standard enrollees did not start until January 22, 2004.

A sample of all TennCare enrollees who required at least one reverification during the audit period was tested to determine if TennCare met the reverification requirements during the audit period. Of the 60 enrollees tested, testwork revealed that 13 TennCare Standard enrollees (22%) did not meet the reverification requirements during the audit period. There were no outstanding appeals for these enrollees which would allow them to retain eligibility until final determination.

Specific details from the sample testwork were as follows:

- TennCare did not begin the reverification process for ten enrollees during or after the audit period.
- TennCare did not begin the reverification process for three enrollees until after the audit period. However, the reverification process still had not been completed as of September 30, 2004.

According to the *Code of Federal Regulations*, Title 42, Part 435, Section 916, "The agency must redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months. . . ." All enrollees sampled had been on TennCare continuously for at least the 12 months of the audit period. Without reverifying enrollees every 12 months, TennCare cannot ensure that the enrollees continue to be eligible for TennCare as individual circumstances change over time.

The total amount paid during the audit period for the enrollees after the date the enrollees should have been reverified was $119,033. Federal questioned costs in the sample totaled $80,246. The remaining $38,787 was state matching funds.

Ineligible Enrollee Discovered

During the audit period, TennCare reimbursed all of the managed care organizations (MCOs), the behavioral health organizations (BHOs), the pharmacy benefits manager (PBM), and the dental benefits manager (DBM) for services provided to enrollees. TennCare continued to pay for other services on a fee-for-service basis. These services included Medicare cross-over claims, claims for enrollees in the Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled, nursing home claims, and claims paid to the Department of Children's Services for services provided for children in state custody or at risk of state custody.

A sample of 60 claims was selected from the above population in order to test the eligibility of the related enrollees. Testwork revealed one of 60 enrollees (2%) was not eligible to be on TennCare during the dates of service. Our review of ACCENT and discussion with DHS personnel revealed that the enrollee was first selected by TennCare for reverification on August 30, 2002, and came in for an appointment on October 28, 2002. The person was denied for being over the income limits on October 30, 2002, and was appropriately sent a medical eligibility (ME) packet to complete and return to TennCare. TennCare received the ME packet on December 2, 2002. According to management at DHS, the packet was incomplete and it was returned to the enrollee with a deadline for the enrollee to complete and return the packet by February 3, 2003. The enrollee continued to remain on TennCare despite the fact that the enrollee failed to return the ME packet on time. Furthermore, there were no open appeals pertaining to the case which would allow the enrollee to remain on the program. This enrollee's eligibility should have ended on February 3, 2003; however, it did not. As a result, the enrollee was not eligible during the July 7, 2003, date of service indicated on the claim.

We believe that because of the nature, complexity, and magnitude of the TennCare program, there will always be some payments of this type in the program. Nevertheless, we are required by federal Office of Management and Budget Circular A-133 to report this issue as a finding because likely questioned costs exceed $10,000. The cost paid by TennCare for the claim in question was $9. The total sample amount of claims paid for the 60 enrollees tested was $72,085. Federal questioned costs totaled $6. The remaining $3 was state matching funds. The total paid for enrollees in the population sampled was approximately $5.9 billion. In addition, we identified costs totaling $517 that were paid for the ineligible enrollee from July 1, 2003, through June 30, 2004. Federal questioned costs totaled $324. The remaining $193 was state matching funds.

Recommendation

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

The Director should ensure that valid social security numbers are obtained for all individuals in a timely manner. The Director should ensure that all TennCare recipients are reverified at least once every 12 months. The Director should continue to ensure that only

eligible enrollees are receiving TennCare, and all ineligible enrollees are removed from the program in a timely manner.

Management's Comment

We concur in part. While the Bureau of TennCare cannot deny that errors are found in the day to day process of determining and verifying TennCare eligibility for nearly 1.4 million Tennesseans, we do believe management has taken the previous audit findings seriously and has implemented multiple processes along the way to address these issues and assure information be as accurate as possible. Further, there are several federal regulations that have not been noted in the finding that acknowledge eligibility errors and alleviate financial responsibility within specific guidelines. Additionally, Federal requirements recognize errors and/or delays that may occur in eligibility determinations that are designed to protect an enrollee and prohibit the state from terminating an individual until such matters can be determined.

TennCare continues to follow existing procedures, in accordance with federal regulations, to monitor eligibility errors. The *Code of Federal Regulations*, Title 42, Part 431, Section 810, addresses basic elements of a traditional Medicaid Eligibility Quality Control (MEQC) plan that relieves financial liability for states that operate within a 3% eligibility error rate. TennCare operates under an alternative plan as approved by HCFA (now CMS) in August 2000; (*"As with MEQC pilot projects approved in non-1115 states, alternative MEQC programs approved in 1115 states are relieved of any liability for disallowances for errors that exceed the 3-percent tolerance (as provided in CFR 42-431.865) for traditional Medicaid eligibles and for individuals added under the waiver."*) While TennCare continues to refine and improve our processes to ensure only eligible individuals are enrolled, the terms of our MEQC plan relieve TennCare of liability for errors resulting from eligibility determinations.

TennCare has consistently provided results of MEQC reviews to the Centers for Medicare and Medicaid Services. The Department of Human Services was found to be correct in 96.98% of the sample Medicaid cases for the federal fiscal year (FFY) 2003 as required for reporting to CMS in August 2004. TennCare was found to be correct in 99.63% of sampled waiver cases for eligibility determinations.

<u>Invalid and Pseudo Social Security Numbers</u>

We concur in part. There are legitimate reasons for assigning pseudo social security numbers to certain enrollees (newborns, aliens, persons applying for social security numbers, etc.). The Bureau of TennCare developed and implemented an extensive policy as well as a corrective action plan for correcting and/or updating pseudo social security numbers (SSNs) for enrollees who do not meet the acceptable criteria. We continue to identify and correct invalid and pseudo social security numbers through research and outreach activities or through the annual redetermination process.

While we disputed the actual number of pseudo numbers that were identified in last year's audit report, the comparison of the 3,041 participants that this year's finding indicates as

repeats is a significant decrease from the 14,687 noted in the previous year's finding. The significant decrease is a direct result of TennCare's increased efforts to follow current and develop new policies as needed. TennCare delayed implementing portions of the policies and procedures awaiting the implementation of the new TCMIS interChange system. However, since implementation, TennCare has mailed initial notices to enrollees with pseudo SSNs who meet the specified criteria (no appeal cases or DCS children, etc.) and is preparing to mail final termination notices to enrollees who have not responded.

The finding indciated there were 20 enrollees with invalid or pseudo SSNs that were still on TennCare. Depending on the selected criteria for notices, as described in the Pseudo Policy, there will not always be a termination date; therefore, this is not always a valid expectation.

- Eighteen (18) of the cases were Adoption Assistance children. DCS children are a vulnerable population and it has been TennCare's decision to work with DCS to identify solutions to update our files with valid SSNs and not disenroll a child in this vulnerable setting for this reason until all possible solutions have been exhausted. DCS has had policies in place for Adoption Assistance children to remove a child's valid social security number from their files and replace it with a pseudo in order to protect the child from abusive situations, in accordance with state law. SSA, in a recent policy publication, has determined that they will no longer issue new numbers for these children unless a stringent set of criteria is met. (See SSA policy at: http://www.ssa.gov/pubs/10093.html). This setback has delayed the cleanup efforts to replace the pseudo SSNs with re-issued numbers. DCS is in the process of designing a new system within their infrastructure. This new system will have different features in place to protect case files for children, as required by state law, which will permit DCS to continue to use original valid SSNs in most cases. The implementation of this system should prevent additional cases from adding to the pseudo list and will necessitate a follow-up process to go back and reassign children their valid SSN. The completion of the entire systems upgrade will be achieved over a period of time. The general goals are as follows:

    - In January 2005, a new security measure was installed that allows only authorized individuals access to a child's pre-adoptive history. Additionally, this will allow DCS to link cases by adding an additional field that will match a child's new and current social security numbers.

    - In September 2005, there will be an additional upgrade to the system. This upgrade will allow for there to be a separate field to record the pseudo SSNs generated by TennCare. This will make it possible to prepare a file of clients reporting both the client's SSN and the client's pseudo SSN.

    - The long-term resolution will be accomplished in the new FACETS system that DHS is implementing, which will determine eligibility for all departments and money streams. Both departments are collaborating on this build. DHS will replace ACCENT with FACETS in 2007.

The Bureau is continuing to work with DCS to develop a plan to reassign valid SSNs for these children.

- One individual was identified as being an illegal alien. In accordance with federal regulations and TennCare's Pseudo Policy, illegal aliens will never have a valid SSN and therefore, this enrollee should not be represented in this finding. They must however, be provided emergency services in accordance with the federal Emergency Medical Treatment & Labor Act (EMTALA) provisions, and therefore require the assignment of pseudo SSNs.

- We concur that one individual had a SS5 date and no termination date.

Enrollee Not Reverified

We do not concur. The *Code of Federal Regulations*, Title 42, Part 435, Section 916 specifically refers to Medicaid enrollees and TennCare's 1115 Waiver outlines eligibility determinations for TennCare Standard eligibles. Further, compliance with timelines for eligibility reverification must be reviewed with consideration to the circumstances as they relate to other existing federal requirements as well as state law and court orders. For example:

- 42 CFR 435.911(c) allows for unusual circumstances for timely determination of eligibility requirements;
- 42 CFR 435.911(e)(2) prohibits a state from denying eligibility because it has not determined eligibility within time standards; and
- 42 CFR 435.930(b) requires the state to continue to furnish eligibility until an individual is determined to be ineligible.

In accordance with TennCare's 2002 1115 Waiver, the Bureau implemented an initial reverification project to bring all TennCare Standard enrollees current and allow the Bureau of TennCare to be proactive with selection for reverification of this population as is with the Medicaid eligible population. However, the Court Order that TennCare received in December 2002 required the Bureau of TennCare to cease **ALL** reverification efforts and reinstate previously termed enrollees. Due to the events and timeframes outlined within the Court Order or as a result of the Agreement to the Court Order, it was impossible to meet a 12 month reverification timeline. Once the Bureau was able to resume reverification on January 22, 2004, the decision was made to begin with the individuals who remained unverified from the intial round and then move toward individuals who were entering the program and coming up for an initial review. Furthermore, there were additional policies implemented as a result of the Agreement to the Court Order which cause individuals' reverification date to move forward or be bypassed. Due to the shear volume created by these circumstances, it became impossible to assure that enrollees were reverified within a 12 month period.

Enrollees that were not selected for reverification within a 12 month period all came into the program immediately prior to or following the Court Order and therefore fall into the criteria for moving their reverification date forward. TennCare consistently mailed monthly mailings of

reverification notices during Round 2 that began January 22, 2004 to all individuals who have been eligible for more than 12 months with the exception of the enrollees who met the bypass criteria (SPMI population, individuals with appeals, individuals with a pending status in the ME process).

Based on the judicial events and revisions to policy and procedures that have been required, and in light of the federal regulations that recognize errors and/or delays in eligibility determinations (specifically for terminating eligibility) that are designed to protect an enrollee and prohibit the state from terminating an individual until such matters can be determined (as described above), it is TennCare's position that renewal procedures for all TennCare Standard enrollees have been conducted in accordance with the intent of federal and state requirements.

Ineligible Enrollee Discovered

We do not concur. TennCare does not disagree that there was an ineligible enrollee discovered in TCMIS. However, as supported by our explanation of the processes we described in last year's response to this finding, it is not TennCare's intent to allow an ineligible enrollee to remain on the program indefinitely, but it is our intent for the processes to identify potential ineligible enrollees for resolution. As described in our general comments, there are several federal requirements that recognize errors and/or delays that may occur in eligibility determinations, as well as requirements for MEQC procedures to be approved by CMS and utilized by the state agency, for which TennCare is in compliance.

Auditor's Rebuttal

Invalid and Pseudo Social Security Numbers Again Discovered

Concerning the illegal alien, our review revealed that the individual applied for TennCare Standard and was determined eligible in June 2002. Eligibility was terminated in July 2004; however, the individual filed an appeal in August 2004, and eligibility was reinstated pending resolution of the appeal, which is still unresolved as of April 19, 2005. While the *Code of Federal Regulations*, Title 42, Part 440, Section 255(c), allows the Medicaid state agency to provide emergency services to illegal aliens, the two-year period of eligibility in this case does not appear to meet the definition of emergency services cited in the federal regulations.

Enrollees Not Reverified

Management's comments do not address 42 CFR 435.916, which addresses periodic redeterminiations of Medicaid eligibility. The portion of the code that management does cite, 42 CFR 435.911, appears to address initial eligibility determinations of new enrollees, an issue we do not address in the finding.

Ineligible Enrollee Discovered

Management does not concur but states, "TennCare does not disagree that there was an ineligible enrollee discovered in TCMIS."

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

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

We will continue to report, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, costs questioned for ineligible enrollees. The ultimate resolution of these questioned costs is the responsibility of the U.S. Department of Health and Human Services.

Finding Number	04-DFA-09
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Material Weakness
Compliance Requirement	Other
Questioned Costs	None

Terminated employees still have access to the TennCare Management Information System, and TennCare needs to improve documentation of system changes

Finding

As noted in the six previous audits, one of the most important responsibilities, if not the most important, for the official in charge of an information system is security. The TennCare Management Information System (TCMIS) contains extensive recipient, provider, and payment data files, processes a high volume of transactions, and generates numerous types of reports. One factor that is critical to the integrity of the TennCare program is deciding who needs access and what type of access to permit. Good security controls restrict access to data and transaction screens on a "need-to-know, need-to-do" basis.

Subsequent to the previous audit, management corrected a problem related to justification forms not being obtained for all users. In other areas, the error rates have not been as high as in the past. However, for the audit period ending June 30, 2004, we continue to note deficiencies in controls over TCMIS security.

Not All Users Needed the Access Granted (This portion of the finding has been reported in one previous audit.)

The prior audit finding noted that TennCare has allowed TCMIS users more access than was needed or failed to terminate users when necessary. Management did not concur with this portion of the prior-year finding but stated:

> . . . We have incorporated procedures each year based on audit recommendations as well as evaluating our own internal security processes. TennCare is committed to having procedures in place that provide a high confidence level that only the users that need access to the system have access to the system and that users have appropriate access levels. . . .

Current testwork revealed that for the year ended June 30, 2004, 6 of 60 TCMIS users (10%) had access that was not needed. The details follow:

- One user who works at the Department of Finance and Administration did not request access to TCMIS and does not require it for her job.
- Five users were no longer state employees or state contractors. Four of the users received their access through the Department of Health, and one user received her access through TennCare.

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

TennCare partially concurred with this portion of the prior-year finding and stated,

> . . . TennCare has implemented additional procedures to document, track and report all SCRs [system change requests] and WRs [work requests] to the TennCare Information Systems Director. . . .

Although we determined that TennCare improved the tracking of SCRs and WRs by requiring more details to be maintained on the system logs, weaknesses remained. For the year ended June 30, 2004, we found problems with 16 of 60 program changes (27%) that were tested. The objectives of our work were to determine if TennCare had a program change authorization form, if approval of the change was documented, and if there was a description of the change. The problems were as follows:

- For eight program changes, TennCare IS personnel could not provide documentation of approval by TennCare IS and/or the requestor prior to when the changes were moved into the production environment. TennCare IS personnel did have program change authorization forms and did have a description of the program change documented.
- For seven program changes, TennCare IS personnel did not have a program change authorization form and there was no documentation that the changes were approved by IS and/or the requestor when the changes were moved into the production environment, but there was a description of the change documented.
- For one program change, TennCare IS personnel did not have a program change authorization form or program documentation that contained a description of the change, and there was no documentation of approval by TennCare IS and/or the requestor prior to the changes being moved into the production environment.

In addition, the Production Move Log, which serves as a log of all TennCare program changes, is updated manually by EDS Production Control personnel. Manual updates of the log increase the risk that some production moves will not be recorded in the log. In the prior-year finding, TennCare stated that "there have been no instances that TennCare can identify where any production move has been omitted." However, without adequate documentation of the changes and because of the manual log process to document these changes, the risk that unauthorized production moves could occur and not be detected by TennCare increases.

Recommendation

The Director of Information Systems should ensure that personnel responsible for security maintain periodic communication with contractors and other state agencies to which they grant access to ensure that all access granted is needed and that terminated individuals have their access removed. The Director of Information Systems should ensure that adequate processes are in place to ensure that program changes are adequately documented and approved for the new system.

Management's Comment

Not All Users Needed the Access Granted

We concur. As referenced in the audit finding, the error rate with the current audit is *significantly lower than in past years*. The decrease in the error rate resulted from the implementation of additional procedures relating to security, recommendations from previous audits, and revision of existing procedures. Historically, TennCare has relied on business unit managers/supervisors to notify the TennCare security team when an employee leaves/terminates. In addition, users having access to the TCMIS from external entities are required to provide TennCare with notice when an employee no longer needs access as a result of termination or change in job duties. As noted in this finding, there were six (6) users having access deemed as not required. Five (5) of these individuals were from external state agencies. The sixth individual was an internal contractor no longer employed. Once the security team was made aware of these individuals, access was immediately terminated.

Additionally, subsequent to the end of the audit period, we implemented additional procedures for terminating and granting access to the system including the receipt of a weekly list of active terminations. This report is reviewed by the security team and terminated individuals are deleted. TennCare also sends monthly reports of active users to the business units for review, and now actively tracks the responses to assure timely receipt. As a result, there has been significant improvement in the notification process.

Equally important, we receive periodic reports on users not logging into the system for a significant period of time (30 days). Additionally, an enhancement of the new TennCare TCMIS is to automatically lock out individuals who have not accessed the system in 30 days. These users must contact the security team to renew their access privileges. The process for granting and terminating access to the system has been greatly enhanced and we will continue to review security processes for quality control to ensure we are performing due diligence with regard to this finding.

TennCare has also hired a system Security Officer who has conducted a review of all internal security procedures, and the resulting changes have significantly enhanced this area. We are currently in the process of issuing security policies and procedures for TennCare IS. The procedures listed above have been incorporated in the Information Systems Security Procedures manual. TennCare further plans to enhance the level of security by expanding this function,

which should greatly improve the control of access to the TennCare system by employees of TennCare, as well as other state agencies.

System Changes to TCMIS Were Not Adequately Documented, and Procedures Over System Changes Need Improvement

TennCare partially concurs with this portion of the finding as stated.

Effective September 2, 2004, TennCare implemented the following additional procedures to document, track, and report all system change requests (SCRs) and work requests (WRs).

- All new system change requests (SCRs and WRs) are reviewed, numbered, and logged by TennCare IS each day.
- Analysis and monitoring of SCRs and WRs is performed in weekly meetings with EDS. This review includes requests being carried forward from the old TCMIS as well as the new ones associated with the new TCMIS interChange (iC) system.
- Status updates on outstanding requests (SCRs and WRs) are received weekly from EDS. Completed requests are sent for state verification. TennCare IS logs are updated as status is received.
- The Data Center Move Log indicates each daily change made affecting the system, including the associated SCR or WR number. This log is monitored to ensure changes to the production programs are documented and approved by the state. Program changes are kept in a temporary library until the next scheduled release of the production iC TCMIS.
- EDS schedules a new release of the production iC TCMIS approximately every two weeks. Any modules that have been updated and shown on the Data Center Move Log that are being propagated into the base system code are reviewed and approved by the TennCare Change Control Board, which is made up of participants from TennCare IS, TennCare Policy, OIR, and EDS. The first Change Control Board meeting was held November 12, 2004.
- We are in the process of implementing a software program to track changes to the system. This will replace some of the manual tracking that is currently occurring. All SCRs and WRs initiated since July 1, 2004 have already been entered into this system, and are being tracked through this system in parallel with our manual tracking logs. Some management reports are also being produced out of this system.

Although we partially concur that TennCare needed improvement in the tracking of SCRs and WRs for the year ended June 30, 2004, the previously referenced changes outlined have significantly enhanced our internal control. TennCare has recently created and is currently staffing a Contract Management Unit that is designed to track and monitor all change requests (WRs, SCRs and PCRs). The tracking program that is being installed will be mandated for EDS and, as such, there will be a consolidated list of the status and priority of all outstanding requested changes. The Contract Management Unit is tasked to ensure all change requests are monitored to final resolution and meet all contract performance and responsibility requirements.

Finding Number	04-DFA-10
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TNR21, 05-0405TNR21
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	None

For the second year, TennCare's administrative appeals process needs improvement

Finding

As noted in the previous audit, TennCare's administrative appeals process needs improvement.

TennCare Standard applicants and enrollees have the opportunity to appeal and have an administrative hearing regarding the denial of their application, the effective coverage date, cost-sharing disputes, and disenrollment from TennCare. TennCare Standard applicants and enrollees have 40 days from the date of the adverse action to submit an appeal to the TennCare Bureau. By policy and practice in effect during the audit period,

- TennCare reinstates coverage for enrollees who have filed an appeal within 20 days of the adverse action and processes the appeal;
- TennCare does not reinstate coverage for enrollees who have filed an appeal between the 21st and 40th days but processes the appeal; and
- TennCare does not process appeals received after the 40th day and notifies the enrollee that the appeal was not filed within the appeal time frame.

The *Code of Federal Regulations* (CFR), Title 42, Part 431, Section 244, requires that TennCare process and resolve administrative appeals within 90 days of receipt of an appeal. According to TennCare management, if TennCare is unable to resolve the appeal within 90 days, the appellant is provided interim TennCare coverage until final resolution of the appeal. As a result, TennCare may provide coverage to appellants who are not eligible for TennCare Standard.

Management concurred in part with the prior-year finding and stated:

> . . . While the TennCare Deputy Commissioner has taken action to reorganize the administrative appeals system within the Member Services Division to ensure a more efficient process with sufficient controls and prompt administration and proper tracking of appeals, he does not have complete control over administrative

> decisions being rendered within 90 days. While we attempt to have administrative hearings and the resulting decision within 90 days, it is not always possible for resolution to occur within that time period. There are multiple reasons for hearings and decisions on the appeal to be rendered beyond the 90 days. One example occurs when an enrollee requests a continuance of his/her hearing, and the hearing official grants the continuance over an objection by the state. Another example occurs when the hearing is conducted within 90 days, but the hearing official is delinquent in issuing the order.
>
> Notwithstanding the changes referenced above, the TennCare Bureau is currently working with the Department of Human Services (DHS) to streamline the appeals process for eligibility and other administrative appeals and to set up within DHS an appropriate structure of administrative personnel to process these hearings in a timely manner. DHS will process the appeals and the hearings will be conducted by hearing officials within the Office of the Secretary of State. We believe that this restructuring will result in a more efficient process for enrollees and applicants and will reduce the timeframes that go beyond the 90-day requirement.

According to management, the administrative appeals process will to be moved to DHS in January 2005. During fieldwork, we selected a sample of 25 of 17,097 enrollees whose administrative appeal exceeded the 90-day federal requirement. Based on testwork performed, it appeared that for 18 of 25 administrative appeals (72%), the delays were attributed to factors beyond the Bureau of TennCare's control. However, for 7 of 25 administrative appeals (28%) that exceeded the 90-day federal requirement, TennCare could not provide documentation to explain and/or justify the delays.

The Rosen lawsuit requires TennCare to continue to provide services to enrollees when TennCare does not meet the 90-day requirement. The costs related to these enrollees will not be questioned in this audit because the *Code of Federal Regulations*, Title 42, Part 431, Section 250, states that the agency may receive federal financial participation for services provided under a court order. However, when unnecessary delays occur, the state and the federal government are subject to additional costs of providing services to enrollees until the result of the appeal is determined.

Recommendation

The Director of TennCare should take immediate action to ensure that appeals are processed and resolved within the 90-day federal time requirement or document when delays are beyond TennCare's control. Once this process is moved to DHS, the Director of TennCare should continue to work with DHS as necessary to ensure that appeals are processed timely by identifying impediments to timely resolution and making changes to the process accordingly.

Management's Comment

We concur. TennCare contracted with the Department of Human Services to process administrative appeals. Effective January 4, 2005, DHS began processing administrative appeals received November 15, 2004 forward. TennCare's Member Services Division has been and will continue to work with and train DHS staff to process these appeals.

TennCare gave DHS the additional resources (staffing and equipment) needed to process appeals more efficiently and timely. The resources are as follows:

Intake Unit—20 positions
Conciliation Unit—101 positions
Hearing Prep—46 positions
Total new positions—167 positions

Note: TennCare previously had a total of 70 positions.

The Conciliation Unit was given the most positions to attempt an early resolution of the cases. Further, DHS has a new tracking system, Appeals Resolution Tracking System (ARTS), that will facilitate reports required by TennCare daily, weekly and monthly.

TennCare is also providing consulting support consisting of eligibility appeals experts to facilitate monitoring while DHS is providing reports to TennCare regarding timeliness.

Finding Number	04-DFA-11
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TNR21, 05-0405TNR21
Finding Type	Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	None

Although TennCare management continues to acknowledge its responsibility to take action in this matter, for the fifth consecutive year TennCare does not have a court-approved plan to redetermine or terminate the TennCare eligibility of SSI enrollees who become ineligible for SSI

Finding

As noted in prior audit findings in the previous four audits, TennCare does not redetermine or terminate the TennCare eligibility of Supplemental Security Income (SSI) enrollees who become ineligible for SSI. This is because TennCare still does not have a court-approved plan which would allow TennCare to make a new determination of the eligibility of these enrollees. According to 1200-13-13-.02(1)(c) of the *Rules of the Tennessee Department of Finance and Administration, Bureau of TennCare*, "The Social Security Administration determines eligibility for the Supplemental Security Income (SSI) Program. Tennessee residents determined eligible for SSI benefits are automatically eligible for and enrolled in TennCare Medicaid benefits." However, when an individual enrolled in TennCare as an SSI enrollee is terminated from SSI, TennCare does not redetermine or terminate the enrollee's eligibility. Currently, TennCare does not terminate SSI recipients unless the recipient dies, moves out of state and is receiving Medicaid in another state, or requests in writing to be disenrolled. This issue was first reported in the audit for year ended June 30, 2000. Management concurred in part with that audit finding and stated:

> . . . The State is prohibited by court order from disenrolling persons who have been enrolled in TennCare as SSI recipients at any time since November 1987, unless these persons die or move out of state and indicate a wish to be transferred to the Medicaid program in their new state. These individuals are carried on the TennCare rolls as Medicaid eligibles, which means that they have no copayment obligations. Until such time as the State can terminate the TennCare eligibility of former SSI enrollees, we believe it makes more sense to focus our reverification efforts on those enrollees who could actually be disenrolled from the program. . . .

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

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

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

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

In the previous audit finding for year ended June 30, 2003, we reported that TennCare added the additional information to the proposal as requested by the Attorney General. We noted that in June 2003 TennCare presented the proposal to counsel for the Daniels' class action lawsuit, but agreement could not be reached. Management did not concur with that finding and stated:

> TennCare management has approached Plaintiff's attorneys numerous times and thus far, Plaintiff's attorneys have been unwilling to accept any plan dealing with de novo eligibility determinations for the SSI class. TennCare management has been involved in ongoing discussions with the Plaintiff's attorneys regarding all TennCare related lawsuits. While settlement agreements have been reached in several of these cases, the parties have not come to an agreement related to the Daniels' Order. Although it is not possible to determine whether Plaintiff's

> attorneys will ever accept a plan submitted by TennCare, TennCare management will continue to work with the Plaintiff's attorneys and when the parties reach an agreement, it will be submitted to the court for approval. TennCare is continuing to terminate these individuals due to death and when the individual is receiving Medicaid in another state or requests termination in writing.

As stated in our rebuttal to that finding, management has not taken issue with any statements made in the finding or the recommendation.

Based on discussions with TennCare legal staff during fieldwork, TennCare and the Plaintiff's attorneys still have not reached an agreement for the Daniels' class action lawsuit. Management stated that TennCare is currently in discussions with the Department of Human Services to draft a new proposal detailing how the de novo (new) determination of Medicaid eligibility can be made. Once the new proposal is complete, TennCare will present the proposal to Counsel for the Daniels' class. Once an agreement is reached, the Attorney General will submit the proposal to the court. After the court approves the proposal for the court-approved plan, TennCare will implement the court-approved plan.

The *Cluster Daniels et al. vs. the Tennessee Department of Health and Environment et al.* court order states,

> . . . defendants are hereby ENJOINED from terminating Medicaid benefits without making a de novo [a new] determination of Medicaid eligibility independent of a determination of SSI eligibility by the Social Security Administration. The Court further ENJOINS defendants to submit to the Court and to plaintiffs, within thirty (30) days of entry of this Order, the plan by which defendants have implemented de novo determination of Medicaid eligibility. . . .

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

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

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

the federal defendants, the Attorney General's office and the Tennessee Department of Human Services (which makes, under law, the Medicaid eligibility determinations). Unfortunately, these efforts have been unsuccessful to date.

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

According to TennCare management, there were approximately 153,000 non-dual SSI enrollees and approximately 139,000 dual SSI enrollees at June 30, 2004. Dual enrollees are enrollees receiving Medicaid (TennCare) and Medicare benefits. Of these, approximately 55,000 non-dual and 70,000 dual enrollees have lost SSI eligibility but remain on TennCare without a new determination of eligibility because TennCare does not have a court-approved plan. As a result, TennCare does not know how many of the approximately 125,000 would be currently eligible under existing eligibility guidelines.

According to a recent study concerning per capita costs for the TennCare Program, the average estimated MCO cost per SSI enrollee for fiscal year 2004 is $524.07 per month for non-dual enrollees and $278.67 per month for dual enrollees. Based upon these average costs per enrollee, the approximate cost for the 55,000 non-dual and 70,000 dual enrollees who have lost SSI eligibility but remain on TennCare without a new determination of eligibility was $346 million and $234 million, respectively. As a result, the total amount paid for these enrollees is approximately $580 million for year ended June 30, 2004.

Recommendation

The Director of TennCare should continue efforts to work with the counsel for the Daniels' class action lawsuit to develop and implement a court-approved plan that would allow TennCare to determine if terminated SSI recipients are still eligible for TennCare and terminate ineligible enrollees.

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

Management's Comment

We concur. TennCare's position has not changed since the last audit. The Deputy Commissioner will continue to work towards a court-approved proposal with Plaintiff's counsel. TennCare also will continue to disenroll those persons who Plaintiff's counsel has agreed that we may disenroll.

Finding Number	04-DFA-12
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028, 05-0405TN5028
Finding Type	Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	$276,208

TennCare did not recover all costs related to deceased enrollees

Finding

Using computer-assisted auditing techniques, we performed a data match between TennCare's paid claims and encounter data and the date-of-death information on TennCare's eligibility file and on the records of the Department of Health's Office of Vital Records. The results indicated that payments of $408,955 were made and not recovered for services on dates that were after the recorded dates of death of the recipients.

Management has developed several procedures to recover payments for claims for services occurring after the dates of death. For the fee-for-service payments paid by TennCare directly, TennCare's procedures included using a manual recovery process. For the MCO, BHO, Pharmacy, and Dental payments, the procedures included sending listings of possible deceased enrollees to the managed care contractors for explanation and recovery where appropriate.

We believe that because of the nature, complexity, and magnitude of the TennCare program, there will always be some payments of this type in the program. Nevertheless, we are required by federal Office of Management and Budget Circular A-133 to report this issue as a finding because questioned costs exceed $10,000. Total federal questioned costs were $276,208. The remaining $132,747 was state matching funds.

Recommendation

The Director of TennCare should continue the manual recovery process and should continue to send listings to the managed care contractors and obtain explanations and recoveries where appropriate.

Management's Comment

We concur. It should be noted that TennCare has reduced the amount of questioned costs from the prior audit period from $782,075 to $408,955 this audit period, a reduction of 47.7

percent. TennCare continues to monitor for potentially deceased enrollee payments by using both manual and electronic review methods.

As part of the procedures in place, comparisons are made between the PBM's [Pharmacy Benefits Manager] weekly invoices and dates of service against the date-of-death information from Vital Records to determine if pharmacy claims are appropriate for a given week's invoice. If exceptions are found, notice is sent to the PBM to either validate the charge or reverse the charge within 30 days. A similar comparison is made of the DBM [Dental Benefits Manager] claims on a semi-monthly basis. Again, if exceptions are found, notice is sent to the DBM to either validate the charge or reverse the charge within 30 days.

As with all information concerning dates of service versus dates of death, there is an unavoidable time lag between the actual date of death and the date when that information reaches Vital Records. We have created a new report which retrospectively makes a review of the payment(s) made after an enrollee's date of death, but before the notification of death was provided to TennCare, for all payments to the MCCs [Managed Care Contractor]. We continue to work to reduce the amount of questioned costs through additional research with the MCCs. We have found that many of the questioned costs identified by the Comptroller's Office were appropriately made or recovered prior to the audit. For this reason, we anticipate that other questioned costs were appropriately handled once the research is complete.

Finding Number	04-DFA-13
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$212,720

TennCare charged the federal Medicaid program for payments to the Department of Children's Services, managed care organizations, behavioral health organizations, and pharmacy and dental benefits managers, for some unallowable costs

Finding

TennCare has paid the Department of Children's Services (Children's Services) and other service providers for services provided to children in state custody. Some of these payments should not have been charged to the federal Medicaid program. In accordance with its agreement with TennCare, Children's Services contracts separately with various practitioners and entities to provide Medicaid services not covered by the managed care organizations (MCOs) and the behavioral health organizations (BHOs) that are also under contract with TennCare. During the year ended June 30, 2004, TennCare paid approximately $135 million in fee-for-service reimbursement claims to Children's Services for services provided to children in the state's custody. Additionally, TennCare makes payments for services provided to children in the state's custody to the MCOs, BHOs, and the pharmacy and dental benefits managers.

Previous audits of TennCare have identified millions of dollars that TennCare had reimbursed to Children's Services and other service providers on behalf of ineligible children. TennCare is now receiving periodic lists from Children's Services identifying children in its custody, incarcerated youth in its custody, children on runaway status, and children placed in a medical hospital; and it appears that TennCare has taken steps to put in place to use this data to identify unallowable billings. This cooperation between Children's Services and TennCare has significantly reduced the number of inappropriate billings and payments; however, through the use of computer-assisted audit techniques, we identified some unallowable payments made to Children's Services and other service providers.

Although we believe that a small number of errors of this nature are inherent in the program, we are nevertheless required by Office of Management and Budget Circular A-133 to report all known questioned costs when likely questioned costs exceed $10,000 for a federal compliance requirement. We have identified the following questioned costs exceeding $10,000 for the compliance requirement Allowable Costs/Cost Principles:

- TennCare made payments totaling $216,458 for the year ended June 30, 2004, for juveniles in the youth development centers and detention centers. Of this amount, $137,789 was paid as direct services to the MCOs or BHOs; to Doral Dental, the dental benefits manager, for dental claims; or to Consultec and First Health, pharmacy benefits managers, for MCO and BHO drug claims. Another $73,089 was paid to the MCOs in administrative fee payments, and $5,670 was paid to Children's Services for services provided to children in the state's custody. Federal questioned costs totaled $146,257. The remaining $70,201 was state matching funds.
- TennCare improperly reimbursed $58,455 to Children's Services for children who were not in the state's custody during the dates of service billed to TennCare. Federal questioned costs totaled $39,481. The remaining $18,974 was state matching funds.
- TennCare improperly paid Children's Services $4,146 for children who were on runaway status. Federal questioned costs totaled $2,800. The remaining $1,346 was state matching funds.
- TennCare improperly paid $26,951 to Children's Services for children who are in the state's custody but had been placed in a medical hospital or a behavioral health facility. These costs should have been covered by the MCO or BHO. Federal questioned costs totaled $18,203. The remaining $8,748 was state matching funds.
- TennCare improperly reimbursed $8,853 to Children's Services for claims involving the same children with overlapping dates of service. Federal questioned costs totaled $5,979. The remaining $2,874 was state matching funds.

Recommendation

The Director of TennCare should continue to coordinate with the Department of Children's Services to minimize TennCare reimbursement to managed care organizations, behavioral health organizations, pharmacy and dental benefits managers, and Children's Services for unallowable costs. The Director should continue to coordinate with Children's Services in removing the TennCare eligibility of incarcerated youth and in implementing and maintaining proper controls to prevent billings for hospitalized children, children on runaway status, and children not in the state's custody.

Management's Comment

We concur. As stated in previous audits, it appeared that the cooperation and coordination between TennCare and DCS could be improved. For fiscal year 2004, TennCare and DCS signed an interdepartmental agreement (contract) to officially establish the parameters of billing data that TennCare receives from DCS.

This contract included numerous performance standards that are designed to reduce inappropriate DCS billings. Failure to meet these billing standards, and other standards related to lawsuit judgments, may result in penalties, or liquidated damages, that can be assessed against

DCS. Per the contract's Attachment D, "Performance Standards," DCS is held to several standards that include:

> **Standard 4**: DCS will not submit any claims to TennCare for services to children who are not TennCare-eligible, which includes children who are incarcerated.
>
> **Standard 5**: DCS will not submit any claims to TennCare for services to children who are not physically present to receive the service (e.g., children who are on runaway status, children who are hospitalized).
>
> **Standard 11**: TennCare will be promptly notified by DCS when TennCare-eligible children enter or leave custody and when children are in situations where they cannot receive DCS TennCare-reimbursed services (e.g., on runaway status).
>
> **Standard 19**: Billings will be submitted only for DCS children in custody or at risk of State custody/placement.

TennCare has enforced compliance with these standards as is evidenced by the assessment of liquidated damages for violations that were incurred in May 2004. TennCare initiated the recoupment of the $7,000 liquidated damage by reducing payments to the agency — effectively lowering the monthly payment for the amount of the penalty.

The amount noted in the finding as questioned costs paid for services rendered for incarcerated youth for MCO/BHO encounters has been recovered from DCS via a financial change request on March 18, 2005 for $137,789.20. Other payments totaling $73,088.98 for administration payments (capitation fees) to MCOs were also recovered from DCS via a financial change request on March 18, 2005. The process for recouping improper payments made to the MCOs, BHOs, PBM [Pharmacy Benefits Manager], and DBM [Dental Benefits Manager] will continue to be made when issues are identified through the review process.

With the large numbers of children in the system at DCS, cycling both in and out of custody or placement locations, there is always the chance of a timing error in eligibility data between DCS's billing cycle and information updating the TennCare eligibility files. We will continue to use the custody files from DCS to do retrospective monitoring of claims paid by TennCare and the managed care entities.

It should be noted that TennCare has reduced the questioned costs associated with this finding from approximately $1.7 million for the audit period ending June 30, 2003, to approximately $314,863 this audit period — a reduction of over 80 percent from FY 2003. Through cooperation with and assistance from DCS, more active monitoring procedures, enforcement of contract rules, and implementation of better automated controls, TennCare will endeavor to reduce the amount of improperly paid claims from DCS even more this coming fiscal year.

Finding Number	04-DFA-14
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028, 05-0405TN5028
Finding Type	Reportable Condition
Compliance Requirement	Procurement and Suspension and Debarment
Questioned Costs	None

For the fourth consecutive year, TennCare did not approve contracts before the beginning of the contract period

Finding

As noted in the prior three audits, TennCare did not approve contracts before the beginning of the contract period. We first reported that contracts relating to graduate medical education were not approved timely during the June 30, 2001, audit. Management concurred in part and stated,

> We agree that the agreements should have been signed before funds were disbursed. This was an oversight and the contracts were signed within 18 days of the disbursement.

However, in the audit for the year ended June 30, 2002, we again noted that not all contracts were approved before the beginning of the contract period. Management concurred with that finding and stated, "Every attempt will be made to ensure contracts are signed before the effective date."

Again, in the audit for the year ended June 30, 2003, we noted that not all contracts were approved before the beginning of the contract period. Management concurred in part and stated:

> . . . We concur that certain contracts were not fully executed before their effective dates. However, we have been advised by the Attorney General's office that contracts, once executed, are effective for the period stated in the contract and that transactions occurring between the effective date and the execution date are covered by the contract. In addition, it should be noted that State contracting guidelines do not require contracts between state agencies; therefore, we disagree that payments made to DMRS [Division of Mental Retardation Services] and DCS [Department of Children's Services] were unauthorized. If any unallowable expenses are paid to state agencies, they will be recouped. Payments were not made to other contractors before the contracts were signed. We do recognize the benefits of having contracts in place timely and will continue to attempt to ensure that contracts are signed before the effective dates.

In our rebuttal to the finding, we stated:

> We did not state in the finding that "payments made to DMRS and DCS were unauthorized." We said that the failure to have a contract in place before the contract period begins could obligate the state to pay for unauthorized services, i.e., services provided in good faith that did not correspond to the services ultimately agreed upon in the final contract. This could lead to unnecessary litigation that could have been avoided if the contracts were finalized prior to the effective date of the contract. Or, in the case of state agencies, costs that would have been borne by federally funded programs may have to be covered with state funds. Four of the 23 contracts addressed in the finding were with state entities.

During fieldwork we discussed the prior year's management comments with the Attorney General's Office. According to the Deputy Attorney General, services could legally be provided under a finalized, non-executed contract. However, according to the Deputy Attorney General, no payments should be made by a state agency before the contract is fully executed. While it is technically permissible to allow services to be provided prior to a contract's approval, it is still not in the best interest of the state.

For the current audit period, we again performed testwork on contracts and contract amendments to determine timeliness of approvals. Our testwork revealed that 25 contracts and/or amendments that had beginning effective dates between July 1, 2003, and June 30, 2004, were not fully executed before the beginning of the contract period. In addition, three provider agreements were not fully executed before the beginning of the contract period. Two of these providers were paid a total of $1,941 for services before the agreements were fully executed.

Chapter 0620-3-3-.06(3) of the *Rules of the Department of Finance and Administration* states, "Upon approval by the Commissioner of Finance and Administration a contract shall be fully approved. . . ." A contract should serve as the legal instrument governing the activities of TennCare as they relate to the contractor and should specify the scope of services, grant terms, payment terms, and other conditions.

<u>No Contract Amendment for Extending Contract Term for DMRS Providers</u>

Testwork revealed that the Division of Mental Retardation Services extended existing provider agreements without appropriate authorization by TennCare, an original party to the three-party agreements between TennCare, DMRS, and the provider. We obtained copies of letters written by the Deputy Commissioner of DMRS sent to five of its providers, stating that the contract with their respective agency would be extended for the period July 1, 2004, to December 31, 2004, while a new provider agreement was being prepared. However, TennCare had no knowledge of this provider agreement extension, according to TennCare management.

Provision D.2, "Modification and Amendment," of the provider agreements in effect for July 1, 2003, to June 30, 2004, states that the contract ". . . may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State

officials in accordance with applicable Tennessee State laws and regulations." In addition, Section B, "Contract Term," of the provider agreement states that the contract is ". . . effective for the period commencing on September 1, 2003, and shall end June 30, 2004. The state shall have no obligation for services rendered by the Contractor, which are not performed within the specified period."

Because TennCare failed to adequately monitor DMRS, DMRS extended the terms of service in the existing provider agreements without TennCare authorization. According to staff within DMRS Contract Services, Central Office, DMRS did not contact TennCare's Director of Developmental Disabilities Services, who is responsible for the monitoring of this program regarding the extension of the individual provider agreements. In addition, according to DMRS staff, the Director of Developmental Disabilities was not notified that any letter had been sent extending the terms of the provider agreements. We contacted TennCare's Director of Developmental Disabilities Services, who stated that he was not notified of an extension of the contract and was not aware of the letter sent by the DMRS Deputy Commissioner.

Not having an executed contract in place at the beginning of the contract term can lead to confusion between the parties regarding the scope of services, grant terms, payment terms, and other conditions. In addition, if contracts are not approved before the contract period begins and before services are rendered, the state could be obligated to pay for services not agreed to in the final contract.

Recommendation

The Director of TennCare should assign to appropriate staff the responsibility of ensuring contracts are signed within a reasonable time before the effective dates, in order to allow adequate time for review and final approval. The Director should then monitor staff's performance and take corrective action as necessary. The Director should also ensure that no payments are made prior to fully executing a contract. The Director should ensure that DMRS is properly monitored to prevent DMRS from amending agreements TennCare is a party to without its knowledge.

Management's Comment

We concur. TennCare management has made a concerted effort to improve compliance with the Department of Finance and Administration rules in the current fiscal year. Often, contracts/amendments are signed by TennCare and submitted to the Department of Finance and Administration, Office of Contract Review (OCR) and the Comptroller's office for review before the beginning date of the contract. TennCare should have allowed more time for review by these entities. Therefore, efforts are being made to ensure that all contracts/amendments are signed by TennCare and submitted to OCR with sufficient time to ensure Comptroller approval before the actual begin date of the contract. TennCare now intends to submit contracts/amendments to OCR 60 days before the beginning date of the contract.

TennCare also is urging program administrators to work closely with contractors to identify and resolve any contract issues prior to the submission of contract document for signature. This will decrease the amount of time needed for contractor review and signature. This step will ensure timely processing prior to the beginning date of the contract.

No Contract Amendment for Extending Contract Term for DMRS Providers

We concur. Provider contracts in the HCBS waivers are three-way contracts between the provider, DMRS and TennCare. During the audit period, DMRS extended some provider contracts via letter and without the knowledge or approval of the Bureau of TennCare. On March 11, 2005, the Bureau of TennCare notified DMRS in writing that payments would not be made for services provided during the period that additional provider contracts were extended by DMRS without TennCare knowledge and approval.

TennCare is currently reviewing the provider contracting process to determine the best way to monitor and enforce this requirement. At this time, the Bureau is researching the "Pros" and "Cons" of multiple approaches and discussing them with DMRS in order to find the solution that provides the best integrity with the greatest ability for operational success for both agencies. Once a decision has been made, the Bureau will develop formal written procedures and implement the process.

Finding Number	04-DFA-15
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Reportable Condition and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Questioned Costs	$3,247

TennCare did not have documentation to support the payment of old claims

Finding

TennCare staff paid a claim submitted by the provider beyond the allowable time frame and could not provide adequate documentation to justify overriding untimely filing edits. Previous audits have indicated numerous claims that were not paid timely, and reasons for the late payments were undocumented. In response to our last audit, TennCare's Long-Term Care management implemented a control effective February 2, 2004, requiring an "Edit Override Authorization" form to be completed and approved by the director or assistant director of Long-Term Care whenever an untimely filing edit is overridden. We believe that there have been improvements in documenting the reasons for overriding untimely filing edits through the use of these forms. Testwork in the current audit revealed one error. Office of Management and Budget Circular A-133 requires us to report all known questioned costs when likely questioned costs exceed $10,000 for a federal compliance requirement.

The *Code of Federal Regulations*, Title 42, Part 447, Section 45(d), "Timely processing of claims," states,

> (1) The Medicaid agency must require providers to submit all claims no later than 12 months from the date of service. (2) The agency must pay 90 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 30 days of the date of receipt. (3) The agency must pay 99 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 90 days of the date of receipt. (4) The agency must pay all other claims within 12 months of the date of receipt, except in the following circumstances: (i) This time limitation does not apply to retroactive adjustments paid to providers who are reimbursed under a retrospective payment system. . . . (ii) If a claim for payment under Medicare has been filed in a timely manner, the agency may pay a Medicaid claim relating to the same services within 6 months after the agency or the provider receives notice of the disposition of the Medicare claim. (iii) The time limitation does not apply to claims from providers under investigation for fraud or abuse. (iv) The agency may make payments at any time in accordance

with a court order, to carry out hearing decisions or agency corrective actions taken to resolve a dispute, or to extend the benefits of a hearing decision, correction action, or other court order to others in the same situation as those directly affected by it.

Using computer-assisted auditing techniques, we identified 3,017 claims totaling $431,723 that were potentially paid beyond the time frames specified in the *Code of Federal Regulations* based on dates of service and paid dates. We selected 31 claims out of the 3,017 identified and asked management for documentation to support the timely payment of the claim or the appropriate override forms. We determined that for one out of 31 claims tested (3%), TennCare made an untimely payment for a claim, and TennCare staff did not provide the related "Edit Override Authorization" form. Federal questioned costs for this claim totaled $3,246.93. The remainder of $1,560.49 is state matching funds. We believe that likely questioned costs for this condition exceed $10,000.

Recommendation

The Director of Long-Term Care should continue to ensure that claims are paid within the allowable time frame. When justifiable circumstances arise and management must pay claims outside the allowable time frame, the Director must continue to ensure the decision to override is fully supported by the use of the "Edit Override Authorization" form. In addition to limiting override authority to a minimum number of individuals, the form should completely document reasons for paying late claims, who overrode the edit, and approval by a supervisor.

Management's Comment

We concur. It is unclear from available documentation as to why this claim was paid outside of the timely filing limits. The new interChange TCMIS has improved the internal audit trail functionality that will enable us to research and respond as to why and by whom a particular claim was paid outside the obvious timely filing limits. Such information was not available in the legacy computer system.

Finding Number	04-DFA-16
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

As noted since 2000, the Bureau of TennCare has not adjusted estimates used to claim federal financial participation for expenditures for providing services to TennCare enrollees residing in an Institution for Mental Diseases

Finding

As noted in the prior four audits, the Bureau of TennCare has not adjusted estimates used to equal actual expenditures for services provided to TennCare enrollees residing in an Institution for Mental Diseases (IMD). TennCare did correct the issue noted in the prior audit related to having an adequate Medicaid Management Information System as required by Special Terms and Conditions (STC) 17.

STC Attachment D-5e states:

> CMS [Centers for Medicaid Services] will provide FFP [Federal Financial Participation] at the applicable federal matching rate for . . . Actual expenditures for providing services to a TennCare enrollee residing in an Institution for Mental Diseases (IMD) for the first 30 days of an inpatient episode, subject to an aggregate annual limit of 60 days.

The special terms and conditions (STCs) required by the federal Centers for Medicare and Medicaid Services (CMS) describe in detail the nature, character, and extent of anticipated federal involvement in the TennCare waiver. CMS's approval of the waiver and federal matching contributions are contingent upon the Bureau's compliance with the STCs.

In prior audits and in the current audit, we noted that TennCare staff has used an estimate for these expenditures rather than actual expenditures as required by this STC. This issue was first noted in the audit for year ended June 30, 2000. Management concurred with this portion of the finding and stated that they "have requested updated information from Mental Health and Mental Retardation."

In the audit for year ended June 30, 2001, we reported that TennCare was still using estimated expenditures rather than actual to draw funds. Management again concurred with this portion of the finding and responded that the BHO was directed to develop a quarterly report

listing that would be used to calculate the correct figures for each quarter for calendar years 2000 to date.

In the audit for the year ended June 30, 2002, we reported that TennCare in fact had not requested information on actual expenditures from the BHOs and continued to use estimated expenditures rather than actual to draw funds. Management once again concurred with the audit finding for year ended June 30, 2002, and stated,

> TennCare is currently reviewing reports of enrollees in Institutions for Mental Disease that were prepared by the Department of Mental Health and Developmental Disabilities (DMHDD). DMHDD worked with the Behavioral Health Organizations to develop the report format and recently submitted reports for 1997-2001 to the Bureau for analysis. . . . Once the Bureau's analysis is complete, appropriate adjustments will be made to expenditures and federal draw amounts.

In that audit, we reported that TennCare had received reports for fiscal years 1997-2003; however, adjustments were not made to expenditures or federal draw amounts because TennCare fiscal staff was still trying to validate the accuracy of the reports.

In the prior audit, management concurred in part with the audit finding and stated:

> . . . TennCare has used a process of estimating costs for Institutes of Mental Disease (IMD) on a monthly basis and will reconcile those estimates to actual expenditures. Once the ongoing reconciliation is complete, we will submit adjustments to previous estimates of federal funds claimed. The process of using estimates and reconciling to actual costs is not an inappropriate method of claiming federal funding. We do agree that we have not reconciled timely and will complete the reconciliation as soon as practicable.

For the current audit period, TennCare has received reports for the first three quarters of fiscal year 2004. However, as of August 1, 2004, TennCare still has not adjusted expenditures or federal draw amounts. TennCare staff indicated that the reason why no adjustments had been made was because they had questions about whether this regulation applied to state institutions only or to both state and private institutions. As of August 1, 2004, management has indicated that all the previous concerns about the reports have been resolved. TennCare reduced federal draws by over $17 million in the previous year for services not billable to the federal government. A portion of this $17 million represents costs for services provided to TennCare enrollees residing in an Institution for Mental Diseases; however, this amount was still based on estimates rather than actual expenditures.

Recommendation

The Chief Financial Officer should make the appropriate adjustments for actual expenditures for services provided to enrollees residing in an Institution for Mental Diseases.

Management's Comment

We concur. Subsequent to the audit period, we received all the data necessary to complete the reconciliation of fiscal years 1997 - 2004. We will file the amended reports with CMS by April 30, 2005. We will make every effort to comply with this special term and condition going forward using the process we have developed.

Finding Number	04-DFA-17
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-0305TN5028; 05-0405TN5028
Finding Type	Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	None

TennCare failed to ensure that provider disclosure requirements were met, and failed to document that hospitals had met the prescribed federal health and safety standards

Finding

TennCare failed to ensure that provider requirements were met in accordance with the *Code of Federal Regulations*, the Centers for Medicare and Medicaid Services (CMS) *State Operations Manual*, and state law. TennCare contracts with Managed Care Organizations (MCOs); the MCOs then contract with providers to provide services to TennCare enrollees.

During the audit, we noted three specific weaknesses:

- TennCare did not ensure that all MCOs required providers to make necessary disclosures.
- TennCare's applications with cross-over providers did not include required disclosures.
- TennCare did not maintain adequate documentation that hospitals had met the prescribed federal health and safety standards.

TennCare did not ensure that all MCOs required providers to make necessary disclosures

The objective of our testwork was to determine if TennCare ensured that the MCOs required providers to make the necessary disclosures when the MCOs entered into or renewed existing provider agreements. Based on discussions with TennCare personnel and based on our review of provider agreements, provider applications, and other provider documents, we determined that the MCOs' provider agreements or provider applications did not include specific language which required providers to disclose ownership/controlling interest and convictions of criminal offense. Our testwork revealed that for 23 of 33 providers tested (70%), there was no evidence that the MCOs required the disclosures from the providers.

The *Code of Federal Regulations*, Title 42, Part 455, Section 106(a), states:

> Before the Medicaid agency enters into or renews a provider agreement, or at any time upon written request by the Medicaid agency, the provider must disclose to the Medicaid agency the identity of any person who: (1) Has ownership or control interest in the provider, or is an agent or managing employee of the provider; and (2) Has been convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the title XX services program since the inception of those programs.

It should be noted that after the audit period, as of July 1, 2004, TennCare amended the general MCO Contract to include the following addendum:

> 2-18tt. Require the provider to comply and submit to the CONTRACTOR disclosure of information in accordance with the requirements specified in 42 CFR 455, Subpart B.

Because TennCare had not required through its standard provider agreement or provider application all providers to report ownership and criminal offense disclosures, TennCare may not have been able to identify potential conflicts of interest and persons who had been convicted of criminal offenses.

<u>TennCare's Medicare cross-over provider application form did not require all required disclosures</u>

During fieldwork, it was noted that TennCare's cross-over provider application entitled "Tennessee Department of Health No. 3 Provider Application" did not require providers to disclose information about criminal offenses as prescribed by the *Code of Federal Regulations*, Title 42, Part 455, Section 106(a)(2). Instead, the provider application only required providers to attest that they have not been ". . . determined guilty of Medicaid and/or Medicare fraud . . . " instead of requiring disclosure of being "convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the title XX services program since the inception of those programs." In addition, the provider agreement required providers to certify that they had not been convicted of a criminal offense "within a three (3) year period preceding this contract . . ." instead of since the inception of Medicare, Medicaid, and the title XX services program.

As a result, under the existing application and agreements, a provider could have been convicted of a criminal offense against Medicaid and/or Medicare more than three years ago or had a conviction which was not fraud and truthfully answer "no" to the question.

<u>Lack of documentation that hospitals met health and safety standards</u>

TennCare did not have documentation that hospitals met federal health and safety standards. According to the Department of Health, either a Certificate and Transmittal (C&T) form or Joint Commission on Accredited Hospitals (JCAHO) accreditation satisfies the

prescribed federal health and safety standards. Based on a review of TennCare's files, we determined that for 8 of 20 hospitals tested (40%), TennCare's provider files did not have documentation that the provider met federal health and safety standards. We considered TennCare's documentation to be adequate evidence that hospitals met the prescribed federal health and safety standards if

- the Department of Health C&T form "survey date" was within 15 months of the date of service or within 36 months for a JCAHO accredited hospital,
- and if the hospital was initially JCAHO accredited, the hospital met one of the following criteria:
    - its JCAHO accreditation was current as of the date of service, or
    - if its accreditation had expired, the survey was conducted within 15 months after accreditation had expired.

How often the Department of Health should generate a C&T form is dictated by the CMS *State Operations Manual*, Section 2022B, which states:

> The SA [state agency] recertifies the compliance of accredited hospitals on a schedule consistent with accreditation interval, which may be only every three years.

Otherwise, any hospital whose JCAHO accreditation had expired or was never JCAHO accredited falls under *Tennessee Code Annotated*, Title 68, Chapter 11, Section 210, which states in part:

> (a) (1) Every facility, for which a license has been issued, shall be inspected within (15) months following date of last inspection by a duly appointed representative of the department. . . . (5) (a) All health care facilities licensed by the department which have obtained accreditation from a federally recognized accrediting health care organization [JCAHO] shall be deemed to meet all applicable licensing requirements . . . may be exempt from subdivision (a) (1) so long as the facility remains accredited.

Without evidence that TennCare has ensured that providers/hospitals have met federal health and safety standards, the health and welfare of enrollees may be jeopardized.

Recommendation

The Director of TennCare should ensure that MCOs comply with the new provision of the MCO General Contract. The Director of TennCare should update the cross-over provider application by amending criminal disclosure requirements pursuant to the *Code of Federal Regulations*, Title 42, Part 455, Subpart B. Also, the Director should ensure that documentation to confirm that hospitals meet federal health and safety standards is obtained.

Management's Comment

TennCare did not ensure that all MCOs required providers to make necessary disclosures

We concur in part. The federal requirements regarding disclosure do not require notice of this requirement be specifically outlined in provider agreements. All provider agreements do require that providers comply with all applicable state and federal laws and regulations.

Additionally, the Bureau received confirmation from several MCOs that disclosure requirements were being met through the credentialing process and took the opportunity to remind MCOs of this requirement. Even though all provider agreements require compliance with all federal and state laws, rules and regulations, the Bureau agreed to take additional measures to assure compliance by including specific language of the disclosure requirement in the MCO contract. This was done in the July 1, 2004, MCO Contract Amendment and included the following language:

> **2-18.tt. Require the provider to comply and submit to the CONTRACTOR disclosure of information in accordance with the requirements specified in 42 CFR, Part 455, Subpart B.**

Additionally, the basis of this finding was taken from a claims sample from which provider agreements were reviewed and the disclosure requirements outlined in 42 CFR, Part 455, Subpart B, were not incorporated verbatim into the provider agreement during the audit period. However, our current contract requirements, as amended July 1, 2004, will be in place for future audit periods.

TennCare's Medicare cross-over provider application form did not require all required disclosures

We concur with the finding and will amend the current disclosure requirements in our current provider application to include full disclosure regarding any criminal offense against Medicaid and/or Medicare regardless of when it took place without any time limitation that now exists in that document. It should be noted, however, that these crossover providers by definition are Medicare providers subject to the same requirement. Therefore, Medicare procedures would have already assured that there were not any providers that have been convicted of fraud in Medicaid and Medicare. We have asked the Office of General Counsel to help us with the wording in our revised Provider Agreement so that it will be legally correct and are awaiting a response on that now.

Lack of documentation that hospitals met health and safety standards

We partially concur with this finding. Historically, the Department of Health has systematically notified us of current hospital licensure. However, the Provider Services Division has initiated a process whereby we will on an annual basis in June of each year verify that each hospital in the State of Tennessee has renewed their licensure. We will also maintain documentation of that verification.

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Auditee's Section

Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

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State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Unclustered Programs				
Department of Agriculture				
Direct Programs				
Tennessee State University	Agricultural Research_Basic and Applied Research	10.001	$ 5,006.48	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001	2,108,637.26	$ 2,113,643.74
Agriculture	Plant and Animal Disease, Pest Control, and Animal Care	10.025	$ 633,385.28	
University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care	10.025	85,674.08	719,059.36
Agriculture	Market Protection and Promotion	10.163		18,694.68
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200		(6,798.11)
University of Tennessee	Cooperative Forestry Research	10.202		873,894.39
Tennessee Technological University	Grants for Agricultural Research_Competitive Research Grants	10.206		20,000.00
East Tennessee State University	Small Business Innovation Research	10.212		24,326.21
Tennessee State University	1890 Institution Capacity Building Grants	10.216		147,101.62
University of Tennessee	Higher Education Challenge Grants	10.217		132,828.19
Tennessee State University	Higher Education Multicultural Scholars Program	10.220	$ 9,400.00	
University of Tennessee	Higher Education Multicultural Scholars Program	10.220	42,500.00	51,900.00
Jackson State Community College	Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226		14,644.72
Tennessee State University	Initiative for Future Agriculture and Food Systems	10.302		13,143.52
University of Tennessee	Integrated Programs	10.303		8,656.46
Tennessee State University	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443		66,041.13
University of Tennessee	Crop Insurance	10.450		18,847.51
Tennessee State University	Cooperative Extension Service	10.500	$ 2,665,593.13	
University of Tennessee	Cooperative Extension Service	10.500	8,450,560.11	11,116,153.24
Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		100,451,746.26
Human Services	Child and Adult Care Food Program	10.558		39,579,024.69
Agriculture	State Administrative Expenses for Child Nutrition	10.560	$ 126,777.75	
Education	State Administrative Expenses for Child Nutrition	10.560	1,768,914.42	
Human Services	State Administrative Expenses for Child Nutrition	10.560	944,789.10	2,840,481.27
Health	Commodity Supplemental Food Program	10.565	$ 849,118.10	
Health	Commodity Supplemental Food Program (Noncash Award)	10.565	2,938,920.00	3,788,038.10
Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572		41,771.71
Health	Senior Farmers Market Nutrition Program	10.576		378,670.35
Agriculture	Forestry Research	10.652	$ 350,221.60	
University of Tennessee	Forestry Research	10.652	670.99	350,892.59

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Agriculture	Cooperative Forestry Assistance	10.664	$ 7,633,975.00	
Tennessee Technological University	Cooperative Forestry Assistance	10.664	24,265.32	
University of Tennessee	Cooperative Forestry Assistance	10.664	5,433.38	7,663,673.70
Dyersburg State Community College	Rural Business Enterprise Grants	10.769		6,637.30
University of Tennessee	Distance Learning and Telemedicine Loans and Grants	10.855		315,819.17
Agriculture	Agricultural Statistics Reports	10.950		41,777.76
Tennessee State University	1890 Rural Entrepreneurial Program Initiative	N.A. / RBS-0224		12,069.67
University of Tennessee	USDA MarketPlace of Ideas '03	N.A. / R054101006		3,069.95
Subtotal Direct Programs				$ 170,805,809.18
Passed Through Mississippi State University				
Tennessee State University	Grants for Agricultural Research, Special Research Grants	10.200 / 2001-38640-10271		$ 5,847.00
Passed Through North Carolina State University				
University of Tennessee	Integrated Programs	10.303 / R125110007		1,743.65
University of Tennessee	Cooperative Extension Service	10.500 / R122001044		5,567.48
Passed Through Texas Agricultural Extension Service				
University of Tennessee	Integrated Programs	10.303 / R124110023		119,815.34
University of Tennessee	Cooperative Extension Service	10.500 / R124110037	$ 9,384.29	
University of Tennessee	Cooperative Extension Service	10.500 / R124110038	5,476.26	14,860.55
Passed Through University of Florida				
University of Tennessee	Integrated Programs	10.303 / R124610058	$ (135.22)	
University of Tennessee	Integrated Programs	10.303 / R124610078	57,377.05	57,241.83
University of Tennessee	Homeland Security_Agricultural	10.304 / R124610083		22,785.92
Passed Through Michigan State University				
University of Tennessee	Cooperative Extension Service	10.500 / R124310023		2,072.04
Passed Through National 4-H Council				
University of Tennessee	Cooperative Extension Service	10.500 / R125010016		19,912.79
Passed Through Texas A&M Agricultural Research & Extension Center				
University of Tennessee	Cooperative Extension Service	10.500 / R124110027		306.03
Passed Through Texas A&M University				
Tennessee State University	Cooperative Extension Service	10.500 / 2001-49200-01238		456.56
Passed Through University of California				
University of Tennessee	Cooperative Extension Service	10.500 / R124910047		17,901.21
Passed Through University of Georgia				
University of Tennessee	Cooperative Extension Service	10.500 / R124110026	$ 9,909.46	
University of Tennessee	Cooperative Extension Service	10.500 / R124110035	5,709.37	
University of Tennessee	Cooperative Extension Service	10.500 / R124610077	22,385.78	38,004.61

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Kentucky Center for Cooperative Development				
University of Tennessee	Rural Cooperative Development Grants	10.771 / R124010015		20,510.00
Passed Through Alabama Agricultural and Mechanical University				
Tennessee State University	Southern Agbiotech Consortium for Underserved Communities	N.A. / 00-52100-9616		32,572.94
Subtotal Pass-Through Programs				$ 359,597.95
Subtotal Department of Agriculture				$ 171,165,407.13
Department of Commerce				
Direct Programs				
University of Tennessee	Research and Evaluation Program	11.312		$ 520.30
University of Tennessee	Technology Opportunities Program	11.552		375,111.09
University of Tennessee	Measurement and Engineering Research and Standards	11.609		2,221,485.79
Subtotal Department of Commerce				$ 2,597,117.18
Department of Defense				
Direct Programs				
University of Tennessee	Procurement Technical Assistance For Business Firms	12.002		$ 245.41
Finance and Administration	Payments to States in Lieu of Real Estate Taxes	12.112		473,553.95
Environment and Conservation	State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		320,762.33
Military	Military Construction, National Guard	12.400		1,985,916.41
Military	National Guard Military Operations and Maintenance (O&M) Projects	12.401		17,486,527.15
Education	Troops to Teachers Memorandum of Agreement	N.A. / N.A.		96,058.65
Finance and Administration	State Share Forest Product Sales	N.A. / REIM36-04UDIVIGOVT		53,077.44
Tennessee State University	AFROTC - Uniform Commutation Fund	N.A. / DET-790		16,854.41
University of Memphis	US Army Corps of Engineering, St. Louis IPA	N.A. / CEMVS-ED-HE		31,191.64
University of Memphis	Navy Student Workers	N.A. / N00189-03-D-0011		32,664.43
University of Tennessee	ONRIFO-EURO PVM/MPI - Dongarra	N.A. / R011033098		5,000.00
University of Tennessee	Army MIPR Drug & Alcohol 2001	N.A. / R125510003	$ 48,442.17	
University of Tennessee	Army MIPR03 Drug and Alcohol 2003	N.A. / R125510027	26,250.98	
University of Tennessee	Army MIPR03 Drug and Alcohol 2004	N.A. / R125510040	83,983.89	158,677.04
University of Tennessee	Army MIPR04 Except Family Member 2002	N.A. / R125510019	$ 256.81	
University of Tennessee	Army MIPR04 Except Family Member 2003	N.A. / R125510029	5,827.50	
University of Tennessee	Army MIPR04 Except Family Member 2004	N.A. / R125510042	18,793.90	24,878.21

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Army MIPR09 Family Team Building 2003	N.A. / R125510022	$ 7,731.80	
University of Tennessee	Army MIPR09 Family Team Building 2004	N.A. / R125510035	20,497.71	28,229.51
University of Tennessee	Army MIPR10 Family Action Plan 2003	N.A. / R125510023	$ 6,844.71	
University of Tennessee	Army MIPR10 Family Action Plan 2004	N.A. / R125510036	18,613.06	25,457.77
University of Tennessee	Army MIPR07 Family Readiness 2003	N.A. / R125510024	$ 6,351.63	
University of Tennessee	Army MIPR07 Family Readiness Center 2004	N.A. / R125510037	18,570.12	24,921.75
University of Tennessee	Army MIPR06 Family Member Employment 03	N.A. / R125510025	$ 5,858.60	
University of Tennessee	Army MIPR06 Family Member Employment 04	N.A. / R125510038	19,718.23	25,576.83
University of Tennessee	Army MIPR02 Relocation Office 2003	N.A. / R125510026	$ 19,880.66	
University of Tennessee	Army MIPR02 Relocation Office 2004	N.A. / R125510039	58,639.27	78,519.93
University of Tennessee	Army MIPR01 Family Assistant Coor 2003	N.A. / R125510028	7,252.30	
University of Tennessee	Army MIPR01 Family Asst Outreach 2004	N.A. / R125510041	19,895.01	27,147.31
University of Tennessee	Army MIPR05 Consumer Affrs/Fin Plan 2003	N.A. / R125510030	$ 44,654.63	
University of Tennessee	Army MIPR05 Consumer Affrs/Fin Plan 2004	N.A. / R125510043	125,366.68	170,021.31
University of Tennessee	Army MIPR08 Volunteer Coor 2003	N.A. / R125510031	$ 1,315.95	
University of Tennessee	Army MIPR08 Volunteer Coor Office 2004	N.A. / R125510044	11,935.26	13,251.21
University of Tennessee	Defense Logistics Agency 2003	N.A. / R131030065		166,899.13
University of Tennessee	DOD-Matheny 2004	N.A. / R131030073		260,294.41
Subtotal Direct Programs				$ 21,505,726.23
Passed Through Academy of Applied Sciences				
University of Tennessee	Basic Scientific Research	12.431 / R011745001	$ 20,771.72	
University of Tennessee	Basic Scientific Research	12.431 / R011845006	2,322.14	$ 23,093.86
Passed Through Georgia Institute of Technology				
Tennessee State University	Emergency Management of Agricultural Bio-Terrorism: A Training Curriculum Technical Support	N.A. / DAAD05-03-C-0025		34,273.97
Passed Through San Diego State University Foundation				
University of Memphis	Student Support Services	N.A. / N66001-96-D0046		(4,380.76)

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Louisville				
University of Tennessee	University of Louisville - DOD	N.A. / R131030066		10,006.96
Subtotal Pass-Through Programs				$ 62,994.03
Subtotal Department of Defense				$ 21,568,720.26
Department of Housing and Urban Development				
Direct Programs				
Economic and Community Development	Community Development Block Grants/State's Program	14.228	$ 37,203,074.70	
Military	Community Development Block Grants/State's Program	14.228	460,126.89	$ 37,663,201.59
Human Services	Emergency Shelter Grants Program	14.231		1,370,648.60
University of Tennessee	Supportive Housing Program	14.235		98,303.47
Tennessee Housing Development Agency	HOME Investment Partnerships Program	14.239		13,970,679.62
Health	Housing Opportunities for Persons with AIDS	14.241		634,588.29
Southwest Tennessee Community College	Opportunities for Youth_Youthbuild Program	14.243		39,768.11
Human Rights Commission	Equal Opportunity in Housing	14.400		259,400.00
East Tennessee State University	Community Outreach Partnership Center Program	14.511	$ 7,803.35	
University of Memphis	Community Outreach Partnership Center Program	14.511	6,138.93	13,942.28
University of Memphis	Community Development Work-Study Program	14.512	$ 3,000.09	
University of Tennessee	Community Development Work-Study Program	14.512	40,984.13	43,984.22
Tennessee Housing Development Agency	Section 8 Housing Choice Vouchers	14.871		29,792,256.27
Middle Tennessee State University	Operation Lead Elimination Action Program	14.903		224,087.55
East Tennessee State University	Interest Subsidies	N.A. / CH-TENN-132D	$ 45,110.00	
East Tennessee State University	Interest Subsidies	N.A. / CH-TENN-144D	49,526.00	
Tennessee Technological University	Interest Subsidies	N.A. / TN-139D	34,586.00	129,222.00
University of Tennessee	Sutherland Village Apartments	N.A. / K010006111		172,203.00
University of Tennessee	HUD-Community Outreach Ctr 00	N.A. / R041078068		80,939.55
Subtotal Direct Programs				$ 84,493,224.55
Passed Through City of Knoxville				
Pellissippi State Technical Community College	Empowerment Zones Program	14.244 / C-01-0062	$ 378,312.97	
Pellissippi State Technical Community College	Empowerment Zones Program	14.244 / C-03-0150	162,305.42	
Pellissippi State Technical Community College	Empowerment Zones Program	14.244 / C-03-0278	61,605.34	
Pellissippi State Technical Community College	Empowerment Zones Program	14.244 / C-04-0328	8,345.41	$ 610,569.14
Passed Through Douglas Cherokee Economic Authority				
Tennessee State University	Rural Housing and Economic Development	14.250 / RH-00TN10184		408.12

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Metropolitan Development and Housing Agency				
Tennessee State University	Demolition and Revitalization of Severely Distressed Public Housing	14.866 / TN-43-URD-005-I102	$ 885.91	
Tennessee State University	Demolition and Revitalization of Severely Distressed Public Housing	14.866 / TN-43-URD-005-I199	29,930.21	30,816.12
Passed Through Johnson City Housing Authority				
East Tennessee State University	Resident Opportunity and Supportive Services	14.870 / 02-0267		12,541.73
Subtotal Pass-Through Programs				$ 654,335.11
Subtotal Department of Housing and Urban Development				$ 85,147,559.66
Department of the Interior				
Direct Programs				
Environment and Conservation	Abandoned Mine Land Reclamation (AMLR) Program	15.252		$ 781,428.15
Environment and Conservation	Endangered Species Conservation	15.612		23,117.49
Environment and Conservation	Cooperative Endangered Species Conservation Fund	15.615	$ 151,570.36	
Tennessee Wildlife Resources Agency	Cooperative Endangered Species Conservation Fund	15.615	149,107.00	300,677.36
Tennessee Wildlife Resources Agency	Clean Vessel Act	15.616		737,005.00
Tennessee Wildlife Resources Agency	Sportfishing and Boating Safety Act	15.622		122,125.00
Tennessee Wildlife Resources Agency	North American Wetlands Conservation Fund	15.623		1,225,375.00
Tennessee Wildlife Resources Agency	Wildlife Conservation and Restoration	15.625		265,936.00
Tennessee Wildlife Resources Agency	Hunter Education and Safety Program	15.626		1,210,817.00
Tennessee Wildlife Resources Agency	Landowner Incentive	15.633		7,885.00
Tennessee Wildlife Resources Agency	State Wildlife Grants	15.634		343,656.22
Tennessee Wildlife Resources Agency	Neotropical Migratory Bird Conservation	15.635		55,000.00
Environment and Conservation	U.S. Geological Survey_ Research and Data Collection	15.808		13,202.31
Environment and Conservation	National Cooperative Geologic Mapping Program	15.810		51,975.74
Environment and Conservation	Historic Preservation Fund Grants-In-Aid	15.904		392,753.55
Environment and Conservation	Outdoor Recreation_Acquisition, Development and Planning	15.916	$ 6,349.00	
Middle Tennessee State University	Outdoor Recreation_Acquisition, Development and Planning	15.916	199,036.70	205,385.70
Tennessee State University	Historically Black Colleges and Universities Preservation Initiative	15.924		217,230.66
Finance and Administration	State Share Flood Control Lease Receipts	N.A. / FIN100003988		99.00
Tennessee Wildlife Resources Agency	Big South Fork Gauging Station	N.A. / 1443-CA-5130-98-001		15,000.00
Tennessee Wildlife Resources Agency	Obed River Gauges	N.A. / 1443-CA-5640-97-001		13,800.00
Tennessee Wildlife Resources Agency	Royal Blue Warblers	N.A. / 2000-0350-0003		44,598.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee Wildlife Resources Agency	Tennessee Bobwhite Conservation	N.A. / 2002-0322-000		100,000.00
Tennessee Wildlife Resources Agency	Candidate Conservation Agreement Barrens Topminnow	N.A. / E 8-1		57,332.00
University of Tennessee	National Fish & Wildlife Service Yr 3	N.A. / R054017005		10,775.89
Subtotal Direct Programs				$ 6,195,175.07
Passed Through National Park Foundation				
University of Tennessee	Nat'l Park FDN-Plant Processes-Weltzin	N.A. / R011086087		29,601.94
Subtotal Pass-Through Programs				$ 29,601.94
Subtotal Department of the Interior				$ 6,224,777.01
Department of Justice				
Direct Programs				
Commission on Children and Youth	Juvenile Accountability Incentive Block Grants	16.523		$ 2,809,100.00
University of Tennessee	Grants to Reduce Violent Crimes Against Women on Campus	16.525		115,548.50
Commission on Children and Youth	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540		639,203.39
Commission on Children and Youth	Title V_Delinquency Prevention Program	16.548		62,614.47
Commission on Children and Youth	Part E_State Challenge Activities	16.549		126,254.54
Tennessee Bureau of Investigation	State Justice Statistics Program for Statistical Analysis Centers	16.550		27,902.33
Finance and Administration	National Criminal History Improvement Program (NCHIP)	16.554		705,825.03
Finance and Administration	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		113,775.01
Tennessee Bureau of Investigation	Crime Laboratory Improvement_ Combined Offender DNA Index System Backlog Reduction	16.564		376,064.46
Finance and Administration	Crime Victim Assistance	16.575		7,120,140.28
Treasury	Crime Victim Compensation	16.576		4,971,000.00
Finance and Administration	Byrne Formula Grant Program	16.579	$ 8,873,761.08	
Southwest Tennessee Community College	Byrne Formula Grant Program	16.579	45,595.77	8,919,356.85
Finance and Administration	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		229,908.69
Court System	Drug Court Discretionary Grant Program	16.585		146,508.72
Correction	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586		3,212,462.70
Finance and Administration	Violence Against Women Formula Grants	16.588		2,438,556.61
Finance and Administration	Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	$ 216,623.43	
University of Tennessee	Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	34,098.12	250,721.55
Finance and Administration	Local Law Enforcement Block Grants Program	16.592	$ 327,253.41	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Southwest Tennessee Community College	Local Law Enforcement Block Grants Program	16.592	44,192.82	371,446.23
Finance and Administration	Residential Substance Abuse Treatment for State Prisoners	16.593		1,077,073.05
Finance and Administration	Community Prosecution and Project Safe Neighborhoods	16.609		12,444.84
Tennessee Bureau of Investigation	Regional Information Sharing Systems	16.610		3,372,442.00
University of Tennessee	State and Local Anti-Terrorism Training	16.614		175,655.57
Tennessee State University	Public Safety Officers' Educational Assistance	16.615		(134.10)
Middle Tennessee State University	Public Safety Partnership and Community Policing Grants	16.710	$ 6,804.78	
Safety	Public Safety Partnership and Community Policing Grants	16.710	147,075.00	153,879.78
Commission on Children and Youth	Enforcing Underage Drinking Laws Program	16.727		165,515.98
Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	N.A. / 2003-91	$ 607,381.72	
Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	N.A. / 2004-97	181,635.30	789,017.02
University of Tennessee	US Dept of Justice-Jump Start	N.A. / R044060014		534.35
University of Tennessee	US Dept of Justice Cops	N.A. / R047227001		96,366.66
Subtotal Direct Programs				$ 38,479,184.51
Passed Through National CASA Association				
East Tennessee State University	Victims of Child Abuse	16.547 / 575		$ 26,521.15
Passed Through Knoxville Police Department				
University of Tennessee	Byrne Formula Grant Program	16.579 / R014018081	$ 9,326.30	
University of Tennessee	Byrne Formula Grant Program	16.579 / R014018092	9,340.74	18,667.04
Passed Through City of Johnson City				
East Tennessee State University	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580 / C-04-0116		4,397.45
Passed Through Abt+A41 Associates, Incorporated				
University of Tennessee	ABT Associates, Inc - Cunningham	N.A. / R014018022		6,074.32
Passed Through Metropolitan Drug Commission				
University of Tennessee	Metro Drug Comm-Youth Emp-Cunningham	N.A. / R014018020		13.63
Subtotal Pass-Through Programs				$ 55,673.59
Subtotal Department of Justice				$ 38,534,858.10
Department of Labor				
Direct Programs				
Labor and Workforce Development	Labor Force Statistics	17.002		$ 1,272,234.32
Labor and Workforce Development	Compensation and Working Conditions	17.005		105,769.32
Labor and Workforce Development	Labor Certification for Alien Workers	17.203		194,200.85
Labor and Workforce Development	Unemployment Insurance	17.225		651,185,170.44

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Commission on Aging and Disability	Senior Community Service Employment Program	17.235	$ 92,159.33	
Labor and Workforce Development	Senior Community Service Employment Program	17.235	1,719,580.75	1,811,740.08
Labor and Workforce Development	Trade Adjustment Assistance_ Workers	17.245	$ 31,958,407.29	
Pellissippi State Technical Community College	Trade Adjustment Assistance_ Workers	17.245	22,971.60	31,981,378.89
Chattanooga State Technical Community College	Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	$ 247,386.19	
Education	Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	209,147.01	
Tennessee State University	Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	89,116.81	545,650.01
Labor and Workforce Development	WIA Incentive Grants_Section 503 Grants to States	17.267		669,687.45
Labor and Workforce Development	Occupational Safety and Health_State Program	17.503		3,134,763.04
Labor and Workforce Development	Consultation Agreements	17.504		851,244.59
Labor and Workforce Development	Mine Health and Safety Grants	17.600		117,150.59
State	Women's Bureau	17.700		2,500.00
University of Tennessee	US DOL - Greenberg - 03	N.A. / R010445012		101,895.42
Subtotal Department of Labor				$ 691,973,385.00
Department of State				
Direct Programs				
Tennessee State University	Educational Partnerships Program	19.424	$ 29,417.66	
University of Tennessee	Educational Partnerships Program	19.424	29,206.70	$ 58,624.36
Subtotal Direct Programs				$ 58,624.36
Passed Through Meridian International Center				
East Tennessee State University	Healthcare Partnership in Northern Iraq	N.A. / S-LMAQM-02-H-0056		$ 354,270.76
Subtotal Pass-Through Programs				$ 354,270.76
Subtotal Department of State				$ 412,895.12
Department of Transportation				
Direct Programs				
Transportation	Airport Improvement Program	20.106		$ 12,441,539.14
Tennessee State University	Highway Training and Education	20.215		4,548.20
Revenue	National Motor Carrier Safety	20.218	$ 4,169.01	
Safety	National Motor Carrier Safety	20.218	4,329,281.96	4,333,450.97
Environment and Conservation	Recreational Trails Program	20.219		630,255.08
Transportation	Federal Transit_Metropolitan Planning Grants	20.505		700,313.09

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Transportation	Formula Grants for Other Than Urbanized Areas	20.509		10,435,424.30
Transportation	Job Access_Reverse Commute	20.516		1,247,539.53
Tennessee Regulatory Authority	Pipeline Safety	20.700		585,414.45
Military	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		240,646.53
University of Tennessee	FHA DTFH61-98-T-56003 Trng Prg	N.A. / R012515048		2,297.91
University of Tennessee	FHWA DTFH61-01-T-56036 Everett	N.A. / R012517009		34,674.80
University of Tennessee	FHWA DTFH61-02-T-56033 Everett	N.A. / R012517020		33,966.32
University of Tennessee	FHWA DTFH61-02-T-30009 Brewer	N.A. / R012517036		124,867.10
University of Tennessee	FHWA DTFH61-02-T-30007 Everett	N.A. / R012517040		65,361.89
University of Tennessee	FHWA DTFH61-03-T-86011 Everett	N.A. / R012517080		25.36
Subtotal Direct Programs				$ 30,880,324.67
Passed Through South Carolina State University				
Tennessee State University	Highway Training and Education	20.215 / DTFH61-01-X-00097		$ 42,569.69
Passed Through Wilbur Smith Associates				
University of Tennessee	Wilbur Smith Associates - Clarke	N.A. / R012517172		2,657.89
Subtotal Pass-Through Programs				$ 45,227.58
Subtotal Department of Transportation				$ 30,925,552.25
Department of Treasury				
Direct Programs				
Finance and Administration	Temporary State Fiscal Relief	N.A. / N.A.		$ 35,328,700.00
Subtotal Department of Treasury				$ 35,328,700.00
Appalachian Regional Commission				
Direct Programs				
East Tennessee State University	Appalachian Regional Development (See individual Appalachian Programs)	23.001	$ 76,451.34	
Education	Appalachian Regional Development (See individual Appalachian Programs)	23.001	530,748.53	$ 607,199.87
Economic and Community Development	Appalachian Area Development	23.002		505,875.59
Economic and Community Development	Appalachian State Research, Technical Assistance, and Demonstration Projects	23.011		161,710.45
Subtotal Appalachian Regional Commission				$ 1,274,785.91
Equal Employment Opportunity Commission				
Direct Programs				
Human Rights Commission	Employment Discrimination_Title VII of the Civil Rights Act of 1964	30.001		$ 351,100.00
Subtotal Equal Employment Opportunity Commission				$ 351,100.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
General Services Administration				
Direct Programs				
General Services	Donation of Federal Surplus Personal Property (Noncash Award)	39.003		$ 3,518,239.00
State	Election Reform Payments	39.011		306,647.93
Subtotal General Services Administration				$ 3,824,886.93
National Aeronautics and Space Administration				
Direct Programs				
Middle Tennessee State University	Aerospace Education Services Program	43.001	$ 171,129.27	
Tennessee State University	Aerospace Education Services Program	43.001	30,200.00	$ 201,329.27
Tennessee State University	Technology Transfer	43.002		29,158.00
Middle Tennessee State University	Expanding the Spectrum of Student Astronomy Experience through Interactive Multi-frequency Radio Telescope	N.A. / S-70510-G		1,461.62
University of Tennessee	NASA NNG04GG59G Greenberg	N.A. / R010445019		14,339.98
University of Tennessee	NASA Preser Enhanc Patty 02	N.A. / R041511003		15,939.80
Subtotal Direct Programs				$ 262,228.67
Passed Through Vanderbilt University				
Tennessee State University	Technology Transfer	43.002 / NGT5-40074		$ 22,894.62
University of Tennessee	Vandy Imax McAllister	N.A. / R041511075		4,473.89
Passed Through National Association for Equal Opportunity in Higher Education				
Tennessee State University	NASA-Ames Research Academy Program	N.A. / 5600-06460		13,583.65
Passed Through Space Telescope Science Institute				
Tennessee State University	Exploring Solar Neighborhood: Bringing Astronomy and Space Science to Teachers	N.A. / HST-ED-90249-02-A		7,000.00
Subtotal Pass-Through Programs				$ 47,952.16
Subtotal National Aeronautics and Space Administration				$ 310,180.83
National Endowment for the Arts				
Direct Programs				
Tennessee Arts Commission	Promotion of the Arts_Grants to Organizations and Individuals	45.024	$ 645,800.00	
University of Memphis	Promotion of the Arts_Grants to Organizations and Individuals	45.024	17,538.65	
University of Tennessee	Promotion of the Arts_Grants to Organizations and Individuals	45.024	15,000.00	678,338.65
Subtotal Direct Programs				$ 678,338.65

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Arts Midwest				
University of Tennessee	Promotion of the Arts_Partnership Agreements	45.025 / R041080036		$ 2,000.00
Subtotal Pass-Through Programs				$ 2,000.00
Subtotal National Endowment for the Arts				$ 680,338.65
National Endowment for the Humanities				
Direct Programs				
East Tennessee State University	Promotion of the Humanities_ Division of Preservation and Access	45.149	$ 71,684.13	
University of Tennessee	Promotion of the Humanities_ Division of Preservation and Access	45.149	171,897.66	$ 243,581.79
University of Memphis	Promotion of the Humanities_ Research	45.161		19,851.31
Middle Tennessee State University	Promotion of the Humanities_ Teaching and Learning Resources and Curriculum Development	45.162		27,449.86
University of Tennessee	Promotion of the Humanities_ Professional Development	45.163		96,507.63
Subtotal National Endowment for the Humanities				$ 387,390.59
Institute of Museum and Library Services				
Direct Programs				
University of Memphis	Conservation Assessment Program	45.304	$ 3,280.00	
University of Tennessee	Conservation Assessment Program	45.304	4,610.00	$ 7,890.00
State	State Library Program	45.310		3,563,290.85
University of Tennessee	National Leadership Grants	45.312		62,435.35
University of Tennessee	Institute of Museum and Library Services-LG-03-02-0080-02	N.A. / R016011061		123,312.25
Subtotal Institute of Museum and Library Services				$ 3,756,928.45
National Science Foundation				
Direct Programs				
University of Tennessee	Engineering Grants	47.041		$ 25,643.80
Tennessee State University	Mathematical and Physical Sciences	47.049	$ 414,599.42	
University of Tennessee	Mathematical and Physical Sciences	47.049	74,601.85	489,201.27
University of Memphis	Biological Sciences	47.074	$ 18,437.70	
University of Tennessee	Biological Sciences	47.074	651.52	19,089.22
East Tennessee State University	Education and Human Resources	47.076	$ 30,579.25	
Jackson State Community College	Education and Human Resources	47.076	145,729.48	
Middle Tennessee State University	Education and Human Resources	47.076	186,763.53	
Nashville State Technical Community College	Education and Human Resources	47.076	946,624.47	
Pellissippi State Technical Community College	Education and Human Resources	47.076	181,911.36	
Tennessee State University	Education and Human Resources	47.076	398,046.52	
Tennessee Technological University	Education and Human Resources	47.076	73,750.00	
University of Memphis	Education and Human Resources	47.076	184,005.05	
University of Tennessee	Education and Human Resources	47.076	2,471,058.14	4,618,467.80

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Polar Programs	47.078		185,941.28
Subtotal Direct Programs				$ 5,338,343.37
Passed Through Georgia Institute of Technology				
University of Tennessee	Education and Human Resources	47.076 / R041302022		$ 957.76
Passed Through Kentucky Science and Technology Corporation				
University of Tennessee	Education and Human Resources	47.076 / R011704015	$ 122,825.08	
University of Tennessee	Education and Human Resources	47.076 / R011804057	51.36	
University of Tennessee	Education and Human Resources	47.076 / R011804064	(3,049.30)	
University of Tennessee	Education and Human Resources	47.076 / R011804086	(7,397.63)	
University of Tennessee	Education and Human Resources	47.076 / R011804096	(12,876.71)	
University of Tennessee	Education and Human Resources	47.076 / R011804111	57,513.75	157,066.55
Passed Through Kirkwood Community College				
Jackson State Community College	Education and Human Resources	47.076 / DUE-0101507		13,180.86
Passed Through Research Corporation of the University of Hawaii				
Pellissippi State Technical Community College	Education and Human Resources	47.076 / DUE-0202452-1	$ 300.00	
Pellissippi State Technical Community College	Education and Human Resources	47.076 / DUE-0202452-2	82,166.56	
Pellissippi State Technical Community College	Education and Human Resources	47.076 / DUE-0202452-3	67,298.61	149,765.17
Passed Through Vanderbilt University				
Tennessee State University	Education and Human Resources	47.076 / DGE-0231969		109,238.23
Subtotal Pass-Through Programs				$ 430,208.57
Subtotal National Science Foundation				$ 5,768,551.94
Small Business Administration				
Direct Programs				
Tennessee Board of Regents	Small Business Development Center	59.037		$ 1,221,554.87
Subtotal Small Business Administration				$ 1,221,554.87
Department of Veterans' Affairs				
Direct Programs				
Tennessee State Veterans' Homes Board	Veterans State Nursing Home Care	64.015		$ 4,178,061.54
University of Memphis	Veterans State Hospital Care	64.016		63,042.10
East Tennessee State University	Veterans Home Based Primary Care	64.022		1,059,294.20
Veterans Affairs	Burial Expense Allowance for Veterans	64.101		389,700.00
Tennessee Higher Education Commission	All-Volunteer Force Educational Assistance	64.124		218,581.26
University of Memphis	Support of Veteran's Services Office	N.A. / N.A.		3,588.00
Subtotal Department of Veterans' Affairs				$ 5,912,267.10

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Environmental Protection Agency				
Direct Programs				
Environment and Conservation	Air Pollution Control Program Support	66.001		$ 1,200,958.65
Environment and Conservation	State Indoor Radon Grants	66.032		150,748.57
Environment and Conservation	Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		87,366.97
Environment and Conservation	Water Pollution Control State and Interstate Program Support	66.419		2,005,584.46
Environment and Conservation	State Public Water System Supervision	66.432		726,021.06
University of Tennessee	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436		38,328.24
Environment and Conservation	Water Quality Management Planning	66.454		145,186.76
Environment and Conservation	Capitalization Grants for Clean Water State Revolving Funds	66.458		25,078,510.17
Agriculture	Nonpoint Source Implementation Grants	66.460		3,315,571.11
Environment and Conservation	Wetland Program Grants	66.461		42,252.24
Environment and Conservation	Water Quality Cooperative Agreements	66.463		165,765.36
University of Tennessee	Wastewater Operator Training Grant Program (Technical Assistance)	66.467		38,279.61
Environment and Conservation	Capitalization Grants for Drinking Water State Revolving Funds	66.468		18,582,561.69
Environment and Conservation	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471		52,124.31
Environment and Conservation	Water Protection Grants to the States	66.474		97,283.25
University of Tennessee	Environmental Protection Consolidated Grants-Program Support	66.600		132,860.14
Agriculture	Performance Partnership Grants	66.605		543,980.44
Agriculture	Surveys, Studies, Investigations and Special Purpose Grants	66.606	$ 35,985.80	
Environment and Conservation	Surveys, Studies, Investigations and Special Purpose Grants	66.606	3,498.45	
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606	66,148.72	105,632.97
University of Tennessee	Training and Fellowships for the Environmental Protection Agency	66.607		50,284.99
University of Tennessee	Innovative Community Partnership	66.651		27,539.56
Environment and Conservation	Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		22,493.84
Environment and Conservation	TSCA Title IV State Lead Grants Certification of Lead_Based Paint Professionals	66.707		278,144.21
Environment and Conservation	Pollution Prevention Grants Program	66.708		42,962.41
University of Tennessee	Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach	66.716		10,487.31
Environment and Conservation	Hazardous Waste Management State Program Suppport	66.801		1,955,662.99
Environment and Conservation	Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	66.802		187,067.20

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Environment and Conservation	State and Tribal Underground Storage Tanks Program	66.804		151,673.07
Environment and Conservation	Leaking Underground Storage Tank Trust Fund Program	66.805		977,910.47
Environment and Conservation	Solid Waste Management Assistance	66.808	$ 64.32	
University of Tennessee	Solid Waste Management Assistance	66.808	18,568.64	18,632.96
Environment and Conservation	Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809		363,496.49
Environment and Conservation	State and Tribal Response Program Grants	66.817		806,346.33
Tennessee Technological University	Environmental Education and Training Program	66.950		9,490.38
Subtotal Direct Programs				$ 57,411,208.21
Passed Through Kingsport Citizens for a Cleaner Environment				
East Tennessee State University	Environmental Justice Hazardous Substances Research Small Grants to Community Groups	66.604 / 04-0206		$ 1,820.00
Subtotal Pass-Through Programs				$ 1,820.00
Subtotal Environmental Protection Agency				$ 57,413,028.21
Department of Energy				
Direct Programs				
Economic and Community Development	State Energy Program	81.041		$ 1,363,108.74
Human Services	Weatherization Assistance for Low-Income Persons	81.042		4,862,236.90
University of Tennessee	Conservation Research and Development	81.086		32,808.16
Environment and Conservation	Environmental Restoration	81.092		1,654,996.97
Environment and Conservation	Miscellaneous Federal Activities	81.502	$ 1,536,455.25	
Military	Miscellaneous Federal Activities	81.502	784,894.46	
Pellissippi State Technical Community College	Miscellaneous Federal Activities	81.502	36,424.23	2,357,773.94
Economic and Community Development	Petroleum Violation Escrow- Exxon	N.A. / N.A.		71,031.70
Economic and Community Development	Petroleum Violation Escrow- Stripper	N.A. / N.A.		(1,538,192.08)
Tennessee State University	Department of Energy Chair of Excellence Professorship	N.A. / DE-FG02-94EW11428		239,777.24
Tennessee Wildlife Resources Agency	Oak Ridge Wildlife Management	N.A. / 1448-40181-G-070		157,308.12
University of Tennessee	JIEE-EC2 Secretarial-Fed Labs	N.A. / R012540019		9,310.65
Subtotal Direct Programs				$ 9,210,160.34
Passed Through Upper Cumberland Human Resource Agency				
Volunteer State Community College	National Energy Information Center	81.039 / 04-07-999-115-State		$ 4,077.04
Passed Through Lawrence Livermore National Laboratory				
University of Tennessee	LLNL-Secretarial Lab Energy R&D Grp 2004	N.A. / R012540128		1,563.02
Subtotal Pass-Through Programs				$ 5,640.06

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Department of Energy				$ 9,215,800.40
	Department of Education			
Direct Programs				
Labor and Workforce Development	Adult Education_State Grant Program	84.002		$ 12,301,061.79
University of Tennessee	Civil Rights Training and Advisory Services	84.004		345,507.56
Education	Title I Grants to Local Educational Agencies	84.010		160,762,312.66
Education	Migrant Education_State Grant Program	84.011		529,787.68
Education	Title I Program for Neglected and Delinquent Children	84.013		488,166.59
Austin Peay State University	Higher Education_Institutional Aid	84.031	$ 10,102.06	
Northeast State Technical Community College	Higher Education_Institutional Aid	84.031	32,056.26	
Pellissippi State Technical Community College	Higher Education_Institutional Aid	84.031	72,004.10	
Tennessee State University	Higher Education_Institutional Aid	84.031	5,666,591.75	5,780,754.17
Tennessee Student Assistance Corporation	Federal Family Education Loans (Guaranty Agencies)	84.032		68,303,503.76
Education	Vocational Education_Basic Grants to States	84.048		22,793,316.59
Tennessee Student Assistance Corporation	Leveraging Educational Assistance Partnership	84.069		2,328,099.00
Chattanooga State Technical Community College	Fund for the Improvement of Postsecondary Education	84.116	$ 189,342.74	
East Tennessee State University	Fund for the Improvement of Postsecondary Education	84.116	44,342.03	
University of Memphis	Fund for the Improvement of Postsecondary Education	84.116	1,250,309.65	
University of Tennessee	Fund for the Improvement of Postsecondary Education	84.116	377,898.75	1,861,893.17
Tennessee State University	Minority Science and Engineering Improvement	84.120		34,246.55
Human Services	Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126		55,613,748.14
University of Memphis	Rehabilitation Long-Term Training	84.129	$ 87,094.10	
University of Tennessee	Rehabilitation Long-Term Training	84.129	282,560.37	369,654.47
University of Tennessee	Migrant Education_High School Equivalency Program	84.141		397,985.93
Tennessee State University	Business and International Education Projects	84.153		8,433.04
University of Tennessee	Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind	84.160		178,149.06
Human Services	Independent Living_State Grants	84.169		383,892.55
Human Services	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177		439,176.11
Education	Special Education_Grants for Infants and Families with Disabilities	84.181		9,202,425.24
Education	Safe and Drug-Free Schools and Communities_National Programs	84.184	$ 285,393.02	
University of Tennessee	Safe and Drug-Free Schools and Communities_National Programs	84.184	113,586.10	398,979.12
Education	Byrd Honors Scholarships	84.185		768,000.00
Education	Safe and Drug-Free Schools and Communities_State Grants	84.186		6,695,103.42
Human Services	Supported Employment Services for Individuals with Severe Disabilities	84.187		679,249.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Middle Tennessee State University	Bilingual Education-Professional Development	84.195	$ 290,728.79	
University of Tennessee	Bilingual Education-Professional Development	84.195	189,247.47	479,976.26
Education	Education for Homeless Children and Youth	84.196		683,951.33
Middle Tennessee State University	Graduate Assistance in Areas of National Need	84.200		13,857.00
Education	Even Start_State Educational Agencies	84.213		3,537,559.26
Education	Fund for the Improvement of Education	84.215	$ 216,700.93	
Volunteer State Community College	Fund for the Improvement of Education	84.215	89,448.78	306,149.71
University of Memphis	Centers for International Business Education	84.220		116,766.35
Human Services	Assistive Technology	84.224		330,954.28
Education	Tech-Prep Education	84.243		2,573,410.02
University of Tennessee	National Institute for Literacy	84.257		866,772.35
University of Tennessee	Rehabilitation Training_Continuing Education	84.264		379,301.21
Human Services	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265		61,761.03
Education	Goals 2000-State and Local Education Systemic Improvement Grants	84.276		(4.77)
Education	School to Work Opportunities	84.278		866,816.60
Education	Eisenhower Professional Development State Grants	84.281	$ 1,823,786.89	
Tennessee Higher Education Commission	Eisenhower Professional Development State Grants	84.281	(7,234.46)	1,816,552.43
Education	Charter Schools	84.282		1,358,405.34
Education	Twenty-First Century Community Learning Centers	84.287		4,888,583.42
Education	State Grants for Innovative Programs	84.298		7,018,475.22
Education	Education Technology State Grants	84.318		6,578,514.76
Middle Tennessee State University	Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	$ 82,405.86	
University of Tennessee	Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	1,023,034.23	1,105,440.09
University of Tennessee	Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325		64,072.97
Education	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		109,343.01
Education	Advanced Placement Program	84.330		325,531.53
Education	Comprehensive School Reform Demonstration	84.332		6,137,250.91
Dyersburg State Community College	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	$ 465,133.53	
University of Tennessee	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,416,987.51	1,882,121.04
Austin Peay State University	Child Care Access Means Parents in School	84.335	$ 38,271.37	
East Tennessee State University	Child Care Access Means Parents in School	84.335	88,960.01	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Northeast State Technical Community College	Child Care Access Means Parents In School	84.335	22,291.82	
Southwest Tennessee Community College	Child Care Access Means Parents in School	84.335	48,482.48	
University of Memphis	Child Care Access Means Parents in School	84.335	110,993.12	
University of Tennessee	Child Care Access Means Parents in School	84.335	15,860.25	324,859.05
Education	Teacher Quality Enhancement Grants	84.336	$ 242,064.56	
University of Tennessee	Teacher Quality Enhancement Grants	84.336	718,097.77	960,162.33
Education	Reading Excellence	84.338		12,058,111.48
Education	Class Size Reduction	84.340		1,313,769.27
University of Tennessee	Community Technology Centers	84.341		114,582.77
East Tennessee State University	Preparing Tomorrow's Teachers to Use Technology	84.342	$ 192,916.44	
University of Tennessee	Preparing Tomorrow's Teachers to Use Technology	84.342	370,394.08	563,310.52
Education	Vocational Education_Occupational and Employment Information State Grants	84.346	$ 159,647.18	
Southwest Tennessee Community College	Vocational Education_Occupational and Employment Information State Grants	84.346	302,762.63	462,409.81
Education	Title I Accountability Grants	84.348		3,442,754.76
University of Tennessee	Early Childhood Educator Professional Development	84.349		512,768.74
Education	Transition to Teaching	84.350		70,732.07
Education	School Renovation Grants	84.352		5,338,032.65
Nashville State Technical Community College	Tech-Prep Demonstration Grants	84.353		238,390.61
Education	Reading First State Grants	84.357		535,477.09
Education	Rural Education	84.358		2,721,986.45
Education	English Language Acquisition Grants	84.365		2,091,271.99
Education	Mathematics and Science Partnerships	84.366		10,079.64
Education	Improving Teacher Quality State Grants	84.367	$ 40,661,152.04	
Tennessee Higher Education Commission	Improving Teacher Quality State Grants	84.367	1,311,003.81	
Volunteer State Community College	Improving Teacher Quality State Grants	84.367	31,859.86	42,004,015.71
Education	Grants for State Assessments and Related Activities	84.369		6,041,002.58
Subtotal Direct Programs				$ 470,968,724.47
Passed Through Nicholls State University				
University of Tennessee	Fund for the Improvement of Postsecondary Education	84.116 / R011403017	$ 13,931.63	
University of Tennessee	Fund for the Improvement of Postsecondary Education	84.116 / R011436017	(4,689.95)	$ 9,241.68
Passed Through Otterbein College				
East Tennessee State University	Fund for the Improvement of Postsecondary Education	84.116 / 03-0092		12,769.36
Passed Through University of Rochester				
University of Tennessee	Fund for the Improvement of Postsecondary Education	84.116 / R011810014		28,036.14

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Memphis City Schools				
University of Memphis	Fund for the Improvement of Education	84.215 / N.A.		96,982.79
University of Memphis	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334 / 05-00434-Z-03	$ 290,435.87	
University of Memphis	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334 / N.A.	(2,174.27)	288,261.60
Passed Through Warren County Schools				
Middle Tennessee State University	Fund for the Improvement of Education	84.215 / S215X020283		239,529.09
Passed Through Georgia State University				
University of Tennessee	Rehabilitation Training_Continuing Education	84.264 / R011250003		236,456.61
Passed Through Hamilton County Public Schools				
University of Tennessee	Twenty-First Century Community Learning Centers	84.287 / R041515006		8,579.43
Passed Through Murfreesboro City Schools				
Middle Tennessee State University	Twenty-First Century Community Learning Centers	84.287 / 01-0143		(18.95)
Passed Through Vanderbilt University				
Tennessee State University	Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325 / H325A000097-02		38,113.52
Middle Tennessee State University	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334 / P334A000206	$ 138,658.20	
Tennessee State University	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334 / P334A000206	133,663.23	272,321.43
Middle Tennessee State University	Preparing Tomorrow's Teachers to Use Technology	84.342 / P342A990348/SUB15067		30,007.66
Passed Through State of Georgia				
Education	Advanced Placement Program	84.330 / 930738		5,798.51
Passed Through Kentucky Education Professional Standards Board				
University of Tennessee	Teacher Quality Enhancement Grants	84.336 / R011708001		41,971.61
Passed Through University of New Orleans				
University of Memphis	Teacher Quality Enhancement Grants	84.336 / R215K000018		(5,000.00)
Passed Through University of Western Kentucky				
Middle Tennessee State University	Teacher Quality Enhancement Grants	84.336 / SUB-WKU-524522-03-04	$ 40,876.88	
Middle Tennessee State University	Teacher Quality Enhancement Grants	84.336 / WKU524524-04-04	18,694.68	59,571.56

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through National Writing Project Corporation				
University of Tennessee	National Writing Project	84.928 / R054529001	$ 31,642.16	
University of Tennessee	National Writing Project	84.928 / R054530022	37,622.07	
University of Tennessee	National Writing Project	84.928 / R054530023	4,667.10	73,931.33
Subtotal Pass-Through Programs				$ 1,436,553.37
Subtotal Department of Education				$ 472,405,277.84
National Archives and Records Administration				
Direct Programs				
State	National Historical Publications and Records Grants	89.003		$ 6,520.91
Subtotal National Archives and Records Administration				$ 6,520.91
Delta Regional Authority				
Direct Programs				
Dyersburg State Community College	Delta Regional Development	90.200		$ 67,593.68
Subtotal Delta Regional Authority				$ 67,593.68
Department of Health and Human Services				
Direct Programs				
Health	Public Health and Social Services Emergency Fund	93.003		$ 9,393,633.19
Health	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006		104,888.75
Commission on Aging and Disability	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		125,200.78
Commission on Aging and Disability	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042		285,800.00
Commission on Aging and Disability	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043		450,800.00
Commission on Aging and Disability	Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048		582,866.54
Commission on Aging and Disability	National Family Caregiver Support	93.052		3,310,500.00
Agriculture	Food and Drug Administration_ Research	93.103		2,602.96
Mental Health and Developmental Disabilities	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		768,809.00
Health	Maternal and Child Health Federal Consolidated Programs	93.110	$ 190,164.00	
Mental Health and Developmental Disabilities	Maternal and Child Health Federal Consolidated Programs	93.110	28,047.17	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110	78,802.33	297,013.50
Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		1,428,590.95
University of Tennessee	Oral Diseases and Disorders Research	93.121		129,231.61
University of Tennessee	Nurse Anesthetist Traineeships	93.124		41,420.00
Health	Emergency Medical Services for Children	93.127		61,761.28
Health	Primary Care Services_Resource Coordination and Development	93.130		68,883.49
Health	Injury Prevention and Control Research and State and Community Based Programs	93.136		766,612.09
Mental Health and Developmental Disabilities	Projects for Assistance in Transition from Homelessness (PATH)	93.150		530,954.00
University of Tennessee	Centers of Excellence	93.157		295,288.35
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173		23,596.17
Volunteer State Community College	Quentin N. Burdick Programs for Rural Interdisciplinary Training	93.192		9,955.77
Health	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		909,709.35
University of Tennessee	Telehealth Network Grants	93.211		145,826.13
Health	Family Planning_Services	93.217		6,020,714.80
University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	93.226		29,420.07
Mental Health and Developmental Disabilities	Consolidated Knowledge Development and Application (KD&A) Program	93.230		49,321.21
Health	Traumatic Brain Injury_State Demonstration Grant Program	93.234		60,536.74
Health	Abstinence Education	93.235		865,069.93
Health	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238		141,778.00
Health	State Capacity Building	93.240		271,664.53
Health	State Rural Hospital Flexibility Program	93.241	$ 572,285.66	
Volunteer State Community College	State Rural Hospital Flexibility Program	93.241	50,213.10	622,498.76
Mental Health and Developmental Disabilities	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		55,381.00
East Tennessee State University	Advanced Education Nursing Grant Program	93.247		235,750.77
Health	Universal Newborn Hearing Screening	93.251		148,773.95
University of Tennessee	Poison Control Stabilization and Enhancement Grants	93.253		111,421.49
Health	Rural Access to Emergency Devices Grant	93.259		252,545.44
East Tennessee State University	Nurse Faculty Loan Program (NFLP)	93.264		22,916.00
Health	Immunization Grants	93.268	$ 2,874,604.63	
Health	Immunization Grants (Noncash Award)	93.268	22,206,030.85	25,080,635.48
University of Tennessee	Drug-Free Communities Support Program Grants	93.276		683.27
University of Tennessee	Drug Abuse National Research Service Awards for Research Training	93.278		30,658.84

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283		22,221,019.76
East Tennessee State University	Advanced Education Nursing Traineeships	93.358	$ 56,940.09	
Tennessee State University	Advanced Education Nursing Traineeships	93.358	20,921.00	
University of Tennessee	Advanced Education Nursing Traineeships	93.358	144,311.00	222,172.09
East Tennessee State University	Nurse Education, Practice and Retention Grants	93.359		820,920.33
Children's Services	Promoting Safe and Stable Families	93.556		16,300,483.96
Human Services	Temporary Assistance for Needy Families	93.558		154,796,283.79
Human Services	Child Support Enforcement	93.563		38,720,103.51
Human Services	Refugee and Entrant Assistance_State Administered Programs	93.566		915,643.82
Human Services	Low-Income Home Energy Assistance	93.568		25,090,426.71
Human Services	Community Services Block Grant	93.569		12,673,959.90
Human Services	Community Services Block Grant Discretionary Awards_Community Food and Nutrition	93.571		80,879.63
Education	Refugee and Entrant Assistance_ Discretionary Grants	93.576	$ 228,318.61	
Human Services	Refugee and Entrant Assistance_ Discretionary Grants	93.576	154,606.55	382,925.16
Human Services	Refugee and Entrant Assistance_ Targeted Assistance Grants	93.584		320,649.06
Human Services	Empowerment Zones Program	93.585		1,088,307.69
Court System	State Court Improvement Program	93.586		208,177.06
Children's Services	Community-Based Family Resource and Support Grants	93.590		930,791.78
Human Services	Grants to States for Access and Visitation Programs	93.597		52,776.03
Children's Services	Chafee Education and Training Vouchers Program (ETV)	93.599		24,013.43
Education	Head Start	93.600	$ 211,038.18	
Tennessee State University	Head Start	93.600	1,625,514.87	1,836,553.05
Children's Services	Adoption Incentive Payments	93.603		1,389,042.00
Finance and Administration	Developmental Disabilities Basic Support and Advocacy Grants	93.630		1,588,085.98
University of Tennessee	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		518.39
Children's Services	Children's Justice Grants to States	93.643		548,244.13
Children's Services	Child Welfare Services_State Grants	93.645		10,849,792.88
University of Tennessee	Child Welfare Services Training Grants	93.648		966,074.74
Children's Services	Foster Care_Title IV-E	93.658		20,962,963.82
Children's Services	Adoption Assistance	93.659		13,852,983.27
Human Services	Social Services Block Grant	93.667		13,215,455.09
Children's Services	Child Abuse and Neglect State Grants	93.669		352,058.39
Finance and Administration	Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671		1,650,294.75
Children's Services	Chafee Foster Care Independent Living	93.674		1,818,931.65
Commission on Aging and Disability	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	$ 278,889.00	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Mental Health and Developmental Disabilities	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	503,341.35	782,230.35
East Tennessee State University	Health Careers Opportunity Program	93.822	$ 84,484.40	
University of Tennessee	Health Careers Opportunity Program	93.822	523,250.79	607,735.19
University of Tennessee	Heart and Vascular Diseases Research	93.837		386,457.71
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846		17,167.61
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847		133,082.97
University of Tennessee	Microbiology and Infectious Diseases Research	93.856		53,858.36
Tennessee State University	Biomedical Research and Research Training	93.859	$ 371,144.74	
University of Tennessee	Biomedical Research and Research Training	93.859	77,606.38	448,751.12
East Tennessee State University	Child Health and Human Development Extramural Research	93.865	$ 4,332.54	
University of Tennessee	Child Health and Human Development Extramural Research	93.865	30.13	4,362.67
University of Tennessee	Vision Research	93.867		(0.10)
East Tennessee State University	Medical Library Assistance	93.879		5,747.84
East Tennessee State University	Grants for Residency Training in Primary Care Medicine and Dentistry	93.884	$ 860,939.46	
University of Tennessee	Grants for Residency Training in Primary Care Medicine and Dentistry	93.884	304,024.65	1,164,964.11
East Tennessee State University	Health Care and Other Facilities	93.887	$ 205,202.19	
Tennessee Technological University	Health Care and Other Facilities	93.887	150,509.36	355,711.55
Health	Rural Health Outreach and Rural Network Development Program	93.912		356,884.85
Health	Grants to States for Operation of Offices of Rural Health	93.913		157,104.22
Health	HIV Care Formula Grants	93.917		17,664,824.37
Education	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		374,184.64
Health	HIV Prevention Activities_Health Department Based	93.940		4,471,105.63
Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		939,769.08
Health	Assistance Programs for Chronic Disease Prevention and Control	93.945		247,793.36
Health	Improving EMS/Trauma Care in Rural Areas	93.952		894.99
Mental Health and Developmental Disabilities	Block Grants for Community Mental Health Services	93.958		8,135,525.38
Health	Block Grants for Prevention and Treatment of Substance Abuse	93.959		30,943,494.76
Health	Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977		2,923,365.34
Health	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988		128,985.40
Health	Preventive Health and Health Services Block Grant	93.991		2,134,838.84
Health	Maternal and Child Health Services Block Grant to the States	93.994		14,107,195.10

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee State University	CMS HBCU Research Conference	N.A. / CMS-02-00324		2,846.92
Tennessee State University	Grant Writing Workshop for Investigators for Historically Black Colleges and Universities	N.A. / CMS-03-00311		43,404.66
Subtotal Direct Programs				$ 484,206,532.96
Passed Through The Partnership to Promote Healthy Eating & Active Living				
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / R011770004		$ 11,050.00
Passed Through University of North Carolina				
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / R011216034	$ 10,432.66	
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / R011216035	66,305.66	76,738.32
Passed Through Vanderbilt University				
Tennessee State University	Maternal and Child Health Federal Consolidated Programs	93.110 / 5-MCJ-000217-48	$ (150.00)	
Tennessee State University	Maternal and Child Health Federal Consolidated Programs	93.110 / 5-MCJ-000217-49	30,202.66	
Tennessee State University	Maternal and Child Health Federal Consolidated Programs	93.110 / 5T773 M000050-03	34,654.00	
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / R014030014	12,304.97	77,011.63
University of Tennessee	Poison Control Stabilization and Enhancement Grants	93.253 / R073640057		5,257.98
Tennessee State University	Clinical Research	93.333 / 5R25 RR1256-03		27,610.00
Tennessee State University	Biomedical Research and Research Training	93.859 / 1R25 GM60190-01		12,600.95
Passed Through Wake Forest University				
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / R073366091	$ (19.47)	
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / R073366098	(2,185.83)	(2,205.30)
Passed Through University of Cincinnati				
University of Tennessee	Applied Toxicological Research and Testing	93.114 / R131030063		30,467.50
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / R131030053	$ 10.87	
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / R131030070	134,872.27	134,883.14
Passed Through Meharry Medical College				
Middle Tennessee State University	Quentin N. Burdick Programs for Rural Interdisciplinary Training	93.192 / 961218VJS396S36		8,932.45
Tennessee State University	Geriatric Education Centers	93.969 / ID31-HP80004-01	$ 316.25	
Tennessee State University	Geriatric Education Centers	93.969 / 5D31-HP80004-02	35,451.07	35,767.32
Passed Through Metropolitan Drug Commission				
University of Tennessee	Drug-Free Communities Support Program Grants	93.276 / R014018086		7,394.89

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Signal Centers, Incorporated				
Chattanooga State Technical Community College	Temporary Assistance for Needy Families	93.558 / 332 80 04 225		38,981.26
Passed Through National Collegiate Athletic Association				
Tennessee State University	Community Services Block Grant_Discretionary Awards	93.570 / 93-150		1,118.79
Passed Through National Youth Sports Corporation				
Middle Tennessee State University	Community Services Block Grant_Discretionary Awards	93.570 / 04-1092	$ 24,636.09	
Middle Tennessee State University	Community Services Block Grant_Discretionary Awards	93.570 / SUBN45PF03-0	34,739.06	
Tennessee State University	Community Services Block Grant_Discretionary Awards	93.570 / 90ES0006/02	22,198.99	
Tennessee State University	Community Services Block Grant_Discretionary Awards	93.570 / 90ES0006/03	82,255.81	
University of Memphis	Community Services Block Grant_Discretionary Awards	93.570 / 04-1091	1,318.67	
University of Memphis	Community Services Block Grant_Discretionary Awards	93.570 / NYSPF 03-189	66,286.39	
University of Memphis	Community Services Block Grant_Discretionary Awards	93.570 / NYSPF 80-8104	9,016.22	240,451.23
Tennessee State University	National Youth Sports Program - Girls Sport Clinic	N.A. / 20-8100		4,879.66
Passed Through Hancock County Board of Education				
East Tennessee State University	Rural Health Outreach and Rural Network Development Program	93.912 / 03-0259		29,898.58
Passed Through Advocates for Human Potential, Incorporated				
Mental Health and Developmental Disabilities	Block Grants for Community Mental Health Services	93.958 / N.A.		18,468.00
Passed Through University of Kentucky Research Foundation				
East Tennessee State University	Geriatric Education Centers	93.969 / 4-63995-01-007	$ 54,391.21	
East Tennessee State University	Geriatric Education Centers	93.969 / 4-72164-04-167	23,757.59	78,148.80
Subtotal Pass-Through Programs				$ 837,455.20
Subtotal Department of Health and Human Services				$ 485,043,988.16
Corporation for National and Community Service				
Direct Programs				
Finance and Administration	Retired and Senior Volunteer Program	94.002		$ 103,392.91
Finance and Administration	State Commissions	94.003		193,721.99
Education	Learn and Serve America_School and Community Based Programs	94.004	$ 309,980.06	
Finance and Administration	Learn and Serve America_School and Community Based Programs	94.004	233,580.16	543,560.22
East Tennessee State University	Learn and Serve America_Higher Education	94.005		598.75
Finance and Administration	AmeriCorps	94.006	$ 1,838,256.21	
Southwest Tennessee Community College	AmeriCorps	94.006	48,965.67	1,887,221.88

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
East Tennessee State University	Planning and Program Development Grants	94.007	$ 4,227.82	
Finance and Administration	Planning and Program Development Grants	94.007	203,263.50	207,491.32
Finance and Administration	Training and Technical Assistance	94.009		74,472.14
Education	Volunteers in Service to America	94.013		6,181.00
Subtotal Direct Programs				$ 3,016,640.21
Passed Through LeMoyne Owen College				
University of Memphis	Planning and Program Development Grants	94.007 / N.A.		$ 30.00
Passed Through Structured Employment Economic Development Corporation				
University of Memphis	Planning and Program Development Grants	94.007 / N.A.		9,977.39
Subtotal Pass-Through Programs				$ 10,007.39
Subtotal Corporation for National and Community Service				$ 3,026,647.60
Department of Homeland Security				
Direct Programs				
Military	Public Assistance Grants (FEMA Awards)	83.544		$ 44,781,565.08
Military	Hazard Mitigation Grant (FEMA Awards)	83.548		1,138,638.48
Military	State Domestic Preparedness Equipment Support Program	97.004		9,639,300.93
Military	Urban Areas Security Initiative	97.008		21,221.51
Tennessee Wildlife Resources Agency	Boating Safety Financial Assistance	97.012		1,079,890.00
Military	Hazardous Materials Assistance Program	97.021		3,273.80
Economic and Community Development	Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		124,729.21
Military	Flood Mitigation Assistance	97.029		54,595.08
Labor and Workforce Development	Disaster Unemployment Assistance	97.034		59,418.33
Commerce and Insurance	First Responder Counter-Terrorism Training Assistance	97.038		56,106.43
Environment and Conservation	National Dam Safety Program	97.041		280,293.44
Military	Emergency Management Performance Grants	97.042		3,544,183.95
Military	Pre-Disaster Mitigation	97.047		73,030.79
Military	State and Local All Hazards Emergency Operations Planning	97.051		1,680,493.35
Military	Citizen Corps	97.053		250,949.75
Military	Community Emergency Response Teams	97.054		337,250.48
Subtotal Department of Homeland Security				$ 63,124,940.61
United States Agency for International Development				
Passed Through Agriculture Cooperative Development International				
Tennessee State University	Worldwide Farmer to Farmer Program	N.A. / FAO-A-00-96-90038-00		$ 17,426.71

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through American Council on Education				
Tennessee State University	Developing Business Management Capacities for 1890 Institution Building Grants Private Sector Development in L'viv Ukraine	N.A. / HNE-A-00-97-00059-00		3,067.28
Passed Through United Negro College Fund				
Tennessee State University	Center for Entrepreneurship and Development at the National Institute	N.A. / HNE-A-00-09-00150		9,273.61
Tennessee State University	Linkage Grant-Human Resources and Curriculum Development	N.A. / TELP-031104		2,021.86
Subtotal United States Agency for International Development				$ 31,789.46
Other Federal Assistance				
Office of National Drug Control Policy				
Passed Through Laurel County Fiscal Court				
Alcoholic Beverage Commission	Appalachia High Intensity Drug Trafficking Area	N.A. / I8PAPP501-17	$ 107,887.63	
District Attorneys General Conference	Appalachia High Intensity Drug Trafficking Area	N.A. / I2PAPP501	7,683.68	
District Attorneys General Conference	Appalachia High Intensity Drug Trafficking Area	N.A. / I3PAPP501	81,510.73	
District Attorneys General Conference	Appalachia High Intensity Drug Trafficking Area	N.A. / I4PAPP501	78,599.47	
Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	N.A. / I0PAPP501	14,640.00	
Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	N.A. / I1PAPP501	64,688.62	
Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	N.A. / I2PAPP501	110,522.05	
Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	N.A. / I3PAPP501	223,833.60	
Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	N.A. / I4PAPP501	296,211.70	$ 985,577.48
Subtotal Office of National Drug Control Policy				$ 985,577.48
Tennessee Valley Authority				
Direct Programs				
Environment and Conservation	TVA Ocoee Trust Fund	N.A. / TV-63501A		$ 366,089.95
Pellissippi State Technical Community College	Tennessee Valley Region_Economic Development	N.A. / TV-89889V	$ 68,614.72	
Tennessee State University	Tennessee Valley Region_Economic Development	N.A. / N.A.	208.78	68,823.50
Tennessee State University	Weekend Academy	N.A. / 99BB4-250691		31,089.04
University of Tennessee	TVA TV77105A Supp#12 Bunting97	N.A. / R011083070		64,104.66
University of Tennessee	TVA-Samab	N.A. / R012540065		83,196.91
University of Tennessee	TVA-1465550 Friends of First Creek	N.A. / R012550086		20,469.62
University of Tennessee	TVA 99998950 Rel# 21Gangaware	N.A. / R012550090		11,445.12
University of Tennessee	TVA Release # 24 - Gangaware	N.A. / R012550099		12,000.00
University of Tennessee	TVA-Release No. 40 - Ezzell	N.A. / R012595030		26,645.82
University of Tennessee	TVA-Release No. 56 - Ezzell	N.A. / R012595033		3,571.30
University of Tennessee	TVA Student Prg Engineering 00	N.A. / R041302019		30,055.79

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	TVA-#00020810-Pond Creek-Walker	N.A. / R124310026	38,001.63
Subtotal Tennessee Valley Authority			$ 755,493.34
Corporation for Public Broadcasting			
Direct Programs			
University of Tennessee	CPB Radio Comm Srv 02-04 McCormack	N.A. / R045815043	$ 107,221.20
University of Tennessee	Corp Public Broad-2004/2005	N.A. / R131020039	145,867.00
Subtotal Corporation for Public Broadcasting			$ 253,088.20
State Justice Institute			
Direct Programs			
University of Memphis	Institute for Faculty Excellence in Judicial Education	N.A. / SJI-02-N-202-C03-1	$ 160,025.98
University of Memphis	Leadership Institute in Judicial Education	N.A. / SJI-91-N-021-C04-1	139,369.48
Subtotal State Justice Institute			$ 299,395.46
Subtotal Other Federal Assistance			$ 2,293,554.48
Total Unclustered Programs			$ 2,199,996,098.33
Research and Development Cluster			
Department of Agriculture			
Direct Programs			
Tennessee State University	Agricultural Research_Basic and Applied Research	10.001 / 58-1230-2-036	$ 16,587.11
Tennessee State University	Agricultural Research_Basic and Applied Research	10.001 / 58-1230-2-044	16,659.04
Tennessee State University	Agricultural Research_Basic and Applied Research	10.001 / 58-6402-2-0094	7,320.53
Tennessee State University	Agricultural Research_Basic and Applied Research	10.001 / 58-6404-3-118	731.17
University of Memphis	Agricultural Research_Basic and Applied Research	10.001 / 58-6408-1-0098 #3	20,873.48
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R111017019	267,255.58
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R111017033	16,373.41
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R111017035	46,401.43
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R111416009	84,067.60
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R111416019	(5,878.47)
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R111616035	3,059.27
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R112615078	2,430.15
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R112615142	85,380.13

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R112615145	96,319.93	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R112817098	32,192.76	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R112818011	1,501.00	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R112818036	4,751.84	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R112818037	4,028.52	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R118315007	(0.19)	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R118315009	49,393.87	
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R118315034	2,325.07	$ 751,773.23
Tennessee State University	Plant and Animal Disease, Pest Control, and Animal Care	10.025 / 03-8100-0881-CA	$ 45,554.11	
University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care	10.025 / R111017038	37,227.90	
University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care	10.025 / R112219081	20,000.00	102,782.01
University of Tennessee	Federal-State Marketing Improvement Program	10.156 / R111216003		2,454.41
Tennessee State University	Grants for Agricultural Research, Special Research Grants	10.200 / 2003-34381-13660	$ 49,729.90	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R111016082	3,524.51	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112218095	672.05	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112219034	87,162.15	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112219061	178,474.15	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112219109	54,939.56	374,502.32
University of Tennessee	Payments to Agricultural Experiment Stations Under the Hatch Act	10.203 / E110105		6,147,357.79
Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205 / 2001-33100-08915	$ 67,722.28	
Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205 / 2002-33100-08915	245,252.48	
Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205 / 2003-33100-08915	922,661.40	
Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205 / 2004-33100-08915	1,369,535.17	2,605,171.33
East Tennessee State University	Grants for Agricultural Research_ Competitive Research Grants	10.206 / 2003-35318-13749	$ 13,876.59	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R011018043	413.28	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R011018059	(2,683.75)	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R011018076	90,947.76	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R011022020	593.82	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R011022032	23,263.36	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R011025021	28,135.84	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R011086014	1,173.69	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R011322104	14,410.99	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R012580098	53,515.65	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R012580123	55,446.29	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R110178017	33,317.69	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R111017018	59,227.11	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R111017032	15,520.44	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R111216046	20,927.67	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R111216055	14,277.24	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R111415091	9,236.05	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R111416037	458.85	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R111616008	68,613.37	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R112219069	39,651.78	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R112219111	19,387.27	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R112415071	22,665.68	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R112415098	742.45	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R112615073	48,434.25	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R112817092	1,292.62	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R112818024	52,103.82	684,949.81
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 00-38814-9505	$ 66,814.25	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 00-38820-9523	38,399.88	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 2001-38814-11468	62,366.84	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 2002-38814-12598	82,783.05	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 2002-38814-12721	65,965.46	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 2002-38814-12722	63,145.64	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 2003-38814-13920	4,196.00	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 2003-38814-13921	21,462.02	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 98-38814-6238	6,567.83	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 99-38814-8201	27.20	
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 99-38814-8362	25,912.02	437,640.19
University of Tennessee	Higher Education Challenge Grants	10.217 / R011740000	$ 35,175.52	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Higher Education Challenge Grants	10.217 / R111017017	11,228.05	
University of Tennessee	Higher Education Challenge Grants	10.217 / R111616030	217.24	46,620.81
University of Tennessee	Biotechnology Risk Assessment Research	10.219 / R111017004		84,410.62
Tennessee State University	Initiative for Future Agriculture and Food Systems	10.302 / 2001-52100-11212	$ 14,813.50	
Tennessee State University	Initiative for Future Agriculture and Food Systems	10.302 / 2001-52101-11409	939.36	
University of Tennessee	Initiative for Future Agriculture and Food Systems	10.302 / R024337020	6,053.02	
University of Tennessee	Initiative for Future Agriculture and Food Systems	10.302 / R111216015	111,569.49	
University of Tennessee	Initiative for Future Agriculture and Food Systems	10.302 / R116515003	178,439.78	311,815.15
Tennessee State University	Integrated Programs	10.303 / 2003-51110-01710	$ 12,475.64	
University of Tennessee	Integrated Programs	10.303 / R110178006	288,356.31	
University of Tennessee	Integrated Programs	10.303 / R110178016	62,695.66	363,527.61
Tennessee Technological University	Forestry Research	10.652 / 00-CS-11081001-120	$ 12,745.86	
Tennessee Technological University	Forestry Research	10.652 / SRS-00-CA-11330138-072	(698.58)	
University of Tennessee	Forestry Research	10.652 / R011038081	0.03	
University of Tennessee	Forestry Research	10.652 / R011038090	47,147.70	
University of Tennessee	Forestry Research	10.652 / R011038092	5,611.80	
University of Tennessee	Forestry Research	10.652 / R011083090	(0.02)	
University of Tennessee	Forestry Research	10.652 / R011086034	14,603.47	
University of Tennessee	Forestry Research	10.652 / R011086079	50,784.19	
University of Tennessee	Forestry Research	10.652 / R112218005	(160.00)	
University of Tennessee	Forestry Research	10.652 / R112218057	4.42	
University of Tennessee	Forestry Research	10.652 / R112218075	28.75	
University of Tennessee	Forestry Research	10.652 / R112218088	2,112.91	
University of Tennessee	Forestry Research	10.652 / R112218091	64.41	
University of Tennessee	Forestry Research	10.652 / R112218099	(2,716.07)	
University of Tennessee	Forestry Research	10.652 / R112219019	(7,464.79)	
University of Tennessee	Forestry Research	10.652 / R112219022	1,912.32	
University of Tennessee	Forestry Research	10.652 / R112219024	55,353.50	
University of Tennessee	Forestry Research	10.652 / R112219033	1.30	
University of Tennessee	Forestry Research	10.652 / R112219036	43,309.54	
University of Tennessee	Forestry Research	10.652 / R112219046	4,907.80	
University of Tennessee	Forestry Research	10.652 / R112219047	48,564.80	
University of Tennessee	Forestry Research	10.652 / R112219050	10,444.34	
University of Tennessee	Forestry Research	10.652 / R112219083	24,845.69	
University of Tennessee	Forestry Research	10.652 / R112219084	39,334.65	
University of Tennessee	Forestry Research	10.652 / R112219087	7,182.63	
University of Tennessee	Forestry Research	10.652 / R112219094	9,309.44	
University of Tennessee	Forestry Research	10.652 / R112219096	73,923.74	
University of Tennessee	Forestry Research	10.652 / R112219105	29,991.02	
University of Tennessee	Forestry Research	10.652 / R112219130	1,766.72	
University of Tennessee	Forestry Research	10.652 / R112219135	634.60	473,546.17
University of Memphis	Cooperative Forestry Assistance	10.664 / SRS-03-CA-11330127-217	$ 20,000.06	
University of Tennessee	Cooperative Forestry Assistance	10.664 / R111017036	23,913.56	
University of Tennessee	Cooperative Forestry Assistance	10.664 / R111017050	157.94	
University of Tennessee	Cooperative Forestry Assistance	10.664 / R112218090	31,127.59	
University of Tennessee	Cooperative Forestry Assistance	10.664 / R112219110	30,656.75	105,855.90
University of Tennessee	Rural Development, Forestry, and Communities	10.672 / R112219103	$ 34,566.63	
University of Tennessee	Rural Development, Forestry, and Communities	10.672 / R112219107	426.89	34,993.52
University of Tennessee	Scientific Cooperation and Research	10.961 / R012580107		7,857.71
University of Tennessee	USDA FS 00CA11242343075 Winist	N.A. / R112219000		3,295.84

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	USDA FS 03CS11083130010-Schlarbaum	N.A. / R112219078		15,124.81
University of Tennessee	USDA FS 04CS11083133010 - Schlarbaum	N.A. / R112219123		4,121.22
University of Tennessee	USDA FS 04DG11083150050 Cnker-Schlarbaum	N.A. / R112219129		19,517.64
Subtotal Direct Programs				$ 12,577,318.09
Passed Through University of North Carolina				
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001 / R112615107		$ 5,879.41
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112615132	$ 59,997.38	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112615140	130,202.98	190,200.36
Passed Through North Carolina State University				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112615120		123,293.64
Passed Through South Dakota State University				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R110115035		83,586.41
Passed Through Southern Regional Aquaculture Center				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112219080	$ 8,701.42	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112219095	16,973.64	
University of Memphis	Grants for Agricultural Research, Special Research Grants	10.200 / 2001-38500-10307	4,906.43	30,581.49
Passed Through University of Florida				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R111016083	$ 6,568.47	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R111017041	8,378.81	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112615164	40,444.20	55,391.48
Passed Through University of Georgia				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R111017028	$ 4,535.84	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112615103	4,337.54	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112615138	60,431.98	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / R112615154	5,850.01	75,155.37
Passed Through Dairy Management, Incorporated				
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R112415077	$ 23,586.94	
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R112415092	834,419.30	858,006.24

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Kansas State University				
Tennessee State University	Grants for Agricultural Research_ Competitive Research Grants	10.206 / 2002-35200-12221		498.30
Passed Through Pennsylvania State University				
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R111216058		17,453.33
Passed Through University of Alabama				
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / R111416048		4,377.14
Passed Through University of Missouri				
University of Tennessee	Higher Education Challenge Grants	10.217 / R011740004		8,071.40
University of Tennessee	Initiative for Future Agriculture and Food Systems	10.302 / R112219008		355,413.18
Passed Through Mississippi State University				
Tennessee State University	Agricultural and Rural Economic Research	10.250 / 43-3AEM-1-80035		18,483.63
Passed Through Alabama Agricultural and Mechanical University				
Tennessee State University	Integrated Programs	10.303 / 2002-51110-01509		8,449.30
Passed Through North Carolina Agricultural and Technical State University				
Tennessee State University	Integrated Programs	10.303 / 2001-51110-11448		2,243.55
Passed Through Virginia Polytechnic Institute and State University				
University of Tennessee	Integrated Programs	10.303 / R110178010		28,969.16
Passed Through Fort Belknap College				
Tennessee State University	Cooperative Extension Service	10.500 / 2002-47002-01471		3,310.51
Subtotal Pass-Through Programs				$ 1,869,363.90
Subtotal Department of Agriculture				$ 14,446,681.99
Department of Commerce				
Direct Programs				
University of Memphis	Economic Development_Technical Assistance	11.303 / 04-66-05096	$ (9,221.79)	
University of Memphis	Economic Development_Technical Assistance	11.303 / 04-66-05096-01	99,891.11	
University of Memphis	Economic Development_Technical Assistance	11.303 / 04-66-05406	5,275.79	$ 95,945.11
University of Tennessee	Climate and Atmospheric Research	11.431 / R011038089		5,050.67
Austin Peay State University	Measurement and Engineering Research and Standards	11.609 / 70NANB4H1019	$ 4,420.00	
University of Memphis	Measurement and Engineering Research and Standards	11.609 / 70NANB4H1093	(3,321.89)	
University of Tennessee	Measurement and Engineering Research and Standards	11.609 / R011318033	168,559.00	169,657.11

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	NIST NA1341-03-W-0769 Bartmess	N.A. / R011024112		16,375.85
University of Tennessee	NIST 43NANB010680-Bartmess	N.A. / R011025029		143.61
Subtotal Direct Programs				$ 287,172.35
Passed Through University of Alaska				
University of Tennessee	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432 / R011086069		$ 57,538.16
Subtotal Pass-Through Programs				$ 57,538.16
Subtotal Department of Commerce				$ 344,710.51
Department of Defense				
Direct Programs				
Tennessee State University	Basic and Applied Scientific Research	12.300 / DAAE07-01-C-L065	$ 0.14	
Tennessee State University	Basic and Applied Scientific Research	12.300 / DACW42-01-P-0097	7,076.05	
Tennessee State University	Basic and Applied Scientific Research	12.300 / DACW62-00-H-0001	233,601.73	
Tennessee State University	Basic and Applied Scientific Research	12.300 / DCA100-00-D-4001	117,123.22	
Tennessee State University	Basic and Applied Scientific Research	12.300 / N00014-02-1-1000	110,631.68	
Tennessee State University	Basic and Applied Scientific Research	12.300 / N00014-98-1-0754	18,982.00	
Tennessee State University	Basic and Applied Scientific Research	12.300 / N00014-99-1-0968	240,491.98	
Tennessee Technological University	Basic and Applied Scientific Research	12.300 / N00014-01-1-0909	115,108.95	
Tennessee Technological University	Basic and Applied Scientific Research	12.300 / N00178-03-1-9002	34,272.73	
University of Tennessee	Basic and Applied Scientific Research	12.300 / R011033034	303,132.67	
University of Tennessee	Basic and Applied Scientific Research	12.300 / R011344098	(11,207.49)	
University of Tennessee	Basic and Applied Scientific Research	12.300 / R011344101	197,366.37	
University of Tennessee	Basic and Applied Scientific Research	12.300 / R011373072	155,268.07	
University of Tennessee	Basic and Applied Scientific Research	12.300 / R041303006	107,349.48	$ 1,629,197.58
East Tennessee State University	Military Medical Research and Development	12.420 / PC030061	$ 6,870.35	
University of Memphis	Military Medical Research and Development	12.420 / DAMD17-02-1-0248	21,086.20	
University of Tennessee	Military Medical Research and Development	12.420 / R073018044	6,116.48	
University of Tennessee	Military Medical Research and Development	12.420 / R111616037	11,547.82	
University of Tennessee	Military Medical Research and Development	12.420 / R181741009	126,978.59	172,599.44
Tennessee State University	Basic Scientific Research	12.431 / DAAD19-01-0074	$ 60,496.34	
University of Tennessee	Basic Scientific Research	12.431 / R011309036	(100.00)	
University of Tennessee	Basic Scientific Research	12.431 / R024354034	1,564.27	61,960.61
Tennessee Technological University	Basic, Applied, and Advanced Research in Science and Engineering	12.630 / NPS 91		15,008.39
University of Memphis	Air Force Defense Research Sciences Program	12.800 / F29601-02-C-0260	$ 852.63	
University of Memphis	Air Force Defense Research Sciences Program	12.800 / F33615-02-C-5048	62,851.45	
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / R011025034	109,465.66	
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / R011065060	31,256.11	
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / R011343096	(299.00)	
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / R011344063	(36,976.34)	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / R024325022	122,062.46	
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / R024357096	27,762.95	
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / R024361004	73,186.84	390,162.76
Middle Tennessee State University	Mathematical Sciences Grants Program	12.901 / H98230-04-1-0025	$ 3,943.18	
University of Tennessee	Mathematical Sciences Grants Program	12.901 / R011054007	2,655.66	6,598.84
University of Memphis	Research and Technology Development	12.910 / F33615-01-C-1900	$ 159,602.76	
University of Tennessee	Research and Technology Development	12.910 / R011344067	283,880.37	443,483.13
Tennessee State University	Minority Institutions Technology Support Services	N.A. / DCA100-00-D-4001		997.00
Tennessee Technological University	Development of Regional Guidebook for Evaluating the Functions of Wetlands	N.A. / F40650-00-C-0042		27,804.92
Tennessee Technological University	Naval Postgraduate School	N.A. / NPS(91)		970.60
University of Memphis	Intergovernmental Personnel Assignment	N.A. / CEMVM-ED-H		4,784.85
University of Memphis	Immunity-Based Intrusion Detection System	N.A. / F3060200-2-0514		155,368.75
University of Tennessee	Army Research Office - Mays	N.A. / R011025104		29,911.50
University of Tennessee	US Army Corps of Eng DACA4203P0138-Gross	N.A. / R011086066		3,431.58
University of Tennessee	US Army Corps of Eng-W9132T-04-P-0051-MC	N.A. / R011086094		11,186.78
University of Tennessee	Army DSG60-02-1-000 QI	N.A. / R011344077		56,782.33
University of Tennessee	AF F30602-03-M-V048 Fathy	N.A. / R011344128		18,918.39
University of Tennessee	Army W56HCZV-04-C-0044 Abidi	N.A. / R011344131		362,636.74
University of Tennessee	Army DFAS-Rock Island Freeman	N.A. / R011373136		33,458.64
University of Tennessee	DARPA-NBCH1020006-White	N.A. / R012545003		51,170.37
University of Tennessee	Navy N66001-02-C-8045 Sayler	N.A. / R012580104		70,890.35
University of Tennessee	AF F40600-00-D-0001-0021 Kimble	N.A. / R024315021		30,305.86
University of Tennessee	AF F40600-00-D-0001-0019 Flandro	N.A. / R024320020		42,109.17
University of Tennessee	AF F40600-00-D-0001-0028 Kimberlin	N.A. / R024326024		45.45
University of Tennessee	AF F40600-00-D-0001-0027 Kimble	N.A. / R024327025		5,499.51
University of Tennessee	AF F40600-00-D-0001-0015 Liaw	N.A. / R024331005		651,895.60
University of Tennessee	F40600-00-D-0001-0020	N.A. / R024332022		25,103.06
University of Tennessee	AF F40600-00-D-0001-0026 Schulz	N.A. / R024335021		5,033.41
University of Tennessee	Army DAAD19-02-1-0427	N.A. / R024340020		61,981.71
University of Tennessee	AF F40600-00-D-0001-0022 Vakili	N.A. / R024342020		63,391.90
University of Tennessee	Army-Helicptr Orient-Stellar	N.A. / R024354042		1,842.89
University of Tennessee	AF F40600-00-D-0001-0023 J.W.Davis	N.A. / R024361002		46,860.42
University of Tennessee	Army DACA420320002-Vehicle Impcs-Ayers	N.A. / R111416027		164,621.26
University of Tennessee	ONR SP010302D0014 Coranet-Weiss	N.A. / R112015082		12,661.15
University of Tennessee	Army Corps-Grassland Birds	N.A. / R112218076		56,570.39
University of Tennessee	MTMC-DABJ01-03-T-0356 Cooper	N.A. / R012517089		68,242.74
Subtotal Direct Programs				$ 4,783,488.07
Passed Through CHI Systems, Incorporated				
University of Memphis	Procurement Technical Assistance For Business Firms	12.002 / 02019-001		$ 2,529.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Battelle Memorial Institute				
University of Memphis	Collaborative Research and Development	12.114 / DAAD19-02-D-0001		12,070.54
Passed Through Florida Institute of Technology				
University of Tennessee	Basic and Applied Scientific Research	12.300 / R011033035		67,385.37
Passed Through Pennsylvania State University				
University of Tennessee	Basic and Applied Scientific Research	12.300 / R011064043	$ (15,605.62)	
University of Tennessee	Basic and Applied Scientific Research	12.300 / R024351028	(821.23)	(16,426.85)
Tennessee State University	World Perception Modeling of Cooperative Robotic Systems Using Soft-Computing Techniques	N.A. / DAAD19-01-1-0504		(4,352.93)
Tennessee State University	Design Uncertainty Module Development	N.A. / N00039-97-D-0042		1,224.03
Passed Through University of Alabama				
University of Tennessee	Basic and Applied Scientific Research	12.300 / R013315036		122,534.12
Passed Through University of Illinois				
University of Tennessee	Basic and Applied Scientific Research	12.300 / R011344117		234,021.44
Passed Through University of Notre Dame				
University of Tennessee	Basic and Applied Scientific Research	12.300 / R012580080		134,487.05
Passed Through University of Pittsburgh				
University of Memphis	Basic and Applied Scientific Research	12.300 / 400428-1		276,882.49
Passed Through University of Virginia				
University of Tennessee	Basic and Applied Scientific Research	12.300 / R011318035		79,554.45
University of Tennessee	Univ of VA -Terahertz Sensing-Stewart	N.A. / R112615131		53,043.75
Passed Through University of Connecticut				
University of Tennessee	Military Medical Research and Development	12.420 / R011344112		24,980.03
Passed Through University of Michigan				
East Tennessee State University	Military Medical Research and Development	12.420 / F009464		12,587.58
University of Tennessee	Univ of Michigan Phase 2 Abidi	N.A. / R011344018		644,271.50
Passed Through University of Nebraska				
University of Memphis	Military Medical Research and Development	12.420 / 35-1905-2016-001		223,039.92
Passed Through Mississippi State University				
University of Tennessee	Basic Scientific Research	12.431 / R041303003		71,610.72
University of Tennessee	Mississippi State - Dongarra	N.A. / R011033039		660,292.36

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through University of South Alabama			
University of Memphis	Basic Scientific Research	12.431 / 02-020183-01	23,478.76
Passed Through Texas Tech University			
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / R011373082	10,250.38
Passed Through Duke University			
University of Tennessee	Research and Technology Development	12.910 / R011344050	5.72
Passed Through Academy of Applied Science			
Tennessee State University	Research and Engineering Apprentice Program	N.A. / DAAH04-93-G-0163	3,766.17
Passed Through Aerospace Testing Alliance			
University of Tennessee	ATA ATA-04-054 Bomar	N.A. / R024312023	11,707.87
University of Tennessee	ATA ATA-04-059 Kimble	N.A. / R024327024	11,589.86
University of Tennessee	ATA ATA-03-031 Goodman	N.A. / R024395023	11,747.97
University of Tennessee	ATA ATA-04-041 Goodman	N.A. / R024395024	15,362.28
Passed Through American Ordnance Limited Liability Company			
University of Memphis	Optimal Management Decision Making Using Geographic Information Systems	N.A. / DAA09-98-G-0012	(360.67)
University of Memphis	Whitetailed Deer Assessment	N.A. / J-03-0623	25,476.91
University of Memphis	Rare Mammal Survey	N.A. / J-03-0624	12,706.42
University of Memphis	Breeding Bird Survey	N.A. / T-02-5525	(163.24)
University of Memphis	Wildlife Project	N.A. / T-02-5596	2,182.78
University of Memphis	Integrated Natural Resources Management Plan	N.A. / T-03-5726	2,954.53
Passed Through BWXT Y-12, Limited Liability Company			
Tennessee State University	Technical Support to the Minority Educational Institutions Technology Partnership	N.A. / DE-AC05-00OR22800-1	184.00
Passed Through CACI Technologies, Incorporated			
University of Tennessee	CACI-031-01-S-0086-DARPA - Dongarra	N.A. / R011033101	111,347.64
University of Tennessee	CACI Tech 031-01-S-0086 Peterson	N.A. / R011344065	882.88
University of Tennessee	CACI Tech 601-01-S-0086 TTO-02 Peterson	N.A. / R011344092	61,293.14
Passed Through Dynetics, Incorporated			
Middle Tennessee State University	Test and Evaluation of Missile Guidance Networked Data Links	N.A. / 56920	2,319.93
Passed Through EOIR Technologies, Incorporated			
University of Memphis	Sensor Modeling Simulation	N.A. / G6001277-1	17,194.30
University of Memphis	Reflective MRT Measurements	N.A. / G6001990	41,476.99
University of Memphis	Tactical Imaging Sensor Ontology Research and Development	N.A. / G6002681	15,768.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Memphis	Multispectral Imager Modeling Support	N.A. / G6003160-01	50,263.63
Passed Through ERC, Incorporated			
University of Memphis	Tactical Imaging Sensor Fusion Research and Development	N.A. / ET040991	3,006.65
Passed Through Intelligent Automation, Incorporated			
University of Tennessee	Intelligent Automation Inc - QI	N.A. / R011344137	14,372.67
Passed Through Micron Corporation			
University of Tennessee	Micron 2003-1 Bomar	N.A. / R024312022	31,416.33
Passed Through North Carolina State University			
University of Tennessee	NC State 2003-1521-01 QI	N.A. / R011344106	76,436.08
Passed Through Strategic Systems Programs			
Tennessee State University	Prototype Portable Heater System for Launch Maintenance	N.A. / N00030-02-M-0619	11,508.60
Passed Through Universal Technology Corporation			
Tennessee State University	Center for Applied Research in Manufacturing	N.A. / F33615-01-D-5801	9,769.86
Passed Through University of Florida			
University of Memphis	Algorithms for Countermine Mine Detection Systems	N.A. / UF-EIES-0314002-UME	66,030.25
Passed Through University of Massachusetts			
University of Tennessee	Univ of Mass 01-528156 C 00 Mays	N.A. / R011025094	91,355.07
University of Tennessee	Univ of Massachusetts Mays	N.A. / R011025099	67,280.23
Passed Through University of South Carolina			
Tennessee Technological University	Life Modeling of Li Ion Cells	N.A. / 03-0852	49,661.06
Subtotal Pass-Through Programs			$ 3,452,007.62
Subtotal Department of Defense			$ 8,235,495.69
Department of Housing and Urban Development			
Passed Through Community Development Corporation of Northeast Tennessee			
East Tennessee State University	Rural Housing and Economic Development	14.250 / RH-00-TN-1-0053	$ 40,000.74
Subtotal Department of Housing and Urban Development			$ 40,000.74
Department of the Interior			
Direct Programs			
Tennessee Technological University	Fish and Wildlife Management Assistance	15.608 / 1448-40181-99-G-055	$ 402.88

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee Technological University	Fish and Wildlife Management Assistance	15.608 / H5530030031 / 0001	16,340.51	
Tennessee Technological University	Fish and Wildlife Management Assistance	15.608 / J2116 03 0003	34,566.04	$ 51,309.43
Tennessee Technological University	Cooperative Endangered Species Conservation Fund	15.615 / 401813J018	$ 2,725.21	
University of Tennessee	Cooperative Endangered Species Conservation Fund	15.615 / R011086047	12,921.62	15,646.83
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 01HQAG0010	$ 285,578.75	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 01HQGR0063	7,163.29	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 02HQAG0103	8,100.55	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 02HQGR0004	(12,578.58)	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 02HQGR0029	(12,974.42)	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 02HQGR0077	25,070.33	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 03HQAG0103	19,265.08	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 03HQGR0011	21,111.20	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 03HQGR0035	27,122.52	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 03HQGR0036	49,033.53	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 03HQGR0064	22,526.25	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 03HQGR0109	9,753.92	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 03HQGR0110	17,003.41	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 03HQGR0133	29,363.63	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 04HQAG0009	200,231.25	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 04HQGR0019	12,495.71	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 04HQGR0060	38,915.39	
University of Memphis	Earthquake Hazards Reduction Program	15.807 / 04HQGR0093	7,517.80	754,699.61
Tennessee Technological University	U.S. Geological Survey_ Research and Data Collection	15.808 / WO#41	$ 13,349.95	
Tennessee Technological University	U.S. Geological Survey_ Research and Data Collection	15.808 / WO#43	1,390.92	
Tennessee Technological University	U.S. Geological Survey_ Research and Data Collection	15.808 / WO#45	28,502.74	
Tennessee Technological University	U.S. Geological Survey_ Research and Data Collection	15.808 / WO#46	37,570.38	
Tennessee Technological University	U.S. Geological Survey_ Research and Data Collection	15.808 / WO#47	2,329.08	
Tennessee Technological University	U.S. Geological Survey_ Research and Data Collection	15.808 / WO#49	56,231.17	
Tennessee Technological University	U.S. Geological Survey_ Research and Data Collection	15.808 / WO#50	15,985.17	
Tennessee Technological University	U.S. Geological Survey_ Research and Data Collection	15.808 / WO#51	1,316.00	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee Technological University	U.S. Geological Survey_ Research and Data Collection	15.808 / WO#52	14,657.98	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R011065010	626.27	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R011086033	244,977.77	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R012550069	31,246.09	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R012550079	(31,246.09)	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R012550088	(1,637.65)	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R012550092	72,802.62	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R012580079	(6,898.05)	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R111016092	3,085.32	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R112218003	372.25	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R112219040	13,912.11	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R112219051	(40.02)	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R112219059	19,339.74	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R112219091	7,287.21	525,160.96
University of Tennessee	National Cooperative Geologic Mapping Program	15.810 / R013312003	$ 24,092.72	
University of Tennessee	National Cooperative Geologic Mapping Program	15.810 / R013312005	9,203.65	33,296.37
Tennessee Technological University	Cooperative Research Units Program	15.812 / WO#53	$ 13.11	
Tennessee Technological University	Cooperative Research Units Program	15.812 / WO#54	17,887.19	17,900.30
University of Memphis	Technical Preservation Services	15.915 / H2113030400	$ 2,804.92	
University of Memphis	Technical Preservation Services	15.915 / H5580000463	(171.46)	2,633.46
Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	15.916 / 1443-CA-5460-98-012	$ 4,832.19	
Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	15.916 / 1443-CA-5460-99-006	1,488.09	
Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	15.916 / H5460030070	6,471.46	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R011005029	(8.91)	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R011086020	3,674.03	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R011334036	136,754.96	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R112218040	(45.17)	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R112218065	4,512.25	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R112218083	32.03	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R112218087	670.22	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R112218093	22,483.93	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R112219076	25,709.93	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R112219092	82,767.68	
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R112219124	6,786.87	296,129.56
Austin Peay State University	American Battlefield Protection	15.926 / Order No. H5028030006	$ 1,800.04	
Austin Peay State University	American Battlefield Protection	15.926 / Order No. P5530000065	10,734.46	
Tennessee Technological University	American Battlefield Protection	15.926 / H5500 02 0483	14,251.71	26,786.21
Middle Tennessee State University	Inventory of Herpetofauna at Stri	N.A. / H500030300J211303000		5,868.65
Middle Tennessee State University	Cliffline Archeological Survey Project	N.A. / J5130030004		17,354.09
Middle Tennessee State University	Trail of Tears National Historic Trail	N.A. / P7700033015		9,000.00
University of Tennessee	USDI-NPS-J5230030402 Earthworks Cuga-Dri	N.A. / R011005094		4,940.58
University of Tennessee	USDI-NPS-J5230030401 AOA Cuga-Driskell	N.A. / R011005095		10,615.37
University of Tennessee	NPS H500099A007 Cumberland Gap-Driskell	N.A. / R011007068		12,242.14
University of Tennessee	NPS J5890030349 Shiloh - Sherwood	N.A. / R011007075		23,302.35
University of Tennessee	NPS-Little Yellow Creed-Gentry	N.A. / R011334088		26,289.94
University of Tennessee	USDI-NPS-Great Smoky Mtns-Ranney	N.A. / R012540132		1,896.26
University of Tennessee	USDI-NPS J5230030162 Gentry	N.A. / R012580141		3,200.29
University of Tennessee	NPS Horseshoe Bend Keller	N.A. / R041011007		10,152.05
University of Tennessee	NPS Obed River Keller	N.A. / R041011008		9,871.08
University of Tennessee	NPS Chickamauga Keller	N.A. / R041011009		2,480.62
University of Tennessee	USDI NPS-1443 CA 5000 99 07 Keller	N.A. / R041011086		1,794.69
University of Tennessee	NPS H500099A007 Hemlock Wooly-Lambdin	N.A. / R111017020		10,213.58
University of Tennessee	NPS Hemlock Woolly J5461030461-Bernard	N.A. / R111017037		93,033.24
University of Tennessee	NPS 1443CA500099007-Mod 11-Hopper	N.A. / R112219029		1,133.60
University of Tennessee	NPS 1443CA500099007-Mod 14-Clark	N.A. / R112219031		11,674.67
University of Tennessee	NPS 1443CA500099007-Mod 12-van Manen	N.A. / R112219035		0.01
University of Tennessee	NPS-H500099A007-Vital Signs-Hopper	N.A. / R112219062		9.84
University of Tennessee	NPS H500099A007 Vertebrate Inv-Hopper	N.A. / R112219065		20,558.65
University of Tennessee	NPS H500099A007 Butternut-Schlarbaum	N.A. / R112219066		15,856.11
University of Tennessee	NPS H500099A007 Mt. LeConte-Fly	N.A. / R112219067		2,300.19
University of Tennessee	NPS H500099A007 Rock Climbing-Hodges	N.A. / R112219068		4,197.93
University of Tennessee	NPS H500099A007 Landmarks 2003-Hopper	N.A. / R112219072		609.66
University of Tennessee	NPS Allegheny Woodrat Dstrbtion-Muller	N.A. / R112219101		2,585.04
University of Tennessee	NPS Ecological Attributes Ntwrks-Hopper	N.A. / R112219102		40,635.65
University of Tennessee	USDI-Ecosystem Studies Unit-Hopper	N.A. / R112219116		8.25
University of Tennessee	NPS Obed River Exotic Plant Survey-Cheng	N.A. / R112615166		1,690.43
University of Tennessee	USGS-Fecal Samples-Patton	N.A. / R181731012		25,117.21
Subtotal Direct Programs				$ 2,092,194.90
Passed Through Southern Appalachian Man and The Biosphere				
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R012540087	$ 415,236.12	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	U.S. Geological Survey_ Research and Data Collection	15.808 / R012540116	27,839.67	$ 443,075.79
Passed Through Auburn University				
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916 / R011086064		4,438.82
Subtotal Pass-Through Programs				$ 447,514.61
Subtotal Department of the Interior				$ 2,539,709.51
Department of Justice				
Direct Programs				
University of Memphis	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560 / 1999-IJ-CX-K007		$ 35,324.29
University of Tennessee	Motor Vehicle Theft Protection Act Program	16.597 / R131015010	$ 827,497.84	
University of Tennessee	Motor Vehicle Theft Protection Act Program	16.597 / R131015011	706,423.36	1,533,921.20
University of Memphis	Community Prosecution and Project Safe Neighborhoods	16.609 / 2003-GP-CX-0112		59,817.82
University of Tennessee	U.S. DOJ 2003-IJ-CX-K106 Herrmann	N.A. / R011007085		8,987.61
University of Tennessee	FBI J-FBI-98-083 Birdwell	N.A. / R011344013		344,310.15
University of Tennessee	Computer and Information Science and Engineering	N.A. / R011344126		485,842.72
Subtotal Department of Justice				$ 2,468,203.79
Department of Labor				
Direct Programs				
University of Tennessee	Labor Force Statistics	17.002 / R011404023	$ (439.78)	
University of Tennessee	Labor Force Statistics	17.002 / R011404036	782,216.01	$ 781,776.23
University of Tennessee	US Dept of Labor J-9-F-2-0016 Task 2	N.A. / R011404033		348,288.43
Subtotal Direct Programs				$ 1,130,064.66
Passed Through Arc of Tennessee				
University of Tennessee	Employment Programs for People with Disabilities	17.720 / R011250005		$ 119,416.27
Subtotal Pass-Through Programs				$ 119,416.27
Subtotal Department of Labor				$ 1,249,480.93
Department of Transportation				
Direct Programs				
University of Tennessee	University Transportation Centers Program	20.701 / R012514021	$ (1,244.56)	
University of Tennessee	University Transportation Centers Program	20.701 / R012515096	1,098,730.17	$ 1,097,485.61
University of Tennessee	US Dept of Transportation Purucker	N.A. / R011086090		27,760.01
University of Tennessee	FAA-Baker	N.A. / R011373130		95,996.75
University of Tennessee	FAA-2004-Baker	N.A. / R011373154		2,900.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	FHWA-DTFH61-00-T-56023 Zach	N.A. / R012516062		4,741.97
University of Tennessee	FHWA DTFH61-01-P-00355 Chatterjee	N.A. / R012517006		85.42
University of Tennessee	FHWA - Chatterjee	N.A. / R012517030		30,598.39
Subtotal Direct Programs				$ 1,259,568.15
Passed Through National Safe Skies Alliance				
University of Tennessee	Aviation Research Grants	20.108 / R010135041	$ 205,874.68	
University of Tennessee	Aviation Research Grants	20.108 / R011344048	144,397.71	
University of Tennessee	Aviation Research Grants	20.108 / R011344049	50,127.41	$ 400,399.80
University of Tennessee	National Safe Skies Alliance - Abidi	N.A. / R011344130		49,054.04
Passed Through Georgia Institute of Technology				
University of Tennessee	Georgia Tech E20F43S1 Bennett	N.A. / R011334057		11.62
Passed Through National Transportation Research Center				
University of Tennessee	NTRC, Inc- Hvy Vehicle Evac Model-Han	N.A. / R012517062		88,726.77
University of Tennessee	NTRC - Task 2003A - Urbanik	N.A. / R012517095		13,932.78
Passed Through Pacific Institute for Research and Evaluation				
University of Tennessee	PIRE - Cate	N.A. / R012517071		34,050.61
Passed Through Science Applications International Corporation				
University of Tennessee	Science Applications Intl Corp	N.A. / R012517025		41,181.03
University of Tennessee	SAIC-Task1-Sub4600003576-Urbanik	N.A. / R012517029		2,617.59
Subtotal Pass-Through Programs				$ 629,974.24
Subtotal Department of Transportation				$ 1,889,542.39
Department of Treasury				
Direct Programs				
University of Tennessee	I.R.S.-Audit Effects-McKee 2004	N.A. / R011420096		$ 28,207.90
Subtotal Department of Treasury				$ 28,207.90
Appalachian Regional Commission				
Direct Programs				
University of Tennessee	ARC-Appal Higher Edu Network-Lashley	N.A. / R011804101		$ 50,782.68
Subtotal Appalachian Regional Commission				$ 50,782.68
National Aeronautics and Space Administration				
Direct Programs				
Austin Peay State University	Aerospace Education Services Program	43.001 / Order No. H-35281D	$ 202.06	
East Tennessee State University	Aerospace Education Services Program	43.001 / NAG5-10344	1,609.97	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
East Tennessee State University	Aerospace Education Services Program	43.001 / NAG5-13079	36,458.03	
East Tennessee State University	Aerospace Education Services Program	43.001 / NAG5-13793	7,434.00	
Tennessee State University	Aerospace Education Services Program	43.001 / NAG8-1886	26,000.00	
Tennessee Technological University	Aerospace Education Services Program	43.001 / NAG8-1794	5,167.82	
Tennessee Technological University	Aerospace Education Services Program	43.001 / NAG8-1919	10,165.58	
University of Memphis	Aerospace Education Services Program	43.001 / NAG5-12096	14,856.88	
University of Memphis	Aerospace Education Services Program	43.001 / NAG5-9783	20,011.93	
University of Memphis	Aerospace Education Services Program	43.001 / NCC 2-1244	245,795.85	
University of Memphis	Aerospace Education Services Program	43.001 / NNG04GF00G	20,299.08	$ 388,001.20
Tennessee State University	Technology Transfer	43.002 / NAG2-1419	$ 71,397.25	
Tennessee State University	Technology Transfer	43.002 / NAG2-1530	50,402.40	
Tennessee State University	Technology Transfer	43.002 / NAG3-2471	68,747.69	
Tennessee State University	Technology Transfer	43.002 / NAG3-2577	1,637,829.51	
Tennessee State University	Technology Transfer	43.002 / NAG5-10896	1,232.70	
Tennessee State University	Technology Transfer	43.002 / NCC5-511	1,261,298.54	
Tennessee State University	Technology Transfer	43.002 / NCC5-531	213,176.77	
Tennessee State University	Technology Transfer	43.002 / NCC5-657	4,000.00	
Tennessee State University	Technology Transfer	43.002 / NNG04GC41A	66,371.29	
Tennessee Technological University	Technology Transfer	43.002 / NAG8-1749	0.02	
Tennessee Technological University	Technology Transfer	43.002 / NGT8 52928	23,168.00	
Tennessee Technological University	Technology Transfer	43.002 / NNM04AB13C	41,690.57	3,439,314.74
Middle Tennessee State University	SATS Aerospace Flight Education Research Safer Initiative	N.A. / NCC1-03032		140,977.77
University of Tennessee	NASA NAG5-8926 Britt	N.A. / R011042051		1,515.87
University of Tennessee	NASA-NRA00-OSS-01 MDAP McSween	N.A. / R011042068		48,575.41
University of Tennessee	NASA - Mars - Moersch - 01	N.A. / R011042071		58,879.46
University of Tennessee	NASA NAG5-10666	N.A. / R011042081		71,054.88
University of Tennessee	NASA NAG5-11567 McSween	N.A. / R011042092		42,411.99
University of Tennessee	NASA NAG5-11558 Taylor	N.A. / R011042094		93,734.06
University of Tennessee	NASA NAG5-11978 Taylor	N.A. / R011042096		40,297.90
University of Tennessee	JPL 1241129 Moersch	N.A. / R011042097		110,172.00
University of Tennessee	JPL Moersch	N.A. / R011042100		41,799.02
University of Tennessee	JPL 1245979 Moersch	N.A. / R011042104		33,613.30
University of Tennessee	NASA NAG5-12896 McSween	N.A. / R011042106		99,883.38
University of Tennessee	NASA NRA-02-OSS-01 Britt	N.A. / R011042107		37,949.43
University of Tennessee	NASA NAG5-13616 Britt	N.A. / R011042112		119.64
University of Tennessee	NASA NAG5-8405 Mezzacappa	N.A. / R011060009		5,727.22
University of Tennessee	JPL 1250391 Blalock	N.A. / R011344102		7,626.69
University of Tennessee	JPL 1253127 Blalock	N.A. / R011344110		29,896.00
University of Tennessee	JPL 1258283 Blalock	N.A. / R011344133		35,367.40
University of Tennessee	JPL 1258727 Blalock	N.A. / R011344134		70,784.49
University of Tennessee	NASA NAG8-1669 Townsend	N.A. / R011382054		28,721.00
University of Tennessee	NASA NGT8-52920 Townsend	N.A. / R011382070		25,320.99
University of Tennessee	NASA NAG5-12477 Townsend	N.A. / R011382075		89,891.07
University of Tennessee	NASA NAG8-1901 Townsend	N.A. / R011382082		450,942.61
University of Tennessee	NASA NAG9-1080 Sayler	N.A. / R012580052		60.76
University of Tennessee	NASA NAG9-1424	N.A. / R012580105		139,414.00
University of Tennessee	NASA NAG8-1826 Bunick	N.A. / R012813097		101,141.45
University of Tennessee	NASA NAG8-0268 Antar	N.A. / R024311020		20,888.85
University of Tennessee	NASA-MSFC NNM04AF94P Antar	N.A. / R024311022		2,170.45
University of Tennessee	NASA-MSFC NNM04AA30G Flandro	N.A. / R024320021		10,189.04
University of Tennessee	NASA-GLENN NAG3-2680 Merkle	N.A. / R024332020		55,198.74
University of Tennessee	NASA MSFC H-36730D Merkle	N.A. / R024332024		20,000.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	NASA-Ames NCC 2-5493 Venke	N.A. / R024343020		21,701.05
Subtotal Direct Programs				$ 5,763,341.86
Passed Through Smithsonian Institution				
East Tennessee State University	Aerospace Education Services Program	43.001 / GO2-3121X		$ 15,557.44
Passed Through University of New Orleans Research and Technology Foundation				
Tennessee Technological University	Aerospace Education Services Program	43.001 / 55404-S4	$ 50,191.03	
Tennessee Technological University	Aerospace Education Services Program	43.001 / 58404-S3	90,000.36	
Tennessee Technological University	Aerospace Education Services Program	43.001 / 58404-S5	150,748.01	290,939.40
Tennessee Technological University	Technology Transfer	43.002 / 58404-S / NCC8-223		2,552.88
Passed Through Universities Space Research Association				
Tennessee Technological University	Aerospace Education Services Program	43.001 / 04-095 / 03485-06 / TTU		45,680.72
Passed Through Vanderbilt University				
Austin Peay State University	Aerospace Education Services Program	43.001 / 15766-S1	$ 10,529.00	
East Tennessee State University	Aerospace Education Services Program	43.001 / 15766-S12	3,280.55	
Tennessee Technological University	Aerospace Education Services Program	43.001 / 15766-S9	15,846.62	29,656.17
University of Tennessee	Vanderbilt University 15766-S7 Taylor	N.A. / R011042084		64,335.09
University of Memphis	Simulation and Prediction of Magnetic Positive Positioning of LOX in Reduced Gravity	N.A. / 15766-S14		812.50
Passed Through Cornell University				
University of Tennessee	Technology Transfer	43.002 / R011042073		82,613.23
Passed Through The Regents of the University of California				
University of Tennessee	Technology Transfer	43.002 / R011042108		11,675.65
Passed Through Texas Engineering Experiment Station				
Tennessee Technological University	Technology Transfer	43.002 / NAG3-2617		30,368.75
Passed Through Alabama Agricultural and Mechanical University				
University of Memphis	Weakly Ionized Gas Dynamics and Applications	N.A. / NAG8-1808		23,274.47
Passed Through Arizona State University				
University of Tennessee	Arizona State 01-082 McSween	N.A. / R011042090		200,706.37
Passed Through California Institute of Technology Jet Propulsion Laboratory				
Tennessee State University	Visual Telerobotic Task Planning of Cooperative Robots	N.A. / 10344AD0-C9		81,043.01

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Indiana University			
University of Tennessee	Indiana University - Pfiffner	N.A. / R012580149	10,776.27
Passed Through Old Dominion University			
University of Memphis	Data Link Aircraft Communications: An Examination of Interference	N.A. / 03-104-111731	13,602.32
Passed Through Science Systems and Applications, Incorporated			
University of Tennessee	SSAI-NASA LBA/ECO - Alvic	N.A. / R012539100	125,516.99
Passed Through Search for Extraterrestrial Intelligence Institute			
University of Tennessee	SETI Institute-Limits of Life-Moersch	N.A. / R011042110	20,586.43
Passed Through University of Alabama			
University of Tennessee	SUB2003-058 Univ of Al(UAH) Merkle	N.A. / R024332023	68,963.95
Passed Through University of Massachusetts			
University of Tennessee	University of Mass 00-528918 B 00 Mays	N.A. / R011024119	40,981.00
Subtotal Pass-Through Programs			$ 1,159,642.64
Subtotal National Aeronautics and Space Administration			$ 6,922,984.50
National Endowment for the Humanities			
Direct Programs			
Middle Tennessee State University	Promotion of the Humanities_ Division of Preservation and Access	45.149 / PA5009203	$ 27,385.96
University of Tennessee	Promotion of the Humanities_ Research	45.161 / R011003081	42,091.78
University of Tennessee	Promotion of the Humanities_ Professional Development	45.163 / R041056056	26,765.38
Tennessee Technological University	Promotion of the Humanities_Public Programs	45.164 / GL-50452-03	1,000.00
Subtotal National Endowment for the Humanities			$ 97,243.12
National Science Foundation			
Direct Programs			
Middle Tennessee State University	Engineering Grants	47.041 / ECS-9988797	$ 7,953.57
Tennessee Technological University	Engineering Grants	47.041 / CMS-0324616	29,823.41
Tennessee Technological University	Engineering Grants	47.041 / DMI-0219859	72,643.80
Tennessee Technological University	Engineering Grants	47.041 / DMI-0321228	104,000.00
University of Tennessee	Engineering Grants	47.041 / R011005045	57,594.75
University of Tennessee	Engineering Grants	47.041 / R011063097	(71,550.01)
University of Tennessee	Engineering Grants	47.041 / R011305035	2,026.22
University of Tennessee	Engineering Grants	47.041 / R011305055	15,206.84
University of Tennessee	Engineering Grants	47.041 / R011305056	28,362.89
University of Tennessee	Engineering Grants	47.041 / R011309027	3,680.99
University of Tennessee	Engineering Grants	47.041 / R011311025	83,992.18
University of Tennessee	Engineering Grants	47.041 / R011318013	51,902.11

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Engineering Grants	47.041 / R011318020	(3,887.99)	
University of Tennessee	Engineering Grants	47.041 / R011318025	206,488.48	
University of Tennessee	Engineering Grants	47.041 / R011322078	629.16	
University of Tennessee	Engineering Grants	47.041 / R011334074	(4,010.84)	
University of Tennessee	Engineering Grants	47.041 / R011344059	106,938.20	
University of Tennessee	Engineering Grants	47.041 / R011344090	7,567.30	
University of Tennessee	Engineering Grants	47.041 / R011344115	15,759.39	
University of Tennessee	Engineering Grants	47.041 / R011361019	(305.76)	
University of Tennessee	Engineering Grants	47.041 / R011373060	23,021.04	
University of Tennessee	Engineering Grants	47.041 / R011373124	59,425.86	
University of Tennessee	Engineering Grants	47.041 / R011373135	43,885.03	
University of Tennessee	Engineering Grants	47.041 / R011382068	186,187.54	
University of Tennessee	Engineering Grants	47.041 / R012580094	229,276.94	
University of Tennessee	Engineering Grants	47.041 / R024347020	53,535.01	
University of Tennessee	Engineering Grants	47.041 / R041011085	27,205.10	
University of Tennessee	Engineering Grants	47.041 / R073922003	74,333.05	
University of Tennessee	Engineering Grants	47.041 / R111416049	471.24	$ 1,412,155.50
East Tennessee State University	Mathematical and Physical Sciences	47.049 / AST-0073853	$ 5,516.41	
East Tennessee State University	Mathematical and Physical Sciences	47.049 / AST-0205761	21,949.08	
East Tennessee State University	Mathematical and Physical Sciences	47.049 / AST-0354262	15,766.51	
East Tennessee State University	Mathematical and Physical Sciences	47.049 / AST-0423719	2,360.25	
East Tennessee State University	Mathematical and Physical Sciences	47.049 / DMS-0139291	55,587.19	
Middle Tennessee State University	Mathematical and Physical Sciences	47.049 / CHE-0321211	370,184.17	
Middle Tennessee State University	Mathematical and Physical Sciences	47.049 / DMS-0070430	2,525.89	
Tennessee Technological University	Mathematical and Physical Sciences	47.049 / DMR-0115961	26,761.40	
Tennessee Technological University	Mathematical and Physical Sciences	47.049 / DMR-0238113	65,599.94	
University of Memphis	Mathematical and Physical Sciences	47.049 / 200700	14,153.30	
University of Memphis	Mathematical and Physical Sciences	47.049 / 200703	33,111.87	
University of Memphis	Mathematical and Physical Sciences	47.049 / 204594	43,435.40	
University of Memphis	Mathematical and Physical Sciences	47.049 / 225769	2,127.71	
University of Memphis	Mathematical and Physical Sciences	47.049 / 349315	5,824.94	
University of Memphis	Mathematical and Physical Sciences	47.049 / 353885	43,617.32	
University of Memphis	Mathematical and Physical Sciences	47.049 / CHE-0202207	114,002.88	
University of Memphis	Mathematical and Physical Sciences	47.049 / CHE-0227475	18,122.94	
University of Memphis	Mathematical and Physical Sciences	47.049 / DMS-0100577	26,550.33	
University of Memphis	Mathematical and Physical Sciences	47.049 / DMS-0100686	5,449.89	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011024027	(19.59)	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011024085	33,221.86	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011024103	98,501.15	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011024110	92,801.45	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011024114	146,584.83	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025001	(296.81)	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025022	288,276.03	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025024	(20,961.76)	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025027	(15,752.13)	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025044	91,233.13	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025074	28,222.49	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025088	133,442.02	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025090	(45.00)	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025103	121,415.58	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025105	4,428.75	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011025108	(7,818.37)	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011027038	87,515.86	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011027039	1,158.93	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011052002	1,823.99	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011052015	37,711.82	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011053004	5,036.64	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011053093	(13.78)	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011053094	3.36	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011053099	19,035.73	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011053100	58,673.37	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011053101	17,325.64	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011053102	51,211.82	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011053104	33,449.00	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011054004	71,297.89	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011054005	10,660.19	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011054086	35,464.89	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011063099	54,085.74	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065004	16,578.38	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065009	(25,256.19)	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065024	43,234.45	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065025	195,314.27	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065045	52,879.51	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065053	156,412.50	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065059	90,303.96	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065065	72,647.09	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065070	91,369.19	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065082	(803.24)	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065085	23,567.68	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011086025	248,201.35	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011317059	25.13	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011317089	81,977.09	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011318015	15,513.75	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011318041	69,336.51	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011322080	23,973.97	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R024316020	36,916.50	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R041024003	15,149.75	
University of Tennessee	Mathematical and Physical Sciences	47.049 / R041025035	(95.32)	3,557,568.47
University of Memphis	Geosciences	47.050 / 214206	$ 24,750.21	
University of Memphis	Geosciences	47.050 / 345634	13.72	
University of Memphis	Geosciences	47.050 / EAR-0003720	68,346.17	
University of Memphis	Geosciences	47.050 / EAR-0125565	48,234.32	
University of Memphis	Geosciences	47.050 / EAR-0337108	12,488.12	
University of Tennessee	Geosciences	47.050 / R011015077	8,865.99	
University of Tennessee	Geosciences	47.050 / R011042049	7,955.95	
University of Tennessee	Geosciences	47.050 / R011042065	(4,799.77)	
University of Tennessee	Geosciences	47.050 / R011042077	84,065.12	
University of Tennessee	Geosciences	47.050 / R011042078	20,790.14	
University of Tennessee	Geosciences	47.050 / R011042087	100,868.52	
University of Tennessee	Geosciences	47.050 / R011334076	47,880.96	
University of Tennessee	Geosciences	47.050 / R012580093	100,904.73	
University of Tennessee	Geosciences	47.050 / R012580115	(4,103.48)	
University of Tennessee	Geosciences	47.050 / R012580121	65,217.23	
University of Tennessee	Geosciences	47.050 / R012580130	23,532.99	
University of Tennessee	Geosciences	47.050 / R012580131	104,194.24	
University of Tennessee	Geosciences	47.050 / R012580148	(10,000.00)	
University of Tennessee	Geosciences	47.050 / R013312004	15,865.54	715,070.70
Middle Tennessee State University	Computer and Information Science and Engineering	47.070 / NSF-02-073	$ 68,150.27	
Tennessee Technological University	Computer and Information Science and Engineering	47.070 / ANI-0333656	28,470.14	
University of Memphis	Computer and Information Science and Engineering	47.070 / DGE-0338324	18,271.16	
University of Memphis	Computer and Information Science and Engineering	47.070 / EIA-0130352	222,890.10	
University of Memphis	Computer and Information Science and Engineering	47.070 / EIA-0325428	68,684.88	
University of Memphis	Computer and Information Science and Engineering	47.070 / IIS-0133415	58,066.19	
University of Memphis	Computer and Information Science and Engineering	47.070 / IIS-0133948	43,241.15	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011030002	(74,648.28)	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011030013	302,530.11	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033018	19,077.61	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033027	48,929.58	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033058	112,671.30	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033067	293,831.54	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033069	11,691.99	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033077	243,717.50	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033084	202,118.57	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033085	394,869.35	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033109	13,049.85	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011344119	40,715.84	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011344120	20,125.68	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R012580122	359,028.32	2,495,482.85
East Tennessee State University	Biological Sciences	47.074 / DEB-0080921	$ 14,858.90	
Middle Tennessee State University	Biological Sciences	47.074 / Z-03-010549-00	137,324.54	
University of Memphis	Biological Sciences	47.074 / 122355	23,186.43	
University of Memphis	Biological Sciences	47.074 / 346328	35,595.64	
University of Memphis	Biological Sciences	47.074 / DEB-0316631	17,516.01	
University of Memphis	Biological Sciences	47.074 / MCB-0049026	19,624.72	
University of Memphis	Biological Sciences	47.074 / MCB-0080345	26,237.03	
University of Memphis	Biological Sciences	47.074 / MCB-0224621	4,215.26	
University of Tennessee	Biological Sciences	47.074 / R011012013	(187.20)	
University of Tennessee	Biological Sciences	47.074 / R011015090	74,687.09	
University of Tennessee	Biological Sciences	47.074 / R011018038	(711.00)	
University of Tennessee	Biological Sciences	47.074 / R011018058	(14,050.71)	
University of Tennessee	Biological Sciences	47.074 / R011018065	110,394.97	
University of Tennessee	Biological Sciences	47.074 / R011018069	96,181.22	
University of Tennessee	Biological Sciences	47.074 / R011018075	25,640.75	
University of Tennessee	Biological Sciences	47.074 / R011018078	46,272.27	
University of Tennessee	Biological Sciences	47.074 / R011018085	139,996.37	
University of Tennessee	Biological Sciences	47.074 / R011022022	108,583.23	
University of Tennessee	Biological Sciences	47.074 / R011022024	65,922.93	
University of Tennessee	Biological Sciences	47.074 / R011022029	169,205.12	
University of Tennessee	Biological Sciences	47.074 / R011022030	1,495.43	
University of Tennessee	Biological Sciences	47.074 / R011022035	111,531.93	
University of Tennessee	Biological Sciences	47.074 / R011022038	235.94	
University of Tennessee	Biological Sciences	47.074 / R011069064	5,379.16	
University of Tennessee	Biological Sciences	47.074 / R011086027	709,096.21	
University of Tennessee	Biological Sciences	47.074 / R011086044	868.44	
University of Tennessee	Biological Sciences	47.074 / R011086045	22,634.12	
University of Tennessee	Biological Sciences	47.074 / R011086052	208,049.19	
University of Tennessee	Biological Sciences	47.074 / R011086053	38,263.34	
University of Tennessee	Biological Sciences	47.074 / R011086065	150,458.62	
University of Tennessee	Biological Sciences	47.074 / R011086075	58,228.39	
University of Tennessee	Biological Sciences	47.074 / R011334094	13,300.00	
University of Tennessee	Biological Sciences	47.074 / R041011097	90,619.33	
University of Tennessee	Biological Sciences	47.074 / R073003057	10,678.61	
University of Tennessee	Biological Sciences	47.074 / R073004019	(0.69)	
University of Tennessee	Biological Sciences	47.074 / R073004031	(19,547.69)	
University of Tennessee	Biological Sciences	47.074 / R073018085	82,989.99	
University of Tennessee	Biological Sciences	47.074 / R073036010	(3,156.74)	
University of Tennessee	Biological Sciences	47.074 / R073223144	91,229.92	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Biological Sciences	47.074 / R111017043	55,456.52	2,728,303.59
Tennessee Technological University	Social, Behavioral, and Economic Sciences	47.075 / INT-0215760	$ 4,361.03	
Tennessee Technological University	Social, Behavioral, and Economic Sciences	47.075 / INT-0217104	6,732.03	
Tennessee Technological University	Social, Behavioral, and Economic Sciences	47.075 / INT-0217829	5,999.70	
Tennessee Technological University	Social, Behavioral, and Economic Sciences	47.075 / INT-0323578	3,495.35	
University of Memphis	Social, Behavioral, and Economic Sciences	47.075 / 239749	80,461.06	
University of Memphis	Social, Behavioral, and Economic Sciences	47.075 / 301894	3,440.98	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011015097	8,986.19	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011025003	4,488.95	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011025046	5,367.24	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011038087	91,924.72	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011038088	87,544.63	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011038097	1,425.77	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011042114	33,059.66	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011042115	13,221.58	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011065051	8,839.55	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011344114	3,027.01	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R011382009	11,970.72	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / R041068095	95,848.57	470,194.74
Austin Peay State University	Education and Human Resources	47.076 / C-04-0196	$ 4,750.00	
Middle Tennessee State University	Education and Human Resources	47.076 / DUE-0311367	87,735.19	
Middle Tennessee State University	Education and Human Resources	47.076 / DUE-0311641	130,719.03	
Middle Tennessee State University	Education and Human Resources	47.076 / NSF-02-060	90,443.75	
Tennessee State University	Education and Human Resources	47.076 / HRD-0206028	713,624.01	
Tennessee State University	Education and Human Resources	47.076 / HRD-0236793	377,984.96	
Tennessee State University	Education and Human Resources	47.076 / HRD-9706268	208.56	
Tennessee Technological University	Education and Human Resources	47.076 / DGE-0228234	2,400.81	
Tennessee Technological University	Education and Human Resources	47.076 / DUE-0311586	48,061.35	
Tennessee Technological University	Education and Human Resources	47.076 / EHR-0091632	124,655.83	
Tennessee Technological University	Education and Human Resources	47.076 / ESI-227502	250,783.17	
University of Memphis	Education and Human Resources	47.076 / DUE-0088534	20,620.18	
University of Memphis	Education and Human Resources	47.076 / REC-0106965	339,855.80	
University of Memphis	Education and Human Resources	47.076 / REC-0241144	571,291.91	
University of Tennessee	Education and Human Resources	47.076 / R011022021	(1,600.31)	
University of Tennessee	Education and Human Resources	47.076 / R011033044	200,990.82	
University of Tennessee	Education and Human Resources	47.076 / R011317080	300,372.83	
University of Tennessee	Education and Human Resources	47.076 / R012615007	73,570.71	
University of Tennessee	Education and Human Resources	47.076 / R024321020	62,858.12	3,399,326.72
University of Memphis	Polar Programs	47.078 / OPP-0003834	$ 21,014.19	
University of Tennessee	Polar Programs	47.078 / R011015094	3,454.42	
University of Tennessee	Polar Programs	47.078 / R011042105	78,752.30	
University of Tennessee	Polar Programs	47.078 / R011080007	12,958.68	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Polar Programs	47.078 / R011080013	(35.03)	
University of Tennessee	Polar Programs	47.078 / R011080022	6,138.36	
University of Tennessee	Polar Programs	47.078 / R011086005	411,970.29	
University of Tennessee	Polar Programs	47.078 / R011086032	180,423.81	714,677.02
Subtotal Direct Programs				$ 15,492,779.59
Passed Through Clemson University				
University of Tennessee	Engineering Grants	47.041 / R011025076		$ (6,433.65)
Passed Through Impact Technologies, Limited Liability Company				
University of Tennessee	Engineering Grants	47.041 / R024327023		50,812.86
Passed Through Johns Hopkins University				
University of Tennessee	Engineering Grants	47.041 / R011016013		(1,091.21)
Passed Through Northwestern University				
University of Tennessee	Engineering Grants	47.041 / R011344127		42,950.94
Passed Through University of Illinois				
University of Memphis	Engineering Grants	47.041 / 98-268		86,630.03
University of Memphis	Geosciences	47.050 / 98-268		193,631.56
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011031071		101,604.12
University of Memphis	Education and Human Resources	47.076 / 2-5-28123		117,454.91
Passed Through University of New York				
University of Memphis	Engineering Grants	47.041 / 150-7145E MOD 4		13,608.49
Passed Through Vanderbilt University				
University of Memphis	Engineering Grants	47.041 / 14656-S6		52,350.91
Passed Through Virginia Polytechnic Institute and State University				
University of Tennessee	Engineering Grants	47.041 / R011042099		22,487.95
Passed Through Western Michigan University				
University of Tennessee	Engineering Grants	47.041 / R011318037		92,634.55
Passed Through University of Connecticut				
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011318024		35,599.24
Passed Through University of North Carolina				
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011318010		(14,321.62)
Passed Through University of Texas				
University of Tennessee	Mathematical and Physical Sciences	47.049 / R011065086		32,614.45
Passed Through Bowling Green State University				
University of Tennessee	Geosciences	47.050 / R011042079		42,962.04

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Pennsylvania State University				
University of Memphis	Geosciences	47.050 / 2321-UM-NSF-3093AM2		32,639.36
Passed Through Princeton University				
University of Tennessee	Geosciences	47.050 / R012580065		146,528.95
Passed Through University of Georgia				
University of Tennessee	Geosciences	47.050 / R012545008		42,518.29
Passed Through Research Triangle Institute				
University of Memphis	Computer and Information Science and Engineering	47.070 / 6-81U-8248	$ 82,578.96	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R073242076	18,761.82	101,340.78
Passed Through The Regents of the University of California				
Tennessee State University	Computer and Information Science and Engineering	47.070 / 0145 G DC192		52,360.60
Passed Through University of Arkansas				
University of Memphis	Computer and Information Science and Engineering	47.070 / SA021170		30,461.94
Passed Through University of California				
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011031068	$ 354,392.66	
University of Tennessee	Computer and Information Science and Engineering	47.070 / R011033032	14,893.63	
University of Memphis	Computer and Information Science and Engineering	47.070 / SA3739-23598PG	124,139.39	493,425.68
University of Tennessee	Biological Sciences	47.074 / R011086029		38,009.89
Passed Through University of Maryland Baltimore County				
Tennessee State University	Computer and Information Science and Engineering	47.070 / DUE-0121531		1,599.62
Passed Through Arizona State University				
University of Memphis	Biological Sciences	47.074 / 03-061 MOD 1		33,866.22
Passed Through Doheny Eye Institute				
University of Tennessee	Biological Sciences	47.074 / R011344116		110,147.35
Passed Through University of Washington				
University of Tennessee	Biological Sciences	47.074 / R011086077		20,245.79
Passed Through Illinois Institute of Technology				
East Tennessee State University	Social, Behavioral, and Economic Sciences	47.075 / SA229-1001		2,443.92

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Nevada				
University of Memphis	Social, Behavioral, and Economic Sciences	47.075 / 13B35422		2,640.02
Passed Through American Educational Research				
University of Tennessee	Education and Human Resources	47.076 / R011855044		19.95
Passed Through Columbia University				
University of Tennessee	Education and Human Resources	47.076 / R011301102		74,079.54
Passed Through Ohio State University				
Middle Tennessee State University	Education and Human Resources	47.076 / DUE-0333672		15,039.91
Passed Through San Diego State University Foundation				
Tennessee Technological University	Education and Human Resources	47.076 / 52270A P163 7803 211 CSM		28,525.55
Passed Through Universities Space Research Association				
East Tennessee State University	Education and Human Resources	47.076 / 2097-02		11,064.34
Passed Through University of Kentucky				
University of Tennessee	Education and Human Resources	47.076 / R011054088		425,081.52
Passed Through Association of Universities for Research Astronomy				
Tennessee State University	Computational Fluid Dynamics Laboratory for Telescopic Related Applications	N.A. / AST-0084699		4,280.00
Subtotal Pass-Through Programs				$ 2,529,814.79
Subtotal National Science Foundation				$ 18,022,594.38
Department of Veterans' Affairs				
Direct Programs				
East Tennessee State University	Veterans Home Based Primary Care	64.022 / 5USC3371-3376	$ 10,108.86	
East Tennessee State University	Veterans Home Based Primary Care	64.022 / 5USC3371-3376	26,600.88	
East Tennessee State University	Veterans Home Based Primary Care	64.022 / 621-C40054	2,300.00	
East Tennessee State University	Veterans Home Based Primary Care	64.022 / JHQVABRC	64,983.60	
East Tennessee State University	Veterans Home Based Primary Care	64.022 / V621P-3780	82.50	$ 104,075.84
University of Memphis	Measurement and Prediction of Outcomes of Amplification	N.A. / G. Alexander		16,107.59
University of Memphis	Measurement and Prediction of Outcomes of Amplification	N.A. / L. Brainerd		13,870.10
Subtotal Department of Veterans' Affairs				$ 134,053.53
Environmental Protection Agency				
Direct Programs				
Tennessee Technological University	Environmental Protection_ Consolidated Research	66.500 / 1R-0302-NANX	$ (885.50)	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee Technological University	Environmental Protection_ Consolidated Research	66.500 / R83078701-0	27,774.08	$ 26,888.58
University of Tennessee	Science To Achieve Results (STAR) Program	66.509 / R012580144		67,136.66
University of Tennessee	Environmental Justice Hazardous Substances Research Small Grants to Community Groups	66.604 / R041002011		12,640.28
Tennessee State University	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / 97437601	$ 32,856.57	
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R011334082	(8,053.68)	
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R012531027	46,015.85	
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R012531030	118,937.88	
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R012531079	243,249.72	
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R012538057	39,557.52	
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R112615081	2,408.49	474,972.35
University of Tennessee	Environmental Education Grants	66.951 / R054315065		4,005.59
Subtotal Direct Programs				$ 585,643.46
Passed Through First Tennessee Development District				
East Tennessee State University	Water Pollution Control State and Interstate Program Support	66.419 / 03-0116		$ 4,300.94
East Tennessee State University	Nonpoint Source Implementation Grants	66.460 / 04-0124		4,686.75
Passed Through Columbia University				
University of Tennessee	Environmental Protection_ Consolidated Research	66.500 / R011015091		31,264.94
Passed Through Harvard University				
University of Tennessee	Environmental Protection_ Consolidated Research	66.500 / R011334096		39,224.22
Passed Through University of Houston				
University of Tennessee	Environmental Protection_ Consolidated Research	66.500 / R011334089		40,008.19
Passed Through University of Nevada, Reno				
Tennessee Technological University	Environmental Protection_ Consolidated Research	66.500 / 13B36725	$ 15,492.47	
University of Tennessee	Environmental Protection_ Consolidated Research	66.500 / R011086067	38,592.91	54,085.38
Passed Through University of Tulsa				
University of Tennessee	Environmental Protection_ Consolidated Research	66.500 / R012545006	$ 4,729.40	
University of Tennessee	Environmental Protection_ Consolidated Research	66.500 / R012545007	593.05	5,322.45

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Water Environment Research Foundation				
University of Tennessee	Environmental Protection_ Consolidated Research	66.500 / R011334069		13,202.65
Passed Through University of Maine				
University of Tennessee	Science To Achieve Results (STAR) Program	66.509 / R012517082		5,768.04
Passed Through InnoSense, Limited Liability Company				
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R011025109		5,370.63
Passed Through University of New Hampshire				
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R011334050	$ 28,721.01	
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R012580150	18,140.38	46,861.39
Passed Through University of North Carolina				
University of Tennessee	Surveys, Studies, Investigations and Special Purpose Grants	66.606 / R112615100		91,569.11
Subtotal Pass-Through Programs				$ 341,664.69
Subtotal Environmental Protection Agency				$ 927,308.15
Department of Energy				
Direct Programs				
Middle Tennessee State University	Office of Science Financial Assistance Program	81.049 / DE-FG02-86ER40293	$ 12,560.10	
Middle Tennessee State University	Office of Science Financial Assistance Program	81.049 / ER40293CHWA0	43,336.61	
Tennessee Technological University	Office of Science Financial Assistance Program	81.049 / DE-FG02-96ER40955	55,801.36	
Tennessee Technological University	Office of Science Financial Assistance Program	81.049 / DE-FG02-96ER40990	49,032.98	
University of Memphis	Office of Science Financial Assistance Program	81.049 / DE-FC04-2000AL68280	122,427.76	
University of Memphis	Office of Science Financial Assistance Program	81.049 / DE-FG02-02ER15289	50,696.15	
University of Memphis	Office of Science Financial Assistance Program	81.049 / DE-FG02-02ER15289A0	51,834.67	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011012012	1.31	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011022010	57,514.21	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011024068	109,720.62	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011025050	160,659.18	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011025055	149,690.60	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011025087	69,088.45	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011026072	46,264.70	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011033036	575,049.05	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011033038	57,367.06	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011033041	75,195.02	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011033042	253,247.88	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011033068	113,890.31	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011042014	(1,028.02)	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011062032	(507.79)	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011063044	242,135.84	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011063055	270,538.93	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011063056	245,674.35	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011063063	646.51	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011065013	60,753.32	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011065050	167,644.37	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011063078	23,004.20	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011086035	125,047.04	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R012580019	156,264.94	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R012580081	103,395.51	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R012580120	85,153.81	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R024390011	8,041.51	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R105210006	(4,027.07)	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R112218068	(4,131.26)	$ 3,531,984.21
Tennessee Technological University	Conservation Research and Development	81.086 / DE-FC36-04GO14228	$ 52,440.45	
University of Tennessee	Conservation Research and Development	81.086 / R011317084	75,150.00	
University of Tennessee	Conservation Research and Development	81.086 / R011318001	71,689.20	
University of Tennessee	Conservation Research and Development	81.086 / R011318003	107,583.92	
University of Tennessee	Conservation Research and Development	81.086 / R011318022	44,005.13	
University of Tennessee	Conservation Research and Development	81.086 / R011373102	109,712.66	460,581.36
University of Tennessee	Office of Environmental Cleanup and Acceleration	81.104 / R011343043		1,338,821.81
University of Memphis	Defense Nuclear Nonproliferation Research	81.113 / DE-FC52-03NA99512		32,720.73
University of Tennessee	University Reactor Infrastructure and Education Support	81.114 / R011382058	$ 61,596.06	
University of Tennessee	University Reactor Infrastructure and Education Support	81.114 / R011382059	(750.00)	60,846.06

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee Technological University	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117 / DE-FG01-02EE65004		2,035.38
Tennessee Technological University	Nuclear Energy Research, Development and Demonstration	81.121 / DE-FG02-89ER40530		36,962.08
Roane State Community College	Miscellaneous Federal Activities	81.502 / DE-FG05-96OR22528		47,958.06
University of Tennessee	DOE-DE-FG07-01ER62718-Sepaniak	N.A. / R011025060		99,377.54
University of Tennessee	DOE-DE FC02-01ER25465-Scidac-Beck	N.A. / R011033037		452,224.76
University of Tennessee	DOE DE-FG02-03ER25584 Dongarra	N.A. / R011033100		64,161.10
University of Tennessee	DOE DE-FG02-03ER25586 Schulze	N.A. / R011053105		50,155.18
University of Tennessee	DOE DE-FG05-91ER40627	N.A. / R011065036		460,554.39
University of Tennessee	DOE DE-AC26-01NT41305-Pinnaduwage	N.A. / R011065048		50,766.76
University of Tennessee	DOE DE-FG02-03ER41258-Greene	N.A. / R011065080		98,741.52
University of Tennessee	DOE DE-FG03-03NA00083 Nazarewicz	N.A. / R011065083		83,062.94
University of Tennessee	DOE DE-FG02-03ER41283 Bugg	N.A. / R011065088		19,061.81
University of Tennessee	DOE DE-AR26-97FT34315 Hamel98	N.A. / R011373032		16,903.11
University of Tennessee	DOE DE-AC26-01NT41309 Hamel	N.A. / R011373096		76,179.04
University of Tennessee	DOE DE-FC26-02NT41609-Hodgson	N.A. / R011373113		299,407.55
University of Tennessee	DOE DE-FG07-00SF22168-Mynatt	N.A. / R011382053		37,341.74
University of Tennessee	DOE DE-FG07-02ID14368-Dodds	N.A. / R011382074		35,659.46
University of Tennessee	DOE - Impact 04 - Murray	N.A. / R011493103		14,596.38
University of Tennessee	DOE DE-FC26-02NT15341-Hatcher	N.A. / R013312002		164,786.76
University of Tennessee	DOE DE-FC36-01GO10618-Moschler	N.A. / R112219009		51,129.66
Subtotal Direct Programs				$ 7,586,019.39
Passed Through Clarkson University				
University of Tennessee	Inventions and Innovations	81.036 / R011334075		$ 150,623.84
Passed Through Argonne National Laboratory				
Middle Tennessee State University	Office of Science Financial Assistance Program	81.049 / 3F-01901		36,266.37
Passed Through Oak Ridge National Laboratory				
Middle Tennessee State University	Office of Science Financial Assistance Program	81.049 / 4000032239	$ 16,708.95	
Middle Tennessee State University	Office of Science Financial Assistance Program	81.049 / DE-AC05-000R22725	17,888.84	34,597.79
Passed Through University of California				
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011060013		10,598.37
Passed Through University of Massachusetts				
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R073237098	$ 29,505.56	
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R073237123	34,643.61	64,149.17
Passed Through Yale University				
University of Tennessee	Office of Science Financial Assistance Program	81.049 / R011317097		28,586.18

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Southern States Energy Board			
University of Tennessee	Fossil Energy Research and Development	81.089 / R012531066	12,949.22
Passed Through Lockheed Martin Energy Research Corporation			
University of Tennessee	Office of Environmental Cleanup and Acceleration	81.104 / R112218031	56,698.52
Passed Through Energy and Environmental Solutions, Limited Liability Company			
Tennessee Technological University	National Industrial Competitiveness through Energy, Environment, and Economics	81.105 / 70100009600	0.19
Passed Through North Carolina State University			
University of Tennessee	University Reactor Infrastructure and Education Support	81.114 / R011382090	22,134.27
Passed Through Ames Laboratory			
University of Tennessee	Ames Laboratory A2-3590 Musfleldt	N.A. / R011025097	13,963.76
Passed Through Barrett Technology, Incorporated			
University of Tennessee	Barrett Tech PO#955463, JOB#NTL001-Hamel	N.A. / R011373145	67,910.59
University of Tennessee	Barrett Tech PO#955442, JOB#NTL002-Hamel	N.A. / R011373146	20,007.25
Passed Through Bechtel Jacobs Company, Limited Liability Company			
University of Tennessee	Bechtel CA021FREL 28 Gross	N.A. / R011086048	3,183.20
University of Tennessee	Bechtel CA021FREL0029 Dolislager	N.A. / R011086059	60,757.00
University of Tennessee	Bechtel CA021FREL0030 Dolislager	N.A. / R011086060	37,843.68
University of Tennessee	Bechtel CA021FREL0033 Dolislager	N.A. / R011086061	8,000.14
University of Tennessee	Bechtel - Welsh	N.A. / R011086072	54,260.31
University of Tennessee	Bechtel - Welsh	N.A. / R011086074	6,968.22
University of Tennessee	Bechtel CA021FREL0036 Dolislager	N.A. / R011086080	32,762.63
University of Tennessee	Bechtel CA021FREL0037 Dolislager	N.A. / R011086081	39,482.60
University of Tennessee	Bechtel CA021FREL0039 Dolislager	N.A. / R011086088	2,454.87
University of Tennessee	Bechtel CA021FREL0041 Dolislager	N.A. / R011086091	7,230.79
University of Tennessee	Bechtel CA021FREL0042 Gross	N.A. / R011086092	12,992.66
University of Tennessee	Bechtel CA021FREL Peterson	N.A. / R011344076	927.85
University of Tennessee	Bechtel Jacobs 23900BACA021F Buchanan	N.A. / R111416047	10,157.14
Passed Through Bioneutrics, Incorporated			
University of Tennessee	Bioneutrics, Inc. - Kabalka	N.A. / R011025041	7,366.45
Passed Through BWXT Y-12, Limited Liability Company			
Tennessee State University	STD-2 Fuzzy Logic Data Analysis-CMM Uncertainty Measurement	N.A. / DE-AC05-00OR22800-2	61,989.99
Tennessee State University	Technical Assistance to Evaluate BWXT Y-12 Mentoring Program	N.A. / DE-AC05-00OR22800-3	4,281.37
Tennessee State University	Manufacturing, Engineering, Science Technology	N.A. / DE-AC05-00OR22800-4	2,349.30
University of Tennessee	BWXT 4300017133 Baker	N.A. / R011373107	26,629.16
University of Tennessee	BWXT 4300017131 Hines	N.A. / R011382071	68,166.50

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	BWXT 4300020173 Pevey	N.A. / R011382083	73,394.00
University of Tennessee	BWXT 32Y-FPG75C Penniman	N.A. / R013515059	70,454.74
University of Tennessee	BWXT-Y12 4300024152 Immune-Legendre	N.A. / R181720103	40,383.48
Passed Through Eastman Chemical Company			
University of Tennessee	Eastman Chemical-Acid-Catalysed-Counce	N.A. / R011322105	166,077.63
Passed Through Fluorescience, Incorporated			
Tennessee Technological University	A Development of On-Line Temperature Measurement Instrumentation	N.A. / DE-FC26-98FT40686	8,780.05
Passed Through Frankie Friend and Associates, Incorporated			
University of Tennessee	Frankie Friend & Assoc, Inc. - Thomas	N.A. / R011086076	9,116.00
Passed Through Honeywell Federal Manufacturing & Technologies, Limited Liability Company			
University of Tennessee	Honeywell FM&T, LLC.-PO#EP3892-Dadmun	N.A. / R011025106	22,612.40
Passed Through Industrial Analytics Corporation			
University of Tennessee	Industrial Analytics-Benson	N.A. / R011318011	83,873.88
Passed Through Lockheed Martin			
University of Tennessee	Lockheed Martin Tech-Fingerprint-Shelton	N.A. / R012615009	93,311.05
University of Tennessee	Lockheed Martin Svcs-FBI CJIS Tech-Bryso	N.A. / R012615011	342,292.72
Passed Through Metcon Industries			
University of Tennessee	METCON PO#2395-RD101 Sheth	N.A. / R024337021	29,311.09
Passed Through Rice University			
University of Tennessee	Rice Univ-Lacsi YR6-Dongarra	N.A. / R011033106	208,705.98
University of Tennessee	Rice R7A737-79200003 - Dongarra	N.A. / R011033107	208,030.74
Passed Through Rochester Institute of Technology			
University of Tennessee	Rochester Institute of Technology - Rack	N.A. / R011318027	618.80
Passed Through Sandia National Laboratories			
Tennessee Technological University	Quantitative Structure/Property Relationship (Qsar) for Binding Affinities	N.A. / 15572	17,362.28
University of Tennessee	Sandia National Lab 161127 Mays	N.A. / R011025102	30,000.00
University of Tennessee	Sandia Ntl Labs PO 180762 Dunning	N.A. / R013315060	53,428.80
Passed Through University of Oklahoma			
University of Tennessee	University of Oklahoma 2003-49 Anovitz	N.A. / R011042109	2,723.90

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through UT-Battelle, Limited Liability Company				
Tennessee Technological University	Aluminide Coatings for Power Generation Applications	N.A. / 4000032193	$ 22,727.04	
Tennessee Technological University	Aluminide Coatings for Power Generation Applications	N.A. / 4000007035	52,096.75	$ 74,823.79
Tennessee Technological University	Stoichiometric Effects in AB2 Laves Phases	N.A. / 4000005119		21,427.02
Tennessee Technological University	A Novel Method for the Deposition of Polymer Coatings on Microcantilevers	N.A. / 4000015646		21,747.00
Tennessee Technological University	Alloying Effects on Alloy Preparation and Microstructural Features in TbFe2	N.A. / 4000021483		35,482.07
University of Tennessee	UT-Battelle	N.A. / B0199BTTL		16,931,951.13
Passed Through Virginia Polytechnic Institute and State University				
East Tennessee State University	Mathematical Foundation of Computer Simulation	N.A. / CR-19490-414748		8,541.00
Subtotal Pass-Through Programs				$ 19,520,738.93
Subtotal Department of Energy				$ 27,106,758.32
Department of Education				
Direct Programs				
University of Memphis	Overseas_Group Projects Abroad	84.021 / P021A020059		$ 42,415.00
University of Tennessee	Bilingual Education-Professional Development	84.195 / R041501044		219,223.45
University of Memphis	Centers for International Business Education	84.220 / P220A020017-03		276,138.66
Southwest Tennessee Community College	Literacy Programs for Prisoners	84.255 / J11103c-005		22,234.97
University of Memphis	Education Research, Development and Dissemination	84.305 / R305G020018		341,756.32
University of Tennessee	Learning Anytime Anywhere Partnerships	84.339 / R015701004	$ 102,730.66	
University of Tennessee	Learning Anytime Anywhere Partnerships	84.339 / R053570017	162,692.97	265,423.63
Subtotal Direct Programs				$ 1,167,192.03
Passed Through American String Teachers Association				
University of Memphis	Fund for the Improvement of Postsecondary Education	84.116 / N.A.		$ 7,712.70
Passed Through University of North Texas				
University of Tennessee	Business and International Education Projects	84.153 / R011740003		3,994.92
Passed Through Memphis City Schools				
University of Memphis	Safe and Drug-Free Schools and Communities_National Programs	84.184 / N.A.		0.01
University of Memphis	Bilingual Education-Professional Development	84.195 / CFDA#84.195B		91,715.76

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Great Cities Universities Foundation			
University of Memphis	Fund for the Improvement of Education	84.215 / UWM-2/FIE	(17,000.00)
Passed Through University of New Orleans			
University of Memphis	Fund for the Improvement of Education	84.215 / R215K000018	106.64
Passed Through University of Maine			
University of Tennessee	National Institute for Literacy	84.257 / R011804084	203,120.30
Passed Through CNA Corporation			
University of Memphis	Regional Technology in Education Consortia	84.302 / 00-UOFM-1-0050	187,849.25
Passed Through World Education			
University of Tennessee	Education Research, Development and Dissemination	84.305 / R011704013	34,292.91
Passed Through University of Utah			
East Tennessee State University	Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities	84.324 / 9912011	4,915.47
Passed Through Virginia Commonwealth University			
East Tennessee State University	Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities	84.324 / 522810/PO P528836	43,461.54
Passed Through University of South Florida			
University of Tennessee	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326 / R011010037	3,258.09
Passed Through Appalachia Educational Laboratory			
University of Memphis	Formative Evaluation of School Reform Programs	N.A. / RJ96006001	1,350.75
Subtotal Pass-Through Programs			$ 564,778.34
Subtotal Department of Education			$ 1,731,970.37
National Archives and Records Administration			
Direct Programs			
University of Tennessee	National Historical Publications and Records Grants	89.003 / R011003082	$ (670.44)
University of Tennessee	National Historical Publications and Records Grants	89.003 / R011003083	(23,190.28)
University of Tennessee	National Historical Publications and Records Grants	89.003 / R011003086	46,208.98

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	National Historical Publications and Records Grants	89.003 / R011003087	75,773.64	$ 98,121.90
Subtotal National Archives and Records Administration				$ 98,121.90
Department of Health and Human Services				
Direct Programs				
Tennessee State University	Food and Drug Administration_ Research	93.103 / FD-U-001950-01	$ (160.00)	
Tennessee State University	Food and Drug Administration_ Research	93.103 / FD-U-001950-02	10,154.44	
Tennessee State University	Food and Drug Administration_ Research	93.103 / FD-U-001950-03	33,567.59	
Tennessee State University	Food and Drug Administration_ Research	93.103 / FD-U-002101-02	14,365.89	
Tennessee State University	Food and Drug Administration_ Research	93.103 / FD-U-002259-01	80,945.88	
Tennessee State University	Food and Drug Administration_ Research	93.103 / FD-U-002259-02	93,336.39	
University of Tennessee	Food and Drug Administration_ Research	93.103 / R073621010	73,998.31	$ 306,208.50
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / R105210071		330,944.93
University of Tennessee	Oral Diseases and Disorders Research	93.121 / R012580058	$ 7,940.48	
University of Tennessee	Oral Diseases and Disorders Research	93.121 / R073445053	457.62	
University of Tennessee	Oral Diseases and Disorders Research	93.121 / R073445054	177,885.47	
University of Tennessee	Oral Diseases and Disorders Research	93.121 / R073475039	23,995.09	210,278.66
East Tennessee State University	Rural Health Research Centers	93.155 / 4R04RH01306		91,976.32
Tennessee State University	Research Related to Deafness and Communication Disorders	93.173 / 1K02 DC00180-01Al	$ 64,607.79	
University of Memphis	Research Related to Deafness and Communication Disorders	93.173 / 1 R01 DC06099-01	129,656.51	
University of Memphis	Research Related to Deafness and Communication Disorders	93.173 / 1 R55 DC06222-01	40,369.57	
University of Memphis	Research Related to Deafness and Communication Disorders	93.173 / 1R01 DC06222-01A1	41,954.75	
University of Memphis	Research Related to Deafness and Communication Disorders	93.173 / 3R01 DC00154-20S1	2.79	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R011010024	(1,164.29)	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R011010030	209,682.38	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003069	351,571.34	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003071	405,366.61	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003075	58,625.37	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003119	277,359.85	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003123	55,863.20	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003140	17,275.00	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003144	8,429.78	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073375056	84,088.32	1,743,688.97
University of Tennessee	Telehealth Network Grants	93.211 / R106903061	$ 93,956.50	
University of Tennessee	Telehealth Network Grants	93.211 / R106903067	158,199.41	252,155.91

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
East Tennessee State University	Research and Training in Complementary and Alternative Medicine	93.213 / 5 R21 AT00501		76,227.45
Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	93.226 / 1 R24 HS11640-01	$ 28.00	
Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	93.226 / 5 R24 HS11640-02	385,649.87	
University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	93.226 / R073017097	276,521.85	
University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	93.226 / R073237096	64,711.67	
University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	93.226 / R073850034	(1,473.35)	725,438.04
Tennessee State University	Mental Health Research Grants	93.242 / 1 R24 MH59748-01	$ (153.16)	
Tennessee State University	Mental Health Research Grants	93.242 / 1 R24 MH59748-03	181,323.62	
University of Tennessee	Mental Health Research Grants	93.242 / R011016011	171.77	
University of Tennessee	Mental Health Research Grants	93.242 / R011018072	63,706.38	
University of Tennessee	Mental Health Research Grants	93.242 / R011018077	97,752.18	
University of Tennessee	Mental Health Research Grants	93.242 / R011069063	33,331.88	
University of Tennessee	Mental Health Research Grants	93.242 / R011210091	413,968.39	
University of Tennessee	Mental Health Research Grants	93.242 / R014030011	154,523.28	
University of Tennessee	Mental Health Research Grants	93.242 / R014030026	760,372.03	
University of Tennessee	Mental Health Research Grants	93.242 / R073003009	768,456.27	
University of Tennessee	Mental Health Research Grants	93.242 / R073003012	1,589,015.84	
University of Tennessee	Mental Health Research Grants	93.242 / R073003118	114,841.30	
University of Tennessee	Mental Health Research Grants	93.242 / R073024062	278,375.90	
University of Tennessee	Mental Health Research Grants	93.242 / R073242078	439,555.71	
University of Tennessee	Mental Health Research Grants	93.242 / R112415095	(1,089.80)	4,894,151.59
University of Tennessee	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243 / R014011082		73,527.74
University of Memphis	Alcohol Research Programs	93.273 / 5 U01 AA013506-02	$ 72,674.54	
University of Memphis	Alcohol Research Programs	93.273 / 5 U01 AA013506-03	32,430.40	
University of Memphis	Alcohol Research Programs	93.273 / 5 U01 AA013509-02	127,207.68	
University of Memphis	Alcohol Research Programs	93.273 / 5 U01 AA013509-03	131,183.32	
University of Memphis	Alcohol Research Programs	93.273 / 5 U01 AA013515-02	340,265.03	
University of Memphis	Alcohol Research Programs	93.273 / 5 U01 AA013515-03	131,840.02	
University of Tennessee	Alcohol Research Programs	93.273 / R012814009	257,276.39	
University of Tennessee	Alcohol Research Programs	93.273 / R073003005	1,527.93	
University of Tennessee	Alcohol Research Programs	93.273 / R073003049	125,372.95	
University of Tennessee	Alcohol Research Programs	93.273 / R073003050	235,356.26	
University of Tennessee	Alcohol Research Programs	93.273 / R073003053	305,562.14	
University of Tennessee	Alcohol Research Programs	93.273 / R073003055	162,390.37	
University of Tennessee	Alcohol Research Programs	93.273 / R073003056	556,798.01	
University of Tennessee	Alcohol Research Programs	93.273 / R073003117	219,214.15	
University of Tennessee	Alcohol Research Programs	93.273 / R073003150	29,000.08	
University of Tennessee	Alcohol Research Programs	93.273 / R073004067	(226.33)	
University of Tennessee	Alcohol Research Programs	93.273 / R073004077	28.21	
University of Tennessee	Alcohol Research Programs	93.273 / R073024063	107,051.59	
University of Tennessee	Alcohol Research Programs	93.273 / R073036089	249,931.25	
University of Tennessee	Alcohol Research Programs	93.273 / R073632015	11,928.52	3,096,812.51
East Tennessee State University	Drug Abuse Research Programs	93.279 / 1 R13 DA018142	$ 2,227.71	
University of Memphis	Drug Abuse Research Programs	93.279 / 1 R01 DA12532-04	12,634.07	
University of Memphis	Drug Abuse Research Programs	93.279 / 1 R01 DA13574-01-A2	1,781.52	
University of Memphis	Drug Abuse Research Programs	93.279 / 5 R01 DA15765-02	233,496.89	
University of Tennessee	Drug Abuse Research Programs	93.279 / R012814030	599,144.11	
University of Tennessee	Drug Abuse Research Programs	93.279 / R073024027	281,057.79	
University of Tennessee	Drug Abuse Research Programs	93.279 / R073024035	133,429.50	
University of Tennessee	Drug Abuse Research Programs	93.279 / R073024042	125.76	
University of Tennessee	Drug Abuse Research Programs	93.279 / R073024094	241,472.32	
University of Tennessee	Drug Abuse Research Programs	93.279 / R073024120	187,167.78	
University of Tennessee	Drug Abuse Research Programs	93.279 / R073024130	316,829.41	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Drug Abuse Research Programs	93.279 / R073281033	(238.66)	2,009,128.20
University of Tennessee	Mental Health Research Career/ Scientist Development Awards	93.281 / R014030028	$ 16,803.12	
University of Tennessee	Mental Health Research Career/ Scientist Development Awards	93.281 / R073003009	2,155,652.80	
University of Tennessee	Mental Health Research Career/ Scientist Development Awards	93.281 / R073004083	46,974.82	
University of Tennessee	Mental Health Research Career/ Scientist Development Awards	93.281 / R073024061	125,542.22	
University of Tennessee	Mental Health Research Career/ Scientist Development Awards	93.281 / R073024064	166,724.58	2,511,697.54
East Tennessee State University	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / R06/CCR421566		460,047.84
University of Tennessee	Discovery and Applied Research	93.286 / R073922013	$ 241,597.62	
University of Tennessee	Discovery and Applied Research	93.286 / R105210064	1,024,994.42	1,266,592.04
University of Tennessee	Clinical Research	93.333 / R073202060	$ 119,092.71	
University of Tennessee	Clinical Research	93.333 / R073223034	99,454.75	
University of Tennessee	Clinical Research	93.333 / R073252080	687,774.74	
University of Tennessee	Clinical Research	93.333 / R073371048	148,594.75	
University of Tennessee	Clinical Research	93.333 / R073445064	56,749.15	1,111,666.10
East Tennessee State University	Nursing Research	93.361 / 1 R15 NR05249	$ (178.64)	
University of Tennessee	Nursing Research	93.361 / R013011003	204,981.12	
University of Tennessee	Nursing Research	93.361 / R013011007	253,561.45	
University of Tennessee	Nursing Research	93.361 / R013011012	70,779.97	
University of Tennessee	Nursing Research	93.361 / R073850022	(4,390.20)	
University of Tennessee	Nursing Research	93.361 / R073850023	395,257.96	920,011.66
Tennessee State University	National Center for Research Resources	93.389 / 3 P20 RR11808-05	$ (123,469.07)	
Tennessee State University	National Center for Research Resources	93.389 / 5 P20 RR11808-05	(5,391.14)	
University of Tennessee	National Center for Research Resources	93.389 / R011018090	218,145.80	
University of Tennessee	National Center for Research Resources	93.389 / R073316081	246,591.39	
University of Tennessee	National Center for Research Resources	93.389 / R181741012	100,832.79	
University of Tennessee	National Center for Research Resources	93.389 / R073260033	1,467,065.70	
University of Tennessee	National Center for Research Resources	93.389 / R073018080	87,112.39	
University of Tennessee	National Center for Research Resources	93.389 / R073303027	105,524.95	2,096,412.81
East Tennessee State University	Academic Research Enhancement Award	93.390 / 1 R15 EY014559	$ 45,034.41	
East Tennessee State University	Academic Research Enhancement Award	93.390 / 2 R15 GM57779	76,061.91	
University of Memphis	Academic Research Enhancement Award	93.390 / 1 R15 AG16594-01	2,353.00	
University of Memphis	Academic Research Enhancement Award	93.390 / 1 R15 HL/OD56369-01	115.59	123,564.91
East Tennessee State University	Cancer Cause and Prevention Research	93.393 / 5 R01 CA086927	$ 285,045.19	
University of Memphis	Cancer Cause and Prevention Research	93.393 / 1 R21 CA091987-01A2	58,468.92	
University of Memphis	Cancer Cause and Prevention Research	93.393 / 1 R03 CA93143-01A1	(1,800.86)	
University of Tennessee	Cancer Cause and Prevention Research	93.393 / R073921066	17,669.92	
University of Tennessee	Cancer Cause and Prevention Research	93.393 / R181730081	35,625.96	
University of Tennessee	Cancer Cause and Prevention Research	93.393 / R181741007	(916.01)	
University of Tennessee	Cancer Cause and Prevention Research	93.393 / R181741015	365,283.55	759,376.67

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Cancer Detection and Diagnosis Research	93.394 / R073245026		24,977.53
University of Tennessee	Cancer Treatment Research	93.395 / R011025051	$ 236,481.72	
University of Tennessee	Cancer Treatment Research	93.395 / R073024151	54,777.53	
University of Tennessee	Cancer Treatment Research	93.395 / R073037010	256,290.79	
University of Tennessee	Cancer Treatment Research	93.395 / R073256047	100,669.86	
University of Tennessee	Cancer Treatment Research	93.395 / R073621117	86,434.68	
University of Tennessee	Cancer Treatment Research	93.395 / R073621138	38.12	
University of Tennessee	Cancer Treatment Research	93.395 / R105210034	108,826.76	
University of Tennessee	Cancer Treatment Research	93.395 / R105210059	430,383.18	
University of Tennessee	Cancer Treatment Research	93.395 / R105210073	1,065,743.06	
University of Tennessee	Cancer Treatment Research	93.395 / R105210074	145,872.04	2,485,517.74
University of Tennessee	Cancer Biology Research	93.396 / R011018086	$ 134,325.78	
University of Tennessee	Cancer Biology Research	93.396 / R073024072	268,686.28	
University of Tennessee	Cancer Biology Research	93.396 / R073298098	364,078.42	
University of Tennessee	Cancer Biology Research	93.396 / R073380027	47,946.02	815,036.50
University of Tennessee	Cancer Centers Support Grants	93.397 / R073018024	$ 67,103.01	
University of Tennessee	Cancer Centers Support Grants	93.397 / R073955032	(4.78)	67,098.23
University of Tennessee	Cancer Control	93.399 / R073237024	$ 213,768.96	
University of Tennessee	Cancer Control	93.399 / R073281042	51,684.06	
University of Tennessee	Cancer Control	93.399 / R073621123	67,186.19	
University of Tennessee	Cancer Control	93.399 / R181741021	279,526.18	
University of Tennessee	Cancer Control	93.399 / R181741022	333,297.62	
University of Tennessee	Cancer Control	93.399 / R181741030	108,627.79	1,054,090.80
University of Tennessee	Early Learning Fund	93.577 / R024317021		76,727.92
University of Tennessee	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632 / R073977043		363,948.55
Tennessee State University	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779 / 20-P-91751/4-01	$ 109,936.81	
Tennessee State University	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779 / 20-P-91879/4-01	54,132.78	164,069.59
East Tennessee State University	Heart and Vascular Diseases Research	93.837 / 1 R01 HL071837	$ 190,559.27	
East Tennessee State University	Heart and Vascular Diseases Research	93.837 / 5 R01 HL051314	54,114.12	
East Tennessee State University	Heart and Vascular Diseases Research	93.837 / 5 R01 HL054633	217,820.31	
East Tennessee State University	Heart and Vascular Diseases Research	93.837 / 5 R01 HL071233	320,350.73	
East Tennessee State University	Heart and Vascular Diseases Research	93.837 / 5 R01 HL071519	273,949.91	
East Tennessee State University	Heart and Vascular Diseases Research	93.837 / 5 R01 HL63070	3,850.77	
East Tennessee State University	Heart and Vascular Diseases Research	93.837 / 5 R21 HL072138	136,239.56	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 1 R01 HL64050	877.30	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 1 R01 HL68569-01A2	137,360.76	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 2 U01 HL062662-05	19,748.90	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 3 R01 HL50723-12S1	3,599.40	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 5 R01 HL50723-12	288,579.11	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 5 R01 HL63216-03	170,747.09	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 5 R18 HL56626-04	40,625.97	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 5 R01 HL64050-03	42,003.75	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 5 U01 HL62662-06	1,109,895.35	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073018007	3,604.81	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073018065	405,389.77	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073024026	553,460.24	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073024028	963.83	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073024033	(801.92)	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073024065	232,531.09	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073024140	201,341.39	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073024154	20,316.66	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073036013	360,811.75	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073036027	239,017.81	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073036029	335,665.14	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073036033	492,373.90	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073036046	182.20	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073036078	386,275.43	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073036085	242,641.21	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073037033	289,203.21	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073037034	344,969.70	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073037064	198,801.19	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073037089	44,437.36	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073222039	(71.28)	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073223181	351,541.38	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073237079	603,814.61	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073237085	953,678.83	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073252025	160,149.46	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073311034	431,969.66	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073311037	303,296.25	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073621063	143,944.08	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073621107	111,752.70	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R079008078	55,943.16	10,477,525.92
University of Tennessee	Lung Diseases Research	93.838 / R011086057	$ 18,092.68	
University of Tennessee	Lung Diseases Research	93.838 / R073036052	132,687.60	
University of Tennessee	Lung Diseases Research	93.838 / R073222044	(124.43)	
University of Tennessee	Lung Diseases Research	93.838 / R073341006	135,457.92	286,113.77
University of Tennessee	Blood Diseases and Resources Research	93.839 / R011018055	$ (4,669.46)	
University of Tennessee	Blood Diseases and Resources Research	93.839 / R011018089	300,804.13	
University of Tennessee	Blood Diseases and Resources Research	93.839 / R073036004	113,183.52	
University of Tennessee	Blood Diseases and Resources Research	93.839 / R073297009	4,024.36	
University of Tennessee	Blood Diseases and Resources Research	93.839 / R073297017	46,411.34	459,753.89
University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / 1 R29 AR44809-01	$ (7,233.57)	
University of Memphis	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / 3 R29 AR44809-04-S1	5,649.76	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073013081	(1,679.45)	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073220097	117,141.53	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073223032	9,741.70	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073290096	48,609.53	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073297010	258,705.08	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332022	1,025,521.24	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332034	3,928.13	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332045	2,077.73	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332047	88,864.40	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332050	534,359.29	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332066	837,814.87	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332068	514,231.33	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332069	100,311.09	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332081	28,060.47	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073332090	165,295.28	
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073922028	52,766.88	3,784,165.29
East Tennessee State University	Diabetes, Endocrinology and Metabolism Research	93.847 / 5 R01 DK058071	$ 205,856.84	
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847 / R073024133	178,455.96	
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847 / R073037019	287,792.80	
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847 / R073037046	219,637.29	
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847 / R073252056	242,760.84	
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847 / R073316053	368,949.50	
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847 / R073316089	178,468.80	
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847 / R073321009	207,189.65	
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847 / R073332048	30,132.98	1,919,244.66
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073018091	$ 92,160.66	
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073035092	347,631.30	
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073036034	373,101.01	
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073036087	115,687.34	
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073037088	46,542.21	
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073316066	1,554,005.14	2,529,127.66
University of Tennessee	Kidney Diseases, Urology and Hematology Research	93.849 / R073256042	$ 11,565.58	
University of Tennessee	Kidney Diseases, Urology and Hematology Research	93.849 / R073316057	355,171.21	
University of Tennessee	Kidney Diseases, Urology and Hematology Research	93.849 / R073380026	33,766.85	
University of Tennessee	Kidney Diseases, Urology and Hematology Research	93.849 / R073621125	168,066.20	568,569.84
East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / 1 R15 NS39272	$ 9,079.39	
East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / 1 R15 NS40265	4,797.67	
East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / 2 R37 NS018710	85,774.96	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / 5 R01 NS39646	34,116.36
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073003026	451,877.23
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073003028	15,111.82
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073003048	101,520.18
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073003054	179,784.30
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073003099	300,759.10
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073003112	93,329.90
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073003120	84,242.29
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073004012	169,532.84
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073004013	3,328.45
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073004028	271,035.73
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073004030	242,635.13
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073004065	28,404.55
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073004080	241,934.72
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073004082	(38.34)
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073009095	312,628.23
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073014003	(1,019.60)
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073036015	212,250.28
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073036080	310,343.12
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073037087	33,864.32
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073279042	397.52

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073279047	15,550.58	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073279070	298,456.57	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073281040	198,158.24	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R105210070	321,770.52	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R181741011	287,008.38	4,306,634.44
East Tennessee State University	Allergy, Immunology and Transplantation Research	93.855 / 1 R15 AI45549	$ 45,188.44	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / R073018027	210,256.74	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / R073018075	65,910.63	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / R073223219	15,495.02	336,850.83
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 1 R21 AI059563	$ 18,143.77	
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 1 R21 AI45829	26,236.77	
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 1 R29 AI40915	33,899.35	
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 2 R01 AI040915	2,270.30	
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 2 R21 AI040915	152,318.80	
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 5 K22 AI053645	114,620.91	
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 5 R01 AI013446	315,590.09	
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 5 R21 AI055267	140,849.23	
Middle Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 1 R15 AI051350-01A1	19,523.55	
University of Memphis	Microbiology and Infectious Diseases Research	93.856 / 1 R01 AI56995-02	56,396.37	
University of Memphis	Microbiology and Infectious Diseases Research	93.856 / 1 R15 AI45984-01	(3,148.10)	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R011015084	266,246.55	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R011018056	130.56	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073004050	164,534.19	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073017098	112,104.57	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073018008	237,726.91	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073018066	141,406.04	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073018067	229,123.05	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073018071	127,759.17	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073202072	971.50	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073321031	863,919.66	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073371033	507,424.07	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073621068	327.29	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073621105	259,227.19	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073621115	64,534.95	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R181736082	258,886.64	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R181736083	393,300.26	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R181736085	249,310.06	4,753,633.70
East Tennessee State University	Biomedical Research and Research Training	93.859 / 5 R01 GM053522	$ 251,199.73	
East Tennessee State University	Biomedical Research and Research Training	93.859 / 5 R01 GM062121	129,673.63	
East Tennessee State University	Biomedical Research and Research Training	93.859 / 5 R01 GM59578	6,399.96	
Southwest Tennessee Community College	Biomedical Research and Research Training	93.859 / 6 R25 GM060180-02	107,523.28	
Tennessee State University	Biomedical Research and Research Training	93.859 / 1 P20 MD00261-01	588,203.17	
Tennessee State University	Biomedical Research and Research Training	93.859 / 2 S06 GM008092-28	362,677.98	
Tennessee State University	Biomedical Research and Research Training	93.859 / 5 P20 MD00261-02	292,123.70	
Tennessee State University	Biomedical Research and Research Training	93.859 / 5 S06 GM008092-29	116,869.78	
Tennessee State University	Biomedical Research and Research Training	93.859 / 5 S06 GM08092-27	6,469.72	
University of Tennessee	Biomedical Research and Research Training	93.859 / R011015075	148.69	
University of Tennessee	Biomedical Research and Research Training	93.859 / R011015095	342,619.57	
University of Tennessee	Biomedical Research and Research Training	93.859 / R011024109	228,628.26	
University of Tennessee	Biomedical Research and Research Training	93.859 / R012814012	229,082.91	
University of Tennessee	Biomedical Research and Research Training	93.859 / R073013091	261,439.07	
University of Tennessee	Biomedical Research and Research Training	93.859 / R073036081	170,875.81	
University of Tennessee	Biomedical Research and Research Training	93.859 / R011015071	(305.72)	
University of Tennessee	Biomedical Research and Research Training	93.859 / R011018061	111,236.15	
University of Tennessee	Biomedical Research and Research Training	93.859 / R011018073	261,871.77	
University of Tennessee	Biomedical Research and Research Training	93.859 / R011080023	116,170.36	
University of Tennessee	Biomedical Research and Research Training	93.859 / R011083089	76.35	
University of Tennessee	Biomedical Research and Research Training	93.859 / R073014008	33,136.58	3,616,120.75

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
East Tennessee State University	Child Health and Human Development Extramural Research	93.865 / 1 R15 HD043865	$ 75,005.62	
Tennessee State University	Child Health and Human Development Extramural Research	93.865 / 2 G11 HD034044-07	7,447.79	
Tennessee State University	Child Health and Human Development Extramural Research	93.865 / 8 G11 HD34944-03	4,869.33	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R011069059	97,163.93	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073003037	190,525.74	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073004060	(841.47)	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073037042	73,366.73	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073221001	(93,601.01)	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073221087	170,686.79	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073222054	301,778.27	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073223129	616,584.47	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073227088	55,995.60	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073237023	(2,065.98)	
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073265082	188,558.79	1,685,474.60
University of Memphis	Aging Research	93.866 / 1 R01 AG14738-01A2	$ 235,795.22	
University of Tennessee	Aging Research	93.866 / R011016016	48,969.64	
University of Tennessee	Aging Research	93.866 / R011025000	54,830.43	
University of Tennessee	Aging Research	93.866 / R012813096	10,515.37	
University of Tennessee	Aging Research	93.866 / R073004097	95,147.40	
University of Tennessee	Aging Research	93.866 / R073236076	237,843.55	
University of Tennessee	Aging Research	93.866 / R073237060	188,918.14	
University of Tennessee	Aging Research	93.866 / R105210049	245,482.12	
University of Tennessee	Aging Research	93.866 / R105210050	367,779.71	
University of Tennessee	Aging Research	93.866 / R105210051	135,237.44	1,620,519.02
University of Tennessee	Vision Research	93.867 / R073003010	$ 267,936.08	
University of Tennessee	Vision Research	93.867 / R073004074	77,312.12	
University of Tennessee	Vision Research	93.867 / R073004081	161,073.45	
University of Tennessee	Vision Research	93.867 / R073013083	153,942.70	
University of Tennessee	Vision Research	93.867 / R073036062	92,747.03	
University of Tennessee	Vision Research	93.867 / R073279063	187,639.69	
University of Tennessee	Vision Research	93.867 / R073285054	176.34	
University of Tennessee	Vision Research	93.867 / R073285079	237,761.21	
University of Tennessee	Vision Research	93.867 / R073285085	1,321.84	
University of Tennessee	Vision Research	93.867 / R073285096	110,595.33	
University of Tennessee	Vision Research	93.867 / R181736078	(2,145.60)	
University of Tennessee	Vision Research	93.867 / R181736089	374,594.30	1,662,954.49
University of Tennessee	Health Care and Other Facilities	93.887 / R041303004		102,526.75
East Tennessee State University	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919 / H57/CCH420134		203,399.14
University of Memphis	International Research and Research Training	93.989 / 5 R01 TW005962-03	$ 386,131.61	
University of Memphis	International Research and Research Training	93.989 / 5 R21 TW006545-02	77,999.27	464,130.88
University of Tennessee	National Health Promotion	93.990 / R073236031	$ 1,168,516.11	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	National Health Promotion	93.990 / R073236061	417,772.45	1,586,288.56
University of Tennessee	Bioterrorism Training and Curriculum Development Program	93.996 / R073204015		648,172.73
Tennessee State University	NCI Contract Proposal Writing Workshop	N.A. / 263-MQ-308842-1		10,338.89
University of Tennessee	DHHS-CDC-R49CCR419777-GL Fox	N.A. / R011210099		125,316.55
University of Tennessee	Ntl Lib Med N01-LM-0-3503	N.A. / R011344031		200,005.48
University of Tennessee	DHHS PO36921 Wasserman	N.A. / R011373083		0.14
Subtotal Direct Programs				$ 69,458,243.23
Passed Through Meharry Medical College				
Middle Tennessee State University	Cooperative Agreements to Improve the Health Status of Minority Populations	93.004 / 990728STS114S2-03	$ 59.78	
Middle Tennessee State University	Cooperative Agreements to Improve the Health Status of Minority Populations	93.004 / 0309189T514051-01	7,811.56	$ 7,871.34
Tennessee State University	Research on Healthcare Costs, Quality and Outcomes	93.226 / 1 U18 HS11131-03		147,578.10
Tennessee State University	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / 020517RSL090S2-02		13,890.78
Passed Through University of Connecticut				
East Tennessee State University	Biological Response to Environmental Health Hazards	93.113 / ES09127		73,075.94
Passed Through Radiation Monitoring Devices, Incorporated				
University of Tennessee	Applied Toxicological Research and Testing	93.114 / R073018088		3,221.02
Passed Through State University of New York				
University of Tennessee	Applied Toxicological Research and Testing	93.114 / R011015093		79,864.17
Passed Through Kirkwood Community College				
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / R012531041	$ (428.80)	
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / R012531125	27,704.69	
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / R012531127	2,727.28	
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / R012539118	11,947.17	
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / R012539119	23,621.34	65,571.68
Passed Through Father Flanigan's Boys' Home				
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073285087	$ (1,438.66)	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073286019	41,816.56	40,377.90

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Thinking Publications				
East Tennessee State University	Research Related to Deafness and Communication Disorders	93.173 / 2 R44 DC004743		46,524.19
Passed Through University of Maryland				
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003089	$ (1,491.35)	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003103	115,361.05	
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / R073003126	114,196.00	228,065.70
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073003125		130,324.83
Passed Through University of Utah				
University of Memphis	Research Related to Deafness and Communication Disorders	93.173 / 99-N-09/9805093-01		6,471.77
Passed Through Northwestern University				
University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	93.226 / R070106004		(2,065.92)
University of Tennessee	Mental Health Research Grants	93.242 / R073003082	$ (28,697.77)	
University of Tennessee	Mental Health Research Grants	93.242 / R073003104	823,586.40	
University of Tennessee	Mental Health Research Grants	93.242 / R073003141	282,525.90	1,077,414.53
University of Tennessee	Cancer Control	93.399 / R070106021	$ 8,674.58	
University of Tennessee	Cancer Control	93.399 / R070106023	2,267.98	10,942.56
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073003136		96,366.88
Passed Through University of California				
University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	93.226 / R073228054		7,256.03
Passed Through University of Texas				
University of Tennessee	Research on Healthcare Costs, Quality and Outcomes	93.226 / R070106012		51,527.82
University of Tennessee	Cancer Treatment Research	93.395 / R073621089		4,162.20
University of Tennessee	Aging Research	93.866 / R073371053		37,548.54
Passed Through University of Alabama				
University of Tennessee	Consolidated Knowledge Development and Application (KD&A) Program	93.230 / R014011081		3,069.57
University of Memphis	Cancer Cause and Prevention Research	93.393 / 5 R03 CA93143-03		5,913.32
Passed Through University of Illinois at Chicago				
University of Tennessee	Mental Health Research Grants	93.242 / R014030025		32,866.72
Passed Through University of Kentucky				
University of Tennessee	Mental Health Research Grants	93.242 / R011084025		188,029.88

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Drug Abuse Research Programs	93.279 / R011084014		17,629.85
University of Tennessee	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / R012580133		7,795.19
Passed Through University of Massachusetts				
University of Tennessee	Alcohol Research Programs	93.273 / R073024079	$ (0.01)	
University of Tennessee	Alcohol Research Programs	93.273 / R073024129	7,022.61	7,022.60
Passed Through Wake Forest University				
University of Memphis	Alcohol Research Programs	93.273 / WFUHS 13154		12,278.23
University of Tennessee	Aging Research	93.866 / R073237088	$ 123.97	
University of Tennessee	Aging Research	93.866 / R073237097	3,935.96	4,059.93
Passed Through Cornell University				
University of Tennessee	Drug Abuse Research Programs	93.279 / R073281025		(4,973.82)
Passed Through James R. Johnson & Associates				
University of Tennessee	Drug Abuse Research Programs	93.279 / R073621112		(832.12)
Passed Through University of Washington				
University of Memphis	Drug Abuse Research Programs	93.279 / 784780		8,433.96
Passed Through Memphis and Shelby County Health Department				
University of Memphis	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / CA042895	$ 26,824.47	
University of Memphis	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / GG-03-09688-00	3,999.85	30,824.32
Passed Through University of North Carolina				
University of Tennessee	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / R073366100	$ 14,115.24	
University of Tennessee	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / R073366105	38,678.43	52,793.67
University of Memphis	Heart and Vascular Diseases Research	93.837 / 5-51909	$ 320.24	
University of Memphis	Heart and Vascular Diseases Research	93.837 / 5-52292	23,580.74	23,900.98
Passed Through University of Missouri				
University of Tennessee	National Center for Research Resources	93.389 / R011018063		6,511.91
Passed Through Albert Einstein College of Medicine				
University of Tennessee	Cancer Cause and Prevention Research	93.393 / R073237103		20,750.48
Passed Through GTX, Incorporated				
University of Tennessee	Cancer Treatment Research	93.395 / R073265089		2,388.11

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through National Childhood Cancer Foundation				
East Tennessee State University	Cancer Treatment Research	93.395 / U10CA98543-01		2,008.54
Passed Through Pediatric Oncology Group / Northwestern University				
East Tennessee State University	Cancer Treatment Research	93.395 / 0600-370-C347-ETSU		2,090.89
Passed Through St. Jude Children's Research Hospital				
University of Tennessee	Cancer Treatment Research	93.395 / R073621124	$ 53,821.97	
University of Tennessee	Cancer Treatment Research	93.395 / R073621136	16,662.16	70,484.13
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073228037	$ (3.00)	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073228057	101,279.15	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073228066	6,732.80	108,008.95
Passed Through University of South Florida				
East Tennessee State University	Cancer Treatment Research	93.395 / 6302-069-L0-K		175.00
Passed Through CTRC Research Foundation				
East Tennessee State University	Cancer Control	93.399 / CA37429		16,276.45
Passed Through Johns Hopkins University				
University of Memphis	Cancer Control	93.399 / R01CA039416		41,340.20
University of Memphis	Microbiology and Infectious Diseases Research	93.856 / 8105-49574-4		54,862.74
Passed Through CAS Medical Systems, Incorporated				
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073223230		4,671.18
Passed Through University of Cincinnati				
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073018068	$ 1,410.92	
University of Tennessee	Heart and Vascular Diseases Research	93.837 / R073018083	15,543.31	16,954.23
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073237033	$ (0.29)	
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073237069	(67.22)	
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073237104	22,711.46	22,643.95
Passed Through University of Michigan				
University of Tennessee	Lung Diseases Research	93.838 / R073341008		367,936.57
University of Tennessee	Aging Research	93.866 / R073003020		4,381.40
Passed Through Blood Center of Southeastern Wisconsin, Incorporated				
University of Tennessee	Blood Diseases and Resources Research	93.839 / R073297014		45,475.48

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Spire Corporation				
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / R073922032		4,862.12
Passed Through Ohio State University				
University of Tennessee	Diabetes, Endocrinology and Metabolism Research	93.847 / R073621104		12,595.03
Passed Through University of Mississippi				
University of Tennessee	Digestive Diseases and Nutrition Research	93.848 / R073621053		(1,464.16)
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073632023	$ (1,489.56)	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073650004	23,726.42	
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R073650013	2,659.75	24,896.61
Passed Through University of Alabama at Birmingham				
University of Tennessee	Kidney Diseases, Urology and Hematology Research	93.849 / R073223165	$ 42,873.48	
University of Tennessee	Kidney Diseases, Urology and Hematology Research	93.849 / R073223220	30,351.36	73,224.84
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R073228064		11,082.65
Passed Through Vanderbilt University				
University of Tennessee	Kidney Diseases, Urology and Hematology Research	93.849 / R011018070		10,149.62
University of Tennessee	Vanderbilt Univ CVU06491-S1 Alexiades	N.A. / R011054089		42,409.32
Passed Through Neuroscience Toolworks, Incorporated				
East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / N44-NS-2-2334		674.50
Passed Through University of Minnesota				
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / R073237110		16,422.02
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / R011015087		16,680.66
Passed Through New York University				
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / R073223106		21,923.62
Passed Through Drexel University				
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 7 P01 AI037829-09		175,519.06

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Pennsylvania State University			
East Tennessee State University	Microbiology and Infectious Diseases Research	93.856 / 5 P01 AI37829-08	13,669.90
Passed Through The Jackson Laboratory			
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / R011018081	27,710.78
Passed Through Christ Community Health Services, Incorporated			
University of Memphis	Medical Library Assistance	93.879 / G07 LM07793-01	8,235.50
Passed Through Colorado State University			
University of Tennessee	Agricultural Health and Safety Programs	93.956 / R111416044	74,180.59
Subtotal Pass-Through Programs			$ 3,834,535.21
Subtotal Department of Health and Human Services			$ 73,292,778.44
Department of Homeland Security			
Direct Programs			
University of Memphis	National Fire Academy Educational Program	97.019 / EME-2002-CA-0237	$ 15,999.32
Subtotal Department of Homeland Security			$ 15,999.32
United States Agency for International Development			
Passed Through United Negro College Fund			
Tennessee State University	United Negro College Fund-Amazonas Project	N.A. / IDP-2000-G-2003	$ 3,799.19
Subtotal United States Agency for International Development			$ 3,799.19
Other Federal Assistance			
Tennessee Valley Authority			
Direct Programs			
Tennessee Technological University	Collect and Analyze Water Quality from the Emory River Watershed	N.A. / 00023309	$ 961.16
Tennessee Technological University	Flexible AC Current Probe	N.A. / 00023309	41,954.02
Tennessee Technological University	Graduate Student Support in Electrical and Computer Engineering	N.A. / 00023309, Release No. 3	15,358.00
University of Tennessee	TVA-Release No. 59 - Ahlman	N.A. / R011005062	64.84
University of Tennessee	TVA-Release No. 52 - Driskell	N.A. / R011005096	2,987.84
University of Tennessee	TVA-Release No. 53 - Ahlman	N.A. / R011005097	9,803.78
University of Tennessee	TVA-Release No. 57 - Ahlman	N.A. / R011005098	4,363.19
University of Tennessee	TVA Release # 33 - Sullivan	N.A. / R011006054	4,593.21
University of Tennessee	TVA Release No. 39 - Driskell	N.A. / R011007076	3,038.67
University of Tennessee	TVA TV-80103V ACD Enrch-Harden	N.A. / R011038036	32,150.25
University of Tennessee	TVA Release No. 38 - Boake	N.A. / R011086070	44,581.47
University of Tennessee	TVA-Release No. 49 - Bienkowski	N.A. / R011322113	17,718.14

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	TVA Release No. 29-Townsend	N.A. / R011382067	4,706.47
University of Tennessee	TVA Release # 34 - Miller	N.A. / R011382076	52,270.43
University of Tennessee	TVA-Release No. 54 - Hines	N.A. / R011382088	27,273.32
University of Tennessee	TVA-Release No. 50 - Miller	N.A. / R011382091	29,612.47
University of Tennessee	TVA 99R2A-242850-Ladd 2000	N.A. / R011436012	24,441.07
University of Tennessee	TVA-Release No. 58 - Webster	N.A. / R012531128	4,114.89
University of Tennessee	TVA 99998950 Rel # 22 Bell	N.A. / R012540091	10,000.00
University of Tennessee	TVA Release # 35 - Townsend	N.A. / R012540102	28,283.88
University of Tennessee	TVA Release No. 37 - Bell	N.A. / R012540109	120,316.73
University of Tennessee	TVA-Release No. 41 - Schexnayder	N.A. / R012540113	5,074.52
University of Tennessee	TVA-Release No. 42 - Bell	N.A. / R012540117	41,053.87
University of Tennessee	TVA-Release No. 43 - Schexnayder	N.A. / R012540119	5,263.20
University of Tennessee	TVA-Release No. 44 - Schexnayder	N.A. / R012540120	5,074.50
University of Tennessee	TVA-Release No. 46 - 99998950 - Bell	N.A. / R012540124	12,242.89
University of Tennessee	TVA-Release No.47 - Bell	N.A. / R012540127	8,501.01
University of Tennessee	TVA-Release No.51 - Geibig	N.A. / R012540129	16,304.44
University of Tennessee	TVA 2ND CRK Task Force Gngwr	N.A. / R012550085	963.16
University of Tennessee	TVA Release # 26-Gangaware	N.A. / R012550096	6,192.10
University of Tennessee	TVA TV-96737V Wtr Ctr-Burhenn	N.A. / R041001014	467.20
University of Tennessee	TVA-Waste Water Mgt-Mote	N.A. / R110115033	17,690.10
University of Tennessee	TVA-Revision 1 Wastewater Mgt-Buchanan	N.A. / R111416039	48,680.25
University of Tennessee	TVA Release 48 Royal Blue Wldlfe - Muller	N.A. / R112219122	7,064.30
Subtotal Tennessee Valley Authority			$ 653,165.37
Subtotal Other Federal Assistance			$ 653,165.37
Total Research and Development Cluster			$ 160,299,592.72

Student Financial Assistance Cluster

Department of Education

Direct Programs

Austin Peay State University	Federal Supplemental Educational Opportunity Grants	84.007	$ 272,227.20
Chattanooga State Technical Community College	Federal Supplemental Educational Opportunity Grants	84.007	202,833.75
Cleveland State Community College	Federal Supplemental Educational Opportunity Grants	84.007	40,031.00
Columbia State Community College	Federal Supplemental Educational Opportunity Grants	84.007	132,254.00
Dyersburg State Community College	Federal Supplemental Educational Opportunity Grants	84.007	70,629.50
East Tennessee State University	Federal Supplemental Educational Opportunity Grants	84.007	656,347.00
Jackson State Community College	Federal Supplemental Educational Opportunity Grants	84.007	133,647.00
Middle Tennessee State University	Federal Supplemental Educational Opportunity Grants	84.007	546,227.00
Motlow State Community College	Federal Supplemental Educational Opportunity Grants	84.007	104,055.81
Nashville State Technical Community College	Federal Supplemental Educational Opportunity Grants	84.007	139,436.65
Northeast State Technical Community College	Federal Supplemental Educational Opportunity Grants	84.007	119,468.00
Pellissippi State Technical Community College	Federal Supplemental Educational Opportunity Grants	84.007	257,321.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Roane State Community College	Federal Supplemental Educational Opportunity Grants	84.007	113,471.00	
Southwest Tennessee Community College	Federal Supplemental Educational Opportunity Grants	84.007	380,244.20	
Tennessee State University	Federal Supplemental Educational Opportunity Grants	84.007	1,208,532.00	
Tennessee Technological University	Federal Supplemental Educational Opportunity Grants	84.007	278,173.00	
University of Memphis	Federal Supplemental Educational Opportunity Grants	84.007	601,414.19	
University of Tennessee	Federal Supplemental Educational Opportunity Grants	84.007	1,605,598.20	
Volunteer State Community College	Federal Supplemental Educational Opportunity Grants	84.007	136,017.00	
Walters State Community College	Federal Supplemental Educational Opportunity Grants	84.007	146,443.00	$ 7,144,370.50
Austin Peay State University	Federal Family Education Loans	84.032	$ 24,234,941.31	
Chattanooga State Technical Community College	Federal Family Education Loans	84.032	6,170,313.64	
Cleveland State Community College	Federal Family Education Loans	84.032	1,112,055.00	
Dyersburg State Community College	Federal Family Education Loans	84.032	1,219,489.35	
East Tennessee State University	Federal Family Education Loans	84.032	35,507,656.96	
Middle Tennessee State University	Federal Family Education Loans	84.032	46,314,240.70	
Northeast State Technical Community College	Federal Family Education Loans	84.032	2,159,837.73	
Pellissippi State Technical Community College	Federal Family Education Loans	84.032	3,273,846.00	
Roane State Community College	Federal Family Education Loans	84.032	2,429,474.40	
Tennessee Technological University	Federal Family Education Loans	84.032	985,336.00	
University of Tennessee	Federal Family Education Loans	84.032	143,892,189.93	
Volunteer State Community College	Federal Family Education Loans	84.032	3,265,187.00	
Walters State Community College	Federal Family Education Loans	84.032	2,111,316.00	272,675,884.02
Austin Peay State University	Federal Work-Study Program	84.033	$ 325,472.22	
Chattanooga State Technical Community College	Federal Work-Study Program	84.033	265,424.91	
Cleveland State Community College	Federal Work-Study Program	84.033	68,246.58	
Columbia State Community College	Federal Work-Study Program	84.033	64,313.03	
Dyersburg State Community College	Federal Work-Study Program	84.033	85,840.96	
East Tennessee State University	Federal Work-Study Program	84.033	748,117.29	
Jackson State Community College	Federal Work-Study Program	84.033	162,990.73	
Middle Tennessee State University	Federal Work-Study Program	84.033	762,076.51	
Motlow State Community College	Federal Work-Study Program	84.033	109,705.57	
Nashville State Technical Community College	Federal Work-Study Program	84.033	77,650.63	
Northeast State Technical Community College	Federal Work-Study Program	84.033	192,133.39	
Pellissippi State Technical Community College	Federal Work-Study Program	84.033	201,796.75	
Roane State Community College	Federal Work-Study Program	84.033	204,060.19	
Southwest Tennessee Community College	Federal Work-Study Program	84.033	490,897.67	
Tennessee State University	Federal Work-Study Program	84.033	1,194,475.07	
Tennessee Technological University	Federal Work-Study Program	84.033	367,939.84	
University of Memphis	Federal Work-Study Program	84.033	738,726.48	
University of Tennessee	Federal Work-Study Program	84.033	1,708,811.11	
Volunteer State Community College	Federal Work-Study Program	84.033	46,537.60	
Walters State Community College	Federal Work-Study Program	84.033	168,606.70	7,983,823.23

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Austin Peay State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	$ 1,398,037.38	
Columbia State Community College	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	4,940.17	
East Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	7,988,643.40	
Jackson State Community College	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	103,784.19	
Middle Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	3,021,492.91	
Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	1,752,830.41	
Tennessee Technological University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	2,840,659.96	
University of Memphis	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	2,794,912.35	
University of Tennessee	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	29,430,317.47	49,335,618.24
Austin Peay State University	Federal Pell Grant Program	84.063	$ 7,925,544.61	
Chattanooga State Technical Community College	Federal Pell Grant Program	84.063	7,667,057.79	
Cleveland State Community College	Federal Pell Grant Program	84.063	2,779,614.12	
Columbia State Community College	Federal Pell Grant Program	84.063	4,290,841.71	
Dyersburg State Community College	Federal Pell Grant Program	84.063	3,835,972.18	
East Tennessee State University	Federal Pell Grant Program	84.063	8,938,983.97	
Jackson State Community College	Federal Pell Grant Program	84.063	5,894,306.49	
Middle Tennessee State University	Federal Pell Grant Program	84.063	13,884,991.00	
Motlow State Community College	Federal Pell Grant Program	84.063	3,628,071.30	
Nashville State Technical Community College	Federal Pell Grant Program	84.063	5,644,011.69	
Northeast State Technical Community College	Federal Pell Grant Program	84.063	5,373,484.16	
Pellissippi State Technical Community College	Federal Pell Grant Program	84.063	6,303,910.01	
Roane State Community College	Federal Pell Grant Program	84.063	6,664,970.96	
Southwest Tennessee Community College	Federal Pell Grant Program	84.063	15,661,142.96	
Tennessee State University	Federal Pell Grant Program	84.063	11,213,985.96	
Tennessee Technological University	Federal Pell Grant Program	84.063	5,664,851.00	
University of Memphis	Federal Pell Grant Program	84.063	15,821,037.09	
University of Tennessee	Federal Pell Grant Program	84.063	21,265,579.44	
Volunteer State Community College	Federal Pell Grant Program	84.063	5,032,968.50	
Walters State Community College	Federal Pell Grant Program	84.063	7,187,044.09	164,678,369.03
Motlow State Community College	Federal Direct Student Loans	84.268	$ 898,678.00	
Tennessee State University	Federal Direct Student Loans	84.268	42,517,840.00	
Tennessee Technological University	Federal Direct Student Loans	84.268	14,957,532.00	
University of Memphis	Federal Direct Student Loans	84.268	69,098,687.00	127,472,737.00
Subtotal Department of Education				$ 629,290,802.02
Department of Health and Human Services				
Direct Programs				
East Tennessee State University	Health Professions Student Loans, Including Primary Care Loans/ Loans for Disadvantaged Students	93.342	$ 37,278.68	
University of Tennessee	Health Professions Student Loans, Including Primary Care Loans/ Loans for Disadvantaged Students	93.342	3,800,729.45	$ 3,838,008.13

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee State University	Nursing Student Loans	93.364	$ 15,657.94	
University of Tennessee	Nursing Student Loans	93.364	113,274.71	128,932.65
East Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	$ 6,145.00	
Middle Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	268,850.00	
Southwest Tennessee Community College	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	6,145.00	
Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	214,492.03	
University of Tennessee	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	152,866.00	648,498.03
Subtotal Department of Health and Human Services				$ 4,615,438.81
Total Student Financial Assistance Cluster				$ 633,906,240.83
Food Stamp Cluster				
Department of Agriculture				
Direct Programs				
Human Services	Food Stamps (Noncash Award)	10.551		$ 796,414,144.08
Human Services	State Administrative Matching Grants for Food Stamp Program	10.561	$ 30,100,202.00	
Labor and Workforce Development	State Administrative Matching Grants for Food Stamp Program	10.561	3,282,490.43	33,382,692.43
Subtotal Department of Agriculture				$ 829,796,836.51
Total Food Stamp Cluster				$ 829,796,836.51
Child Nutrition Cluster				
Department of Agriculture				
Direct Programs				
Education	School Breakfast Program	10.553		$ 37,979,593.82
Agriculture	National School Lunch Program (Noncash Award)	10.555	$ 18,884,331.00	
Education	National School Lunch Program	10.555	136,999,523.91	155,883,854.91
Education	Special Milk Program for Children	10.556		22,285.36
Human Services	Summer Food Service Program for Children	10.559		6,058,740.30
Subtotal Department of Agriculture				$ 199,944,474.39
Total Child Nutrition Cluster				$ 199,944,474.39

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Emergency Food Assistance Cluster			
Department of Agriculture			
Direct Programs			
Agriculture	Emergency Food Assistance Program (Administrative Costs)	10.568	$ 1,140,006.06
Agriculture	Emergency Food Assistance Program (Food Commodities) (Noncash Award)	10.569	7,457,711.00
Subtotal Department of Agriculture			$ 8,597,717.06
Total Emergency Food Assistance Cluster			$ 8,597,717.06
Schools and Roads Cluster			
Department of Agriculture			
Direct Programs			
Finance and Administration	School and Roads_Grants to States	10.665	$ 535,278.93
Subtotal Department of Agriculture			$ 535,278.93
Total Schools and Roads Cluster			$ 535,278.93
Section 8 Project-Based Cluster			
Department of Housing and Urban Development			
Direct Programs			
Tennessee Housing Development Agency	Section 8 Housing Assistance Payments Program_Special Allocations	14.195	$ 109,569,662.13
Tennessee Housing Development Agency	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	14.856	16,145.00
Subtotal Department of Housing and Urban Development			$ 109,585,807.13
Total Section 8 Project-Based Cluster			$ 109,585,807.13
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster			
Department of Housing and Urban Development			
Passed Through City of Memphis			
Tennessee State University	Community Development Block Grants/Entitlement Grants	14.218 / B-02-MC-47-0006	$ 4,929.09
Tennessee State University	Community Development Block Grants/Entitlement Grants	14.218 / B-03-MC-47-0006	34,790.01
Tennessee State University	Community Development Block Grants/Entitlement Grants	14.218 / B-04-MC-47-0006	878.56
Tennessee State University	Community Development Block Grants/Entitlement Grants	14.218 / B-96-MC-47-0006	176.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Memphis	Community Development Block Grants/Entitlement Grants	14.218 / 20336	381.16	
University of Memphis	Community Development Block Grants/Entitlement Grants	14.218 / 20339	3,029.06	
University of Memphis	Community Development Block Grants/Entitlement Grants	14.218 / N16877	11,924.76	
University of Memphis	Community Development Block Grants/Entitlement Grants	14.218 / N16878	11,353.88	$ 67,462.52
Passed Through Johnson City, Office of Community and Economic Development				
East Tennessee State University	Community Development Block Grants/Entitlement Grants	14.218 / 02-0200	$ 3,000.31	
East Tennessee State University	Community Development Block Grants/Entitlement Grants	14.218 / 03-0180	33,307.43	$ 36,307.74
Subtotal Department of Housing and Urban Development				$ 103,770.26
Total CDBG - Entitlement and (HUD-Administered) Small Cities Cluster				$ 103,770.26
Fish and Wildlife Cluster				
Department of the Interior				
Direct Programs				
Tennessee Wildlife Resources Agency	Sport Fish Restoration	15.605		$ 6,513,787.00
Tennessee Wildlife Resources Agency	Wildlife Restoration	15.611	$ 4,550,000.00	
University of Memphis	Wildlife Restoration	15.611	25,977.00	4,575,977.00
Subtotal Department of the Interior				$ 11,089,764.00
Total Fish and Wildlife Cluster				$ 11,089,764.00
Employment Service Cluster				
Department of Labor				
Direct Programs				
Labor and Workforce Development	Employment Service	17.207		$ 19,255,663.64
Labor and Workforce Development	Disabled Veterans' Outreach Program (DVOP)	17.801		1,115,771.46
Labor and Workforce Development	Local Veterans' Employment Representative Program	17.804		1,465,199.30
Subtotal Department of Labor				$ 21,836,634.40
Total Employment Service Cluster				$ 21,836,634.40
WIA Cluster				
Department of Labor				
Direct Programs				
Labor and Workforce Development	WIA Adult Program	17.258		$ 17,740,437.25
Labor and Workforce Development	WIA Youth Activities	17.259		21,707,006.12

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Labor and Workforce Development	WIA Dislocated Workers	17.260		20,101,560.24
Subtotal Direct Programs				$ 59,549,003.61
Passed Through City of Nashville				
Middle Tennessee State University	WIA Adult Program	17.258 / 15502		$ 29,120.89
Passed Through Knoxville Private Industry Council				
Pellissippi State Technical Community College	WIA Adult Program	17.258 / 99STO-3790/3800/3830/482	$ 109,033.92	
Pellissippi State Technical Community College	WIA Adult Program	17.258 / WIA-4-770	63,909.98	
Pellissippi State Technical Community College	WIA Adult Program	17.258 / WIA-4-780	50,948.88	223,892.78
Passed Through Southeast Tennessee Development District				
Chattanooga State Technical Community College	WIA Adult Program	17.258 / 332 80 03 321		83,914.00
Passed Through Texas Education Agency				
University of Tennessee	WIA Adult Program	17.258 / R011704003		48,315.14
Passed Through Upper Cumberland Human Resource Agency				
Volunteer State Community College	WIA Adult Program	17.258 / 03-07-999-116	$ 16,777.26	
Volunteer State Community College	WIA Adult Program	17.258 / 03-07-999-117	59,420.21	
Volunteer State Community College	WIA Adult Program	17.258 / 04-07-999-109	37,353.76	
Volunteer State Community College	WIA Adult Program	17.258 / 04-07-999-115	10,191.37	123,742.60
Volunteer State Community College	WIA Youth Activities	17.259 / 04-07-999-109	$ 14,006.96	
Volunteer State Community College	WIA Youth Activities	17.259 / 04-07-999-115	4,077.04	18,084.00
Volunteer State Community College	WIA Dislocated Workers	17.260 / 03-07-999-117	$ 11,886.89	
Volunteer State Community College	WIA Dislocated Workers	17.260 / 04-07-999-109	4,667.12	
Volunteer State Community College	WIA Dislocated Workers	17.260 / 04-07-999-115	6,111.92	22,665.93
Passed Through North Tennessee Private Industry Council				
Austin Peay State University	WIA Dislocated Workers	17.260 / C-99-0014		425.00
Subtotal Pass-Through Programs				$ 550,160.34
Subtotal Department of Labor				$ 60,099,163.95
Total WIA Cluster				$ 60,099,163.95
Highway Planning and Construction Cluster				
Department of Transportation				
Direct Programs				
Transportation	Highway Planning and Construction	20.205		$ 601,158,613.18
Subtotal Direct Programs				$ 601,158,613.18

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Bridge Technology, Incorporated			
Tennessee Technological University	Highway Planning and Construction	20.205 / NCHRP-12-62	$ 40,850.82
Passed Through Florida International University			
University of Tennessee	Highway Planning and Construction	20.205 / R011038078	300.24
Subtotal Pass-Through Programs			$ 41,151.06
Subtotal Department of Transportation			$ 601,199,764.24
Total Highway Planning and Construction Cluster			$ 601,199,764.24
Federal Transit Cluster			
Department of Transportation			
Direct Programs			
Transportation	Federal Transit_Capital Investment Grants	20.500	$ 688,506.40
Subtotal Department of Transportation			$ 688,506.40
Total Federal Transit Cluster			$ 688,506.40
Highway Safety Cluster			
Department of Transportation			
Direct Programs			
Transportation	State and Community Highway Safety	20.600	$ 2,969,430.74
Transportation	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	2,045,491.12
Transportation	Occupant Protection	20.602	329,625.97
Transportation	Federal Highway Safety Data Improvements Incentive Grants	20.603	524,394.03
Transportation	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	6,931,562.26
Subtotal Direct Programs			$ 12,800,504.12
Passed Through University of Toledo			
University of Tennessee	State and Community Highway Safety	20.600 / R012814017	$ 5,524.18
Subtotal Pass-Through Programs			$ 5,524.18
Subtotal Department of Transportation			$ 12,806,028.30
Total Highway Safety Cluster			$ 12,806,028.30

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Special Education Cluster (IDEA)				
Department of Education				
Direct Programs				
Education	Special Education_Grants to States	84.027		$ 188,781,267.03
Education	Special Education_Preschool Grants	84.173		6,602,104.18
Subtotal Department of Education				$ 195,383,371.21
Total Special Education Cluster (IDEA)				$ 195,383,371.21
TRIO Cluster				
Department of Education				
Direct Programs				
Austin Peay State University	TRIO_Student Support Services	84.042	$ 254,398.54	
Dyersburg State Community College	TRIO_Student Support Services	84.042	307,899.25	
East Tennessee State University	TRIO_Student Support Services	84.042	253,961.98	
Middle Tennessee State University	TRIO_Student Support Services	84.042	239,033.13	
Northeast State Technical Community College	TRIO_Student Support Services	84.042	259,000.05	
Pellissippi State Technical Community College	TRIO_Student Support Services	84.042	255,985.34	
Tennessee State University	TRIO_Student Support Services	84.042	254,998.78	
University of Tennessee	TRIO_Student Support Services	84.042	617,031.51	$ 2,442,308.58
East Tennessee State University	TRIO_Talent Search	84.044	$ 244,653.69	
Middle Tennessee State University	TRIO_Talent Search	84.044	209,629.40	
Tennessee State University	TRIO_Talent Search	84.044	233,288.57	687,571.66
Austin Peay State University	TRIO_Upward Bound	84.047	$ 850,697.54	
Dyersburg State Community College	TRIO_Upward Bound	84.047	272,315.49	
East Tennessee State University	TRIO_Upward Bound	84.047	935,069.82	
Southwest Tennessee Community College	TRIO_Upward Bound	84.047	391,355.41	
Tennessee State University	TRIO_Upward Bound	84.047	156,305.97	
University of Tennessee	TRIO_Upward Bound	84.047	1,733,801.46	4,339,545.69
Austin Peay State University	TRIO_Educational Opportunity Centers	84.066	$ 315,102.82	
East Tennessee State University	TRIO_Educational Opportunity Centers	84.066	206,909.79	
Southwest Tennessee Community College	TRIO_Educational Opportunity Centers	84.066	205,501.71	
University of Tennessee	TRIO_Educational Opportunity Centers	84.066	689,555.91	1,417,070.23
East Tennessee State University	TRIO_McNair Post-Baccalaureate Achievement	84.217	$ 260,067.74	
Middle Tennessee State University	TRIO_McNair Post-Baccalaureate Achievement	84.217	208,260.13	
University of Tennessee	TRIO_McNair Post-Baccalaureate Achievement	84.217	561,695.43	1,030,023.30
Subtotal Department of Education				$ 9,916,519.46
Total TRIO Cluster				$ 9,916,519.46

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Aging Cluster				
Department of Health and Human Services				
Direct Programs				
Commission on Aging and Disability	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044		$ 7,432,300.00
Commission on Aging and Disability	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045		11,316,039.00
Commission on Aging and Disability	Nutrition Services Incentive Program	93.053		1,787,900.00
Subtotal Department of Health and Human Services				$ 20,536,239.00
Total Aging Cluster				$ 20,536,239.00
Consolidated Health Centers Cluster				
Department of Health and Human Services				
Direct Programs				
East Tennessee State University	Community Health Centers	93.224	$ 175,998.84	
Health	Community Health Centers	93.224	1,520,356.16	$ 1,696,355.00
Subtotal Department of Health and Human Services				$ 1,696,355.00
Total Consolidated Health Centers Cluster				$ 1,696,355.00
CCDF Cluster				
Department of Health and Human Services				
Direct Programs				
Human Services	Child Care and Development Block Grant	93.575		$ 114,177,203.47
Human Services	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		63,987,368.02
Subtotal Direct Programs				$ 178,164,571.49
Passed Through United Way of America				
University of Tennessee	Child Care and Development Block Grant	93.575 / R011210086		$ 29,528.51
Subtotal Pass-Through Programs				$ 29,528.51
Subtotal Department of Health and Human Services				$ 178,194,100.00
Total CCDF Cluster				$ 178,194,100.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Medicaid Cluster				
Department of Health and Human Services				
Direct Programs				
Tennessee Bureau of Investigation	State Medicaid Fraud Control Units	93.775		$ 1,983,283.98
Health	State Survey and Certification of Health Care Providers and Suppliers	93.777		6,394,517.36
Finance and Administration	Medical Assistance Program	93.778	$ 4,949,634,783.11	
University of Tennessee	Medical Assistance Program	93.778	17,922,185.24	4,967,556,968.35
Subtotal Department of Health and Human Services				$ 4,975,934,769.69
Total Medicaid Cluster				$ 4,975,934,769.69
Disability Insurance/SSI Cluster				
Social Security Administration				
Direct Programs				
Human Services	Social Security_Disability Insurance	96.001		$ 37,971,689.43
Subtotal Social Security Administration				$ 37,971,689.43
Total Disability Insurance/SSI Cluster				$ 37,971,689.43
Grand Total Federal Assistance				$ 10,270,118,721.24

N.A. = Not Available

The accompanying notes are an integral part of this schedule.

State of Tennessee
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2004

NOTE 1. PURPOSE OF THE SCHEDULE

The Single Audit of the State of Tennessee for the year ended June 30, 2004, was conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* which requires a disclosure of the financial activities of all federally funded programs. To comply with the circular, the Department of Finance and Administration required each department, agency, and institution that expended direct or pass-through federal funding during the year to prepare a schedule of expenditures of federal awards and reconciliations with both the state's accounting system and grantor financial reports. The schedules for the departments, agencies, and institutions were combined to form the Schedule of Expenditures of Federal Awards for the State of Tennessee. The schedules for the technology centers have been combined with the schedules for their lead institutions.

NOTE 2. BASIS OF ACCOUNTING FOR PRESENTATION OF SCHEDULE

The basis of accounting for the Schedule of Expenditures of Federal Awards is principally the cash basis, except accrued payroll for the pay period June 16 to 30 is treated as cash disbursements for purposes of this schedule.

NOTE 3. UNEMPLOYMENT INSURANCE

State unemployment tax revenues and other payments and revenues are combined with federal funds and used to pay benefits under the Unemployment Insurance (CFDA 17.225) program. The state and federal portions of the total expenditures reported in the Schedule of Expenditures of Federal Awards were $508,310,440 and $142,874,730, respectively.

NOTE 4. LOAN AND LOAN GUARANTEE PROGRAMS

Federal Perkins Loan Program_Federal Capital Contributions (CFDA 84.038); Nurse Faculty Loan Program (NFLP) (CFDA 93.264); Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (CFDA 93.342); and Nursing Student Loans (CFDA 93.364): Institutions of higher education within the State reporting entity administer these federal student loan programs. Expenditures of federal awards in the accompanying Schedule of Expenditures of Federal Awards include the value of new loans made during the year, the balance of loans from previous years with continuing federal compliance requirements, and administrative cost allowances.

Loan balances outstanding at year-end:

Program	CFDA #	Amount Outstanding
Federal Perkins Loan Program_Federal Capital Contributions	84.038	$48,552,872.24
Nurse faculty Loan Program (NFLP)	93.264	$11,808.00
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	$3,838,008.13
Nursing Student Loans	93.364	$128,932.65

Federal Family Education Loans (CFDA 84.032) and Federal Direct Student Loans (CFDA 84.268): The loans under these programs are made by outside lenders to students at institutions of higher education within the State reporting entity. The institutions are responsible for certain administrative requirements for new loans. As a result, the value of loans made during the year and administrative cost allowances are recognized as expenditures of federal awards in the accompanying Schedule of Expenditures of Federal Awards. The balance of loans for previous years is not included because the lender accounts for the prior balances.

The Federal Family Education Loans are insured by the Tennessee Student Assistance Corporation (TSAC), a component unit. At June 30, 2004, the insured loans outstanding totaled $4,712,536,071. Expenditures of the federal award to TSAC for administrative cost allowances and payments on defaulted loans are reported in the unclustered section of the accompanying Schedule of Expenditures of Federal Awards.

Finding Index

Finding Number	Page Number	Finding Number	Page Number	Finding Number	Page Number
04-APSU-01	157	04-DFA-17	246	04-LWD-05	93
04-APSU-02	163	04-DHS-01	104	04-TCRS-01	27
04-DCS-01	19	04-DHS-02	117	04-TDH-01	61
04-DCS-02	134	04-DHS-03	126	04-TDH-02	71
04-DCS-03	140	04-DHS-04	168	04-TDH-03	75
04-DCS-04	144	04-DHS-05	121	04-TDH-04	78
04-DCS-05	148	04-DHS-06	131	04-TDH-05	80
04-DCS-06	146	04-DHS-07	106	04-TDH-06	82
04-DFA-01	22	04-DHS-08	167	04-TDH-07	83
04-DFA-02	25	04-DHS-09	181	04-TDH-08	85
04-DFA-03	186	04-DHS-10	108	04-TDH-09	111
04-DFA-04	34, 189	04-DHS-11	133	04-TDH-10	113
04-DFA-05	40, 195	04-DHS-12	170	04-TDH-11	115
04-DFA-06	42, 197	04-DHS-13	123	04-TDT-01	29
04-DFA-07	52, 207	04-DHS-14	109	04-THDA-01	171
04-DFA-08	211	04-DHS-15	124	04-TSAC-01	101
04-DFA-09	56, 221	04-DHS-16	183	04-UTK-01	156
04-DFA-10	225	04-DOE-01	99	04-UTM-01	159
04-DFA-11	228	04-DOM-01	152	04-UTM-02	161
04-DFA-12	232	04-DOT-01	32, 179	04-UTM-03	165
04-DFA-13	234	04-LWD-01	177	04-UTS-01	154
04-DFA-14	237	04-LWD-02	87		
04-DFA-15	241	04-LWD-03	91		
04-DFA-16	243	04-LWD-04	96		

State Departments, Agencies, and Universities Index

APSU	Austin Peay State University	TCRS	Tennessee Consolidated Retirement System
DCS	Department of Children's Services	TDH	Department of Health
DFA	Department of Finance and Administration	TDT	Department of the Treasury
DHS	Department of Human Services	THDA	Tennessee Housing Development Agency
DOE	Department of Education	TSAC	Tennessee Student Assistance Corporation
DOM	Military Department of Tennessee	UTK	University of Tennessee Knoxville
DOT	Department of Transportation	UTM	University of Tennessee Memphis
LWD	Department of Labor and Workforce Development	UTS	University of Tennessee System